ENI CBCMED Cooperating across borders in the Mediterranean

Project funded by the EUROPEAN UNION

REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

aitex textile research institute

Modacc clúster català de la moda

CRE@CTIVE

Business survey on MSMEs cluster and CCI cluster in SPAIN

Mapping the ecosystems of formal and informal innovation providers.

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CRE@CTIVE

BACKGROUND

The European Project CRE@CTIVE (2021-2023) seeks to activate the MED textile, clothing, leather and footwear sectors (T&C&L&F in advance) by bosting the creativity as a key for increasing economic opportunities for MSMEs, stimulating growth through technological, managerial and operational innovation by connecting these sectors with creative industries.

In this context, AITEX, as lead beneficiary, has developed a study collecting the needs from T&C&L&F MSMEs companies and the capacities and the resources from the CCIs located in the Spanish Med territories with the cooperation of MODACC and IVACE.

AIMS

1. To have an exhaustive study that allows to analyze the current situation of the sectors involved in the project CRE@CTIVE in the Spanish Mediterranean territory.
2. Establish a diagnosis that allows to know the potential and the impact of each sector, so that in a next analysis we can compare the results with other territories.
3. Help to focus new cross-border business models, establishing alliances between different territories making up for the weaknesses of some with the strengths of others.

Methodology employed for data collection.

The collection of information for the development of this quantitative research has been carried out through surveys of MSMEs in the T&C&L&F sector in the Spanish Med Territories.

The quantitative methodology is ideal to obtain safe and reliable information that provides a reduction of the risks in their interpretation and use in decision-making.

- **UNIVERSE** companies of the Spanish Med territories with code of main activity (IAE 43, 44, 45 Textile, leather and clothing & footwear industries, respectively).
- **TECHNICAL** telephone survey of maximum duration 10 minutes, using a structured questionnaire of 7 closed questions.
- **SAMPLE SIZE** 277 companies, which implies operating with a statistical error of 4% with respect to the total of companies of these sectors, within a confidence interval of 95.
- **CLASSIFICATION OF THE SAMPLE** The study has focused on the companies fall in the UNIVERSE and from different size, to bring it as close to the reality of the market as possible.

size	Number employees
Micro	1-10
Small	11-50
Medium	55-350

European Commission Enterprise classification

Starting fees

The source used to obtain the database of companies and the information necessary to carry out the classification has been the Iberian Balance Analysis System (SABI) with the latest data available in the Commercial Register.

This database has a total of 2190 companies with the following characteristics:

Economical activity	
43: Textile industry	674
44: leather industry	139
45: Footwear and clothing industry	1377

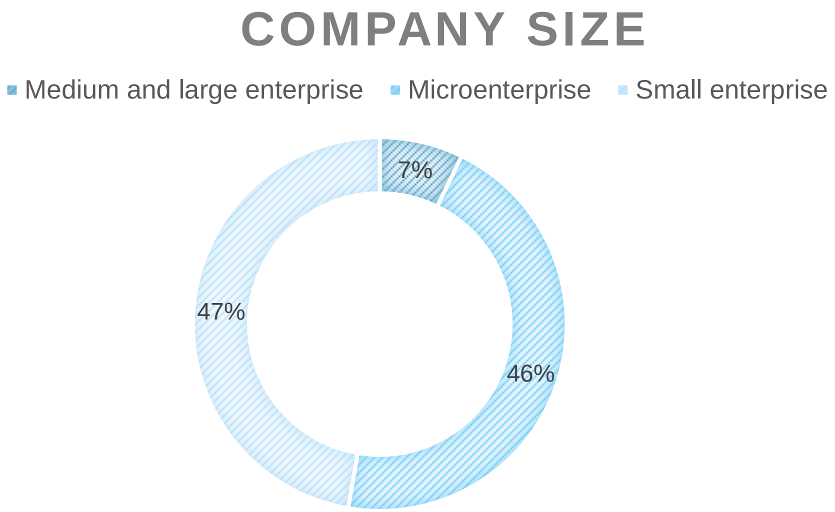
Company size	
Medium	203
Microenterprise	872
Small	1115

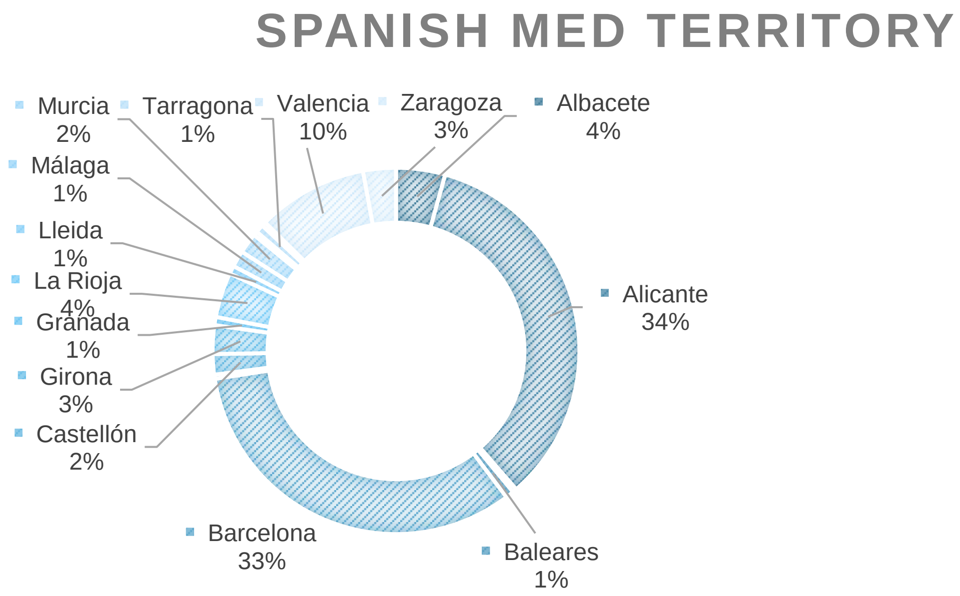
Med Territory			
Alicante	698	Barcelona	653
Valencia	222	Girona	53
Castellón	33	Tarragona	21
Zaragoza	62	Lleida	16
Teruel	5	Albacete	78
Huesca	5	Cuenca	5
Málaga	33	La Rioja	98
Granada	23	Murcia	89
Almería	6	Baleares	43
Burgos	22	Navarra	25

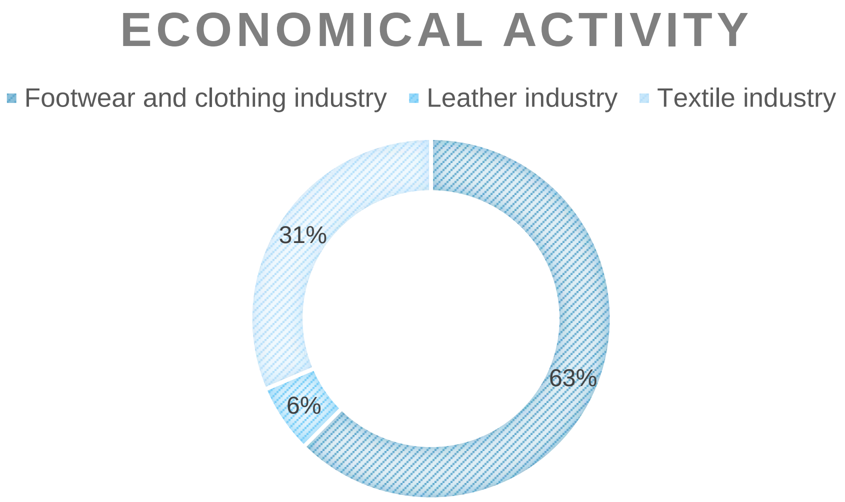
The criterion for selecting the interviewee has been random, trying to have a distribution of the sample by economic activity.

43: Textile industry	102
44: Leather industry	20
45: Footwear and clothing industry	178

Sample characteristics (N=277)

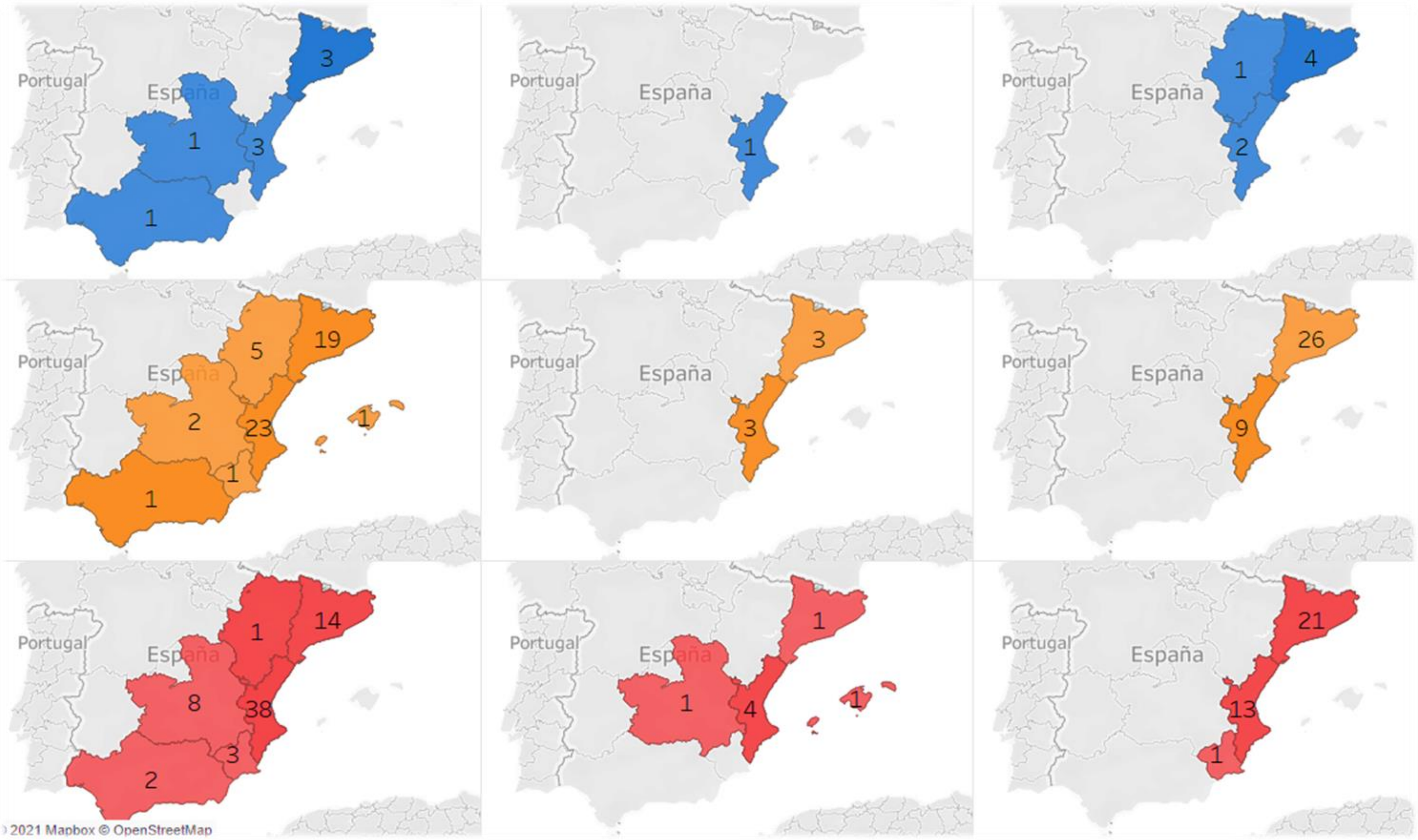






Sample characteristics (N=277)

SAMPLE MAPPING



Footwear and clothing industry

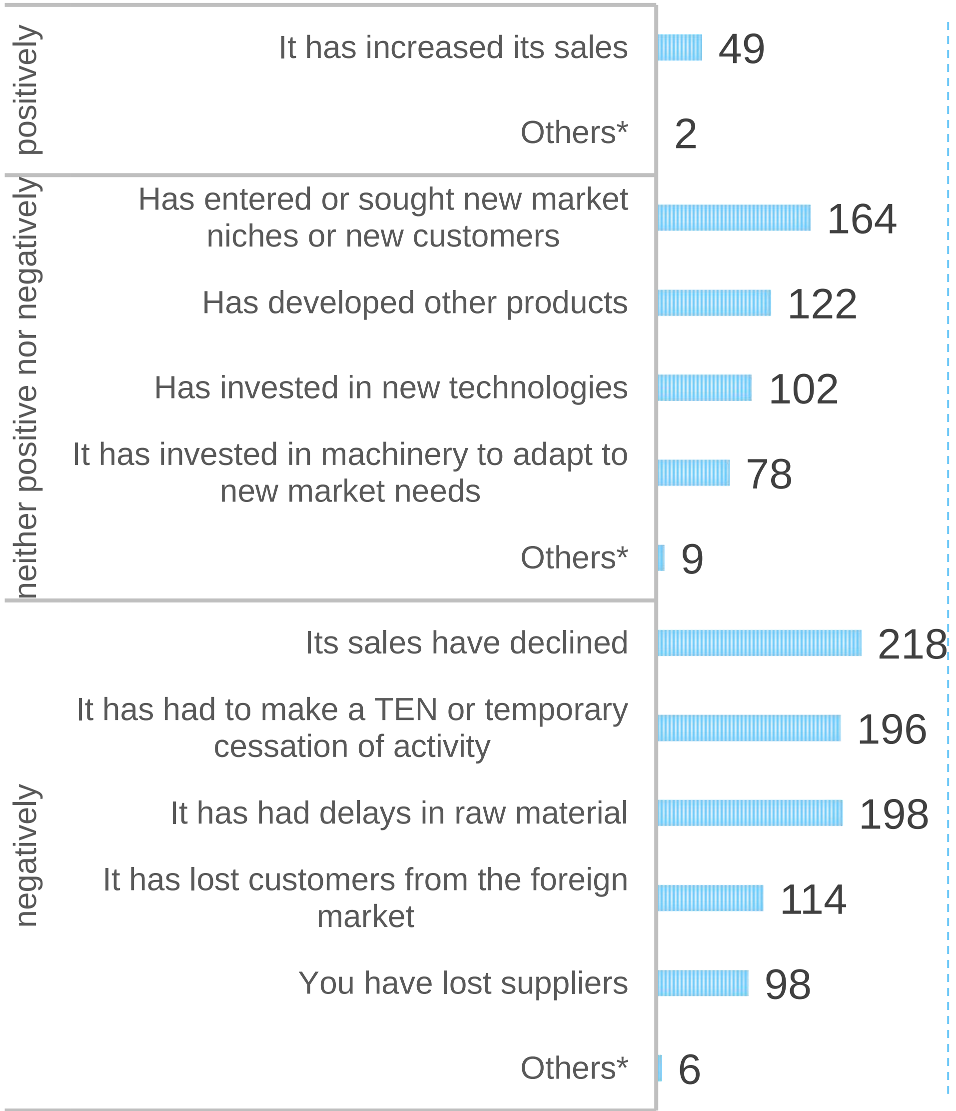
Leather industry

Textile industry

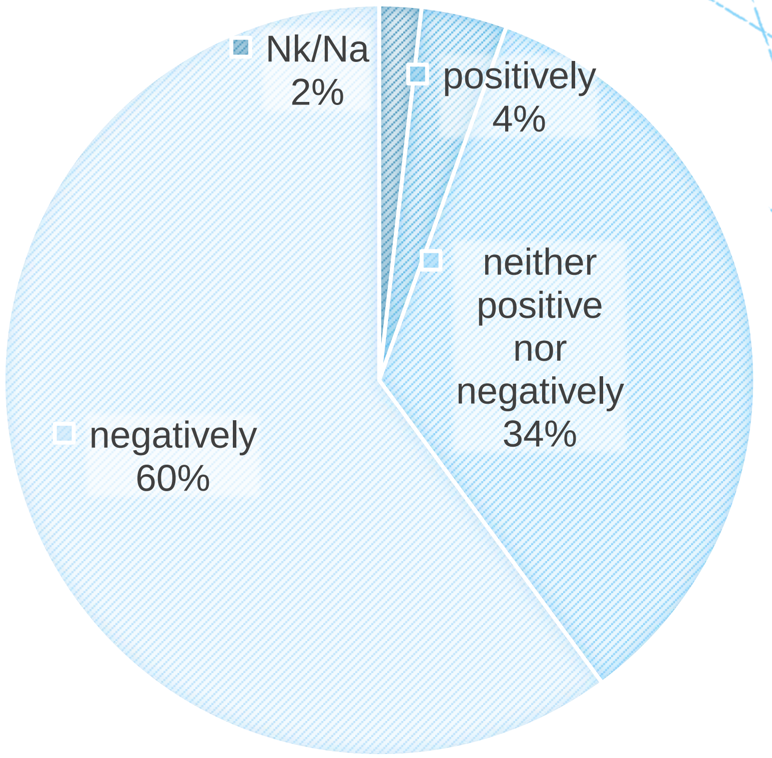
- Medium and large enterprise
- Microenterprise
- Small enterprise

CRE@CTIVE

COVID-19 AFECTION



Total of interviewed companies : 277



* OTHERS:

The need has driven them to improve
Accelerate digitization. Open foreign markets worldwide
The total balance is that Covid has not had any conditions
Manufacture of Gowns and Mask
Investing in new forms of production
Health sales went up, hospitality went down
Loss of sales due to delays
Raw material cost incrementation
Has to be closed
They have had to refurbish all the staff
Someone of the company's staff has died
Project delays

EXECUTIVE SUMMARY

After the study carried out on Spanish SMEs in the textile, leather, footwear and clothing sectors, it can be assured that:

- There is still a lot of awareness-raising work to be regarding with sustainability because the measures applied are quite superfluous, since they are pure marketing strategy.
- In recent years they have not invested in resources: new technologies, recruitment or talent development.
- On the other hand, the development of research and development work is not covered. The most common reasons are: lack of staff, lack of training and for economic reasons.
- Its strengths are creativity and design, knowledge about its local market and the quality and prestige of its products and / or brands.
- The 60% of the companies interviewed has been affected negatively against COVID-19 pandemic. This situation has affected in different ways to each sector and company size. For leather industry, this situation has not been so negative as has lost less providers than the rest of sectors and medium-sized companies has invested in machinery for developing new products as masks highlighting this as a positive input.

EXECUTIVE SUMMARY

For the treatment of information, in addition to a general exploitation, crossings have been made according to the following variables: enterprise size classification and economical activity.

This has shown that:

- Medium-sized companies invest more in development and innovation, are more aware of environmental regulations, their company policies are more inclusive (they have an equality plan), invest more in assets such as new technologies and contribute to the talent of human capital.
- On the one hand, companies in the leather sector differ from the rest by having more interest in innovation development activities, having an egalitarian business policy and hiring staff. In addition to being more aware in the care of the environment.
- On the other hand, in relation to creativity, the results have shown that companies in the footwear and clothing sector have greater interest than the other two sectors (textile and leather).

CONCLUSIONS

IDENTIFICATION OF THE TRADITIONAL SECTORS (TEXTILE & CLOTHING, FOOTWEAR AND LEATHER) IN THE MED AREA (TUNISIA, PALESTINE, EGYPT, JORDAN, ITALY AND SPAIN)

METHODOLOGY

Step 1 — Environmental Analysis: identification of factors

SURVEYS FROM SMEs & CCIs

- P POLITICS
- E ECONOMIC
- S SOCIAL & CULTURAL
- T TECHNOLOGY
- E ENVIRONMENT
- L LEGAL

→ RESULT: OPPORTUNITIES AND THREATS

Step 2 — Internal Analysis of the sector

SURVEYS FROM SMEs & CCIs → RESULT: STRENGTHS AND WEAKNESSES

Step 3 — SWOT (WEAKNESSES, THREATS, STRENGTHS AND OPPORTUNITIES)

Step 1 | Environmental Analysis: identification of factors

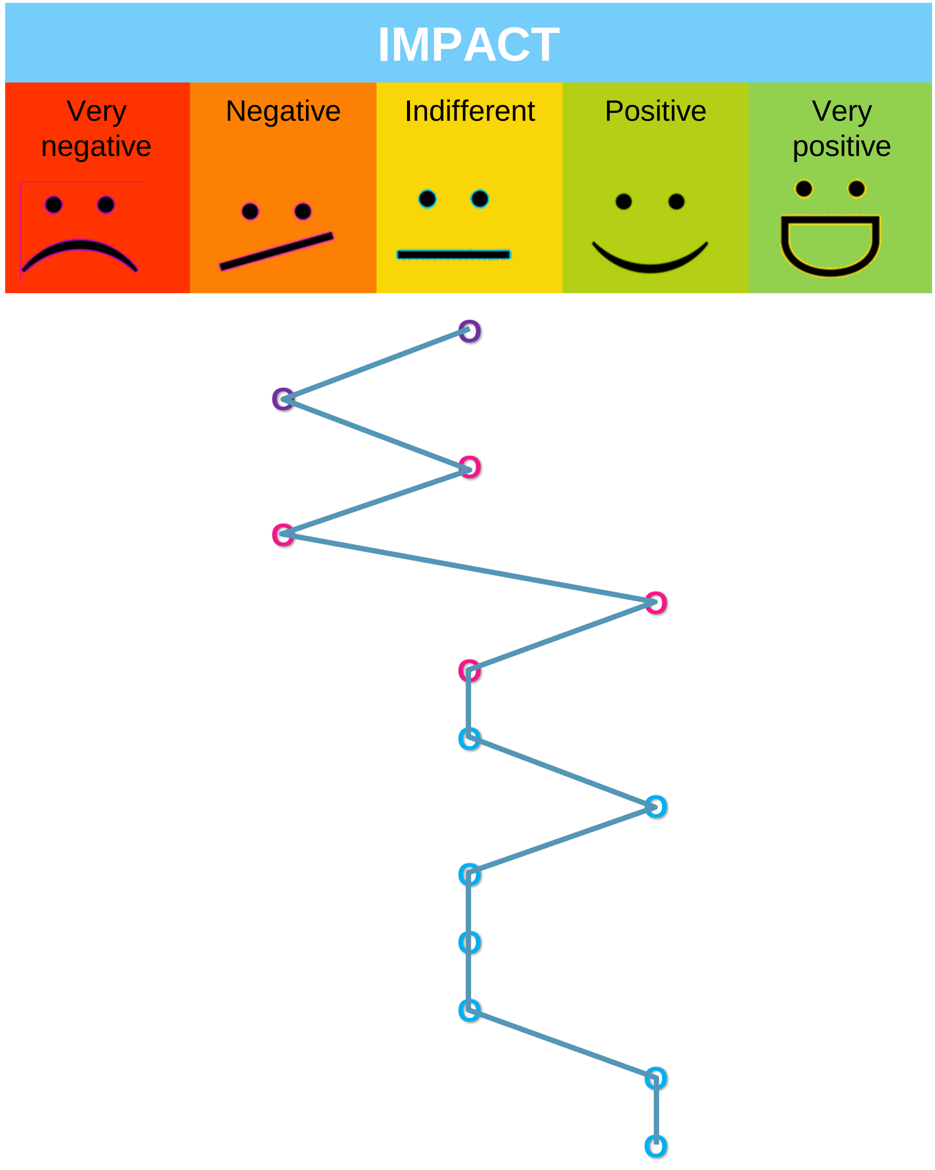
EXTERNAL ELEMENTS WHICH AFFECT TRADITIONAL SECTORS

- **P** Political
- **E** Economic
- **S** Social
- **T** Technical
- **E** Environment
- **L** Legal

CRE@CTIVE

**Evaluation obtained through the interviews carried out*

FACTORS	DETAILS
Political	Policies to support investment, R&D and entrepreneurship
	Political instability. Government changes
Economic	Availability of external investors (public and private)
	Price stability
	Access to funding or availability of grants
	Decrease of the unemployement
Social	Recent development of equality
	Expansion of online commerce and e-commerce
	Influence of famous people: influencers, sport players, athletes, it-girls…
	Physical image, beauty and lifestyle concerns
	Trending change from the consumer side, products with shorter lifetime.
	Customization and exclusivity of the product trend, asked by costumers
	Globalization



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*Evaluation obtained through the interviews carried out

FACTORS	DETAILS	IMPACT: Very negative	IMPACT: Negative	IMPACT: Indifferent	IMPACT: Positive	IMPACT: Very positive
Technical	Increasing digitalization and system connectivity				O	
	Emergent technologies investment				O	
	Process automatization				O	
	Social media and internet expansion				O	
Environment	Waste disposal restrictions and control				O	
	Existence of certifications on eco-sustainable and environmentally respectable practices, such as SteP, ISO14001, OEKO-Tex, ECO PASSPORT, MadeInGreen...				O	
	Socio-environmental pressure from customers			O		
Legal	Extension of the TENs due to force majeure and exemption from contributions to the social security system (SS). during the Extension in the Record of Temporary Employment Regulation (ERTE).				O	
	Deduction of Corporation Tax for R&D activities and technological innovation activities			O		
	Deferment in the payment of contributions to the SS provided for in RDL 11/2020 to companies				O	
	Facilities to face the lease of commercial premises for SMEs and self-employed			O		
	Deferral of tax debts corresponding to tax returns-settlements and self-				O	

Step 2 — Internal Analysis of the sector: Resources and know-Based View

RESOURCES		
R1	Human resources	-
R2	Business culture	-
R3	Technology	-
R4	Tangible resources	-

CAPABILITIES		
C1	Creativity	+
C2	Environmental	-
C3	Geographic diversification	
C4	Innovation	-
C5	Production chain	-
C6	Material disposal	-
C7	Certification	+
C8	Prestige	+

Superfluous strenghts

C1: Combining the traditional with the creative

Key strenghts

C1: The design has a important role in these industries.

C3: Promotion of the local market

C5: Local production for carbon footprint reduction.

C8: Enterprises well considered with a important brands.

C7: Have certified products.

Irrelevant zone

Key weaknesses

R1: No acquisition of new talent

R2: There is not an equality plan implemented, the roles associated to gender are strong

R3: Lack of investment in new technologies in the production chain.

R4: Poor investment in assets

C2: Lack of awareness for the environment. They are trailing trends.

C4: Lack of promotion of R&D activities.

C6: Lack of innovation in materials development .*

** Exception on Leather industry*

Step 3

SWOT (WEAKNESSES, THREATS, STRENGTHS AND OPPORTUNITIES)

W

WEAKNESSES

• Industry mainly composed of M**SMEs**, a factor that conditions business capacity and investment in innovation, positioning, and internationalization.
• Fragmentation of the sector in an **extensive value chain, and poorly integrated**.
• Small companies **weak in operations** and with **low negotiating power** with both customers and suppliers
• high external **dependence** on raw materials.
• **Price** of raw materials and energy.
• **High-cost structure** in a globalization context
• **Low cooperation** between members of the value chain.
• **Lack of professionalization** in the sector, difficulties in making the generational change, and in catch new talent.
• **Scarce training for middle managers** in the sector.
• Need to recycle current workers with **knowledge** that takes advantage **of new technologies** in order to optimize processes.
• **Low international relevance** of MSMEs in the sector derived from the size of the business itself.
• **Scarce investment** in the renewal of industrial technologies, the promotion of Industry 4.0, and sectorial digitization.
• Lack of adaptation to the new distribution/selling channels.
• **Resistance to change** in companies with **less culture of innovation** to respond to changes in relation to consumer behavior, distribution platforms, and technological changes, among others.
• **Need** for a big **investment in R + D + i** in new materials.
• **Uncoordinated public initiatives** to support the sector, usually unfocused and with a lack of capillarity among SMEs.

T

THREATS

- Creation of **new business** models with a technology base
- **Changes** in the distribution model (eg, decline of multi-brand stores)
- Companies very focused on the product and not on the commercialization.
- Strong dependence on large companies in the sector.
- The increasing importance of **new sales channels** with an impact on the entire value chain and adaptation to new consumer demands (transparency, experience, ext)
- **Polarization** of the **national offer** in the retail sector in four large companies
- Progressive **devaluation** of the textile product in the market in recent years.
- Growing need for **new specialized profiles** in new technologies applied to the sector, internationalization, etc.
- Growing **positioning** in Spain of leading **foreign companies** (Primark, H&M, UNIQULO ...)
- **Competing** countries with strong country brands such as **Italy and France**.
- **Neoprotectionism** in some international markets.
- Increasing **competition** from other European producing countries (which, by having lower wage costs, and having a clear technological commitment, are taking a greater **market** share as suppliers of, for example, distribution brands such as Turkey, Portugal and the East).
- Necessary Investments to **adapt** to new requirements related to **energy efficiency and environmental pollution**.
- Collapse in the **supply chain** (materials, suppliers, and transport) as a consequence of the pandemic.
- **Digital difference** between the **big players** and **SMEs** in the sector.
- • **Setback in international trade** as a consequence of the pandemic.

S

STRENGHTS

- Textile **tradition**, **creativity**, and **design** talent
- **Flexibility, agility, and adaptability**.
- **Quality** craft industry
- **Competitiveness** in prices, materials, designs, and quality service
- Existence of important **clusters, national business groups, and collaborating entities** with the capacity to coordinate and align efforts.
- **Public-private collaboration** to develop training campaigns and catch new talents.
- Important number of **brands**.
- Collaboration between **training institutions and companies**, to design training plans adapted to the needs of the sector
- Positioning recognized internationally in technical textiles.
- Closeness to the **European market** and export dynamism in the last two decades.
- Capacity for **innovation** in business models, segments, and products.
- **ICTs** with a positive penetration on the industry.
- Experienced working force.
- **Environmental/health/workforce** issues are respected.

O

OPPORTUNITIES

- Increased **efficiency** - process improvement through **training and digitization**.
- Recovery of the previously relocated production processes and recovery of the **proximity production** to streamline supply.
- Use the **technology** to reduce batch sizes, time to market, and supply chain integration.
- **Alignment** and joint work of all **public and private agents** related to the sector.
- Creation of regional and global brands.
- Development of **industry 4.0** and **omnichannel** and the combination with **crafts**
- Creation of a differentiated brand division that generates experiences
- Bet on innovation, approach to new segments, and development of new niches
- New marketing focused on growth (**growth hacking**)
- Alignment of **training** with the companies needs
- Strengthening and prestige of professional training and recovery of crafts, pattern makers, embroiderers, dressers, dressmakers, etc.
- Support for **young creative and technological talent** linked to the sector that exists in Spain.
- Creation of **transversal collaboration projects** between **companies in the sector, technology centers, and universities** to face great future challenges.
- Development the **circular economy** (materials, processes, business models, others).
- Promotion of the circular economy and **sustainability** in brands as a factor of competitive differentiation.
- Changes in consumer preferences in relation to products and production processes, creating **new market niches** to respond to.
- **Simplification of processes, disintermediation**, and access to the final consumer to gain market and margin.
- Impulse to leave the comfort zone and develop new products (for example sanitary ware) due to market pressures caused by COVID.

CONCLUSIONS

This study analyses the current situation of the Mediterranean sectors of the Iberian Peninsula, making a diagnosis of the potential and impact of these sectors. This diagnosis will then allow a comparative evaluation with the rest of the Mediterranean territories involved in the project. In this way, the approach of the new business models created during the execution of the project will take the right direction to serve as a tool for economic impulse of these sectors.

Therefore, the knowledge of the **strengths** will allow to take the **opportunities** offered by the market by focusing the new action plans in a way that covers at the same time the **needs** (weaknesses) of the sectors and face the **threats** with a competitive value proposition.

For that purpose, these key aspects will then be highlighted, such as the needs of the sectors in Spain in order, in the future, to be able to reinforce them with the business models that will be established, which will be based on the promotion of the value chain and cross-border alliances backed by creativity and innovation.

CONCLUSIONS

STRENGTHS:

- Combination of creativity and design with the traditional, allowing an agile process of adaptation to the demands of the market.
- Organisation of the sector into clusters or identities allowing flexibility in European and local market access.
- Constant collaboration between public and private entities makes it possible to bring policy closer to the industrial world.
- Competent sectors bearing in mind respect for health, environmental and labour issues.

WEAKNESSES:

93% of the companies surveyed were micro and small enterprises, being a real representation of the current situation. The weakness of this type of company is its low economic capacity compared to large companies, which leads to:

- Low investment capacity in assets, technology, innovation and training. Because of this there is a lack of professionalization.
- They have no decision-making power and, therefore, create a total dependence on their customers or suppliers. That is why they cannot implement plans to alleviate personal concerns, such as environmental concerns or equality. Only if your customers request it.
- Decline in international trade .

CONCLUSIONS

OPPORTUNITIES

- Current trends in industry 4.0 and the circular economy.
  - The penetration of ICTs in the industry allows to eliminate intermediates having a direct relationship with the final consumer and simplifying the process.
  - Training and digitalization allows a reduction of the integration time in the production chain or the lot size and therefore, increase efficiency.
- Collaborations or synergies:
  - Projects of transversal collaboration company and technological centers and/or universities.
  - Alignment training with the need of the company.
  - Support of young, creative and technological talent.
- COVID-19 has led to:
  - A production of proximity.
  - Promote an exit from the comfort zone, accessing new markets such as medical devices.

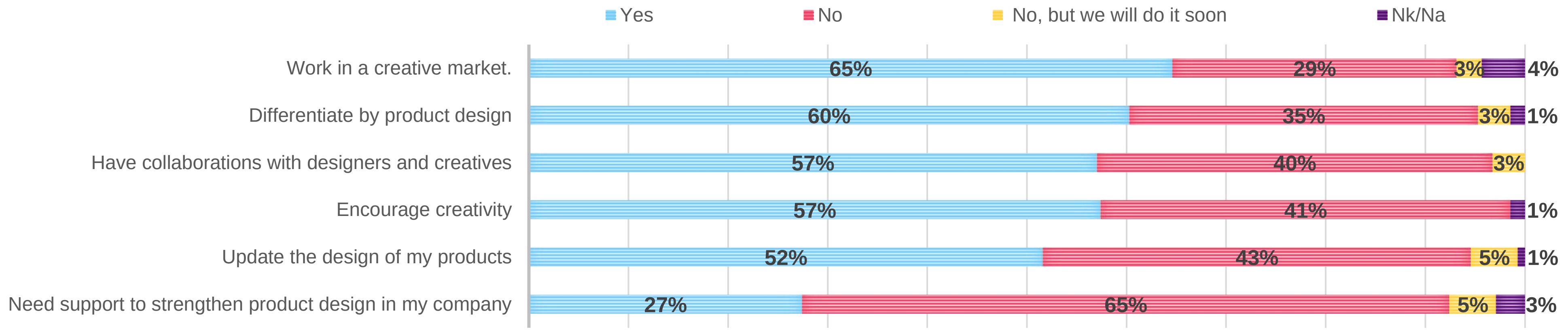
THREATS

- Business and distribution models change with high frequency.
- Foreign competitors with brands valued by customers or more productively efficient (China and Turkey).
- Energy efficiency.
- Progressive devaluation of the product
- Dependence of the production chain on external agents.

ANNEXES

ANNEXES

CREATIVITY

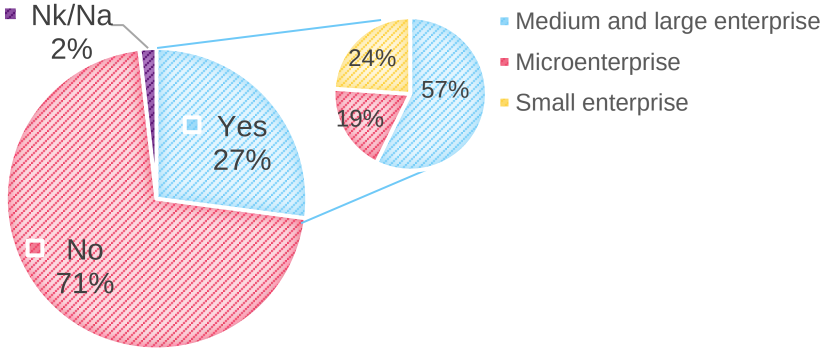


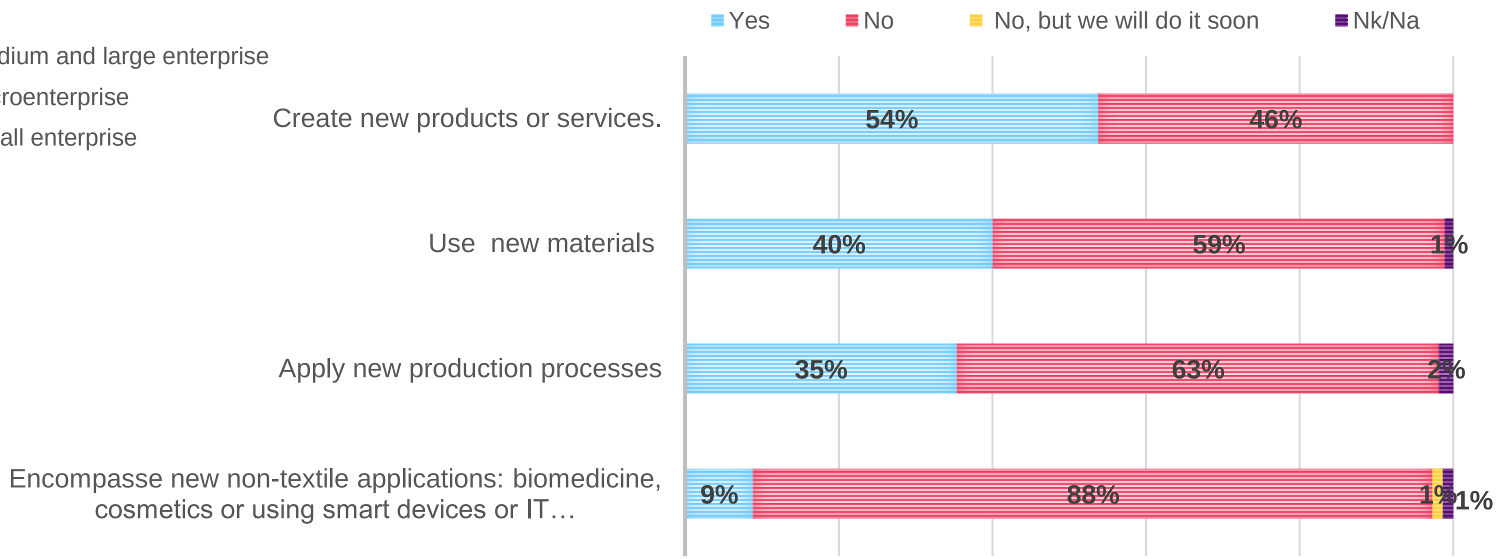
7 out of 10 companies interviewed say they work in a creative market, giving importance to product design and promoting creativity. They also say that they have already collaborated with designers and creative entities.
That is why only 27% of those admit that they need help to reinforce this value in the company.

ANNEXES

INNOVATION

DEVELOP R&D PROJECTS



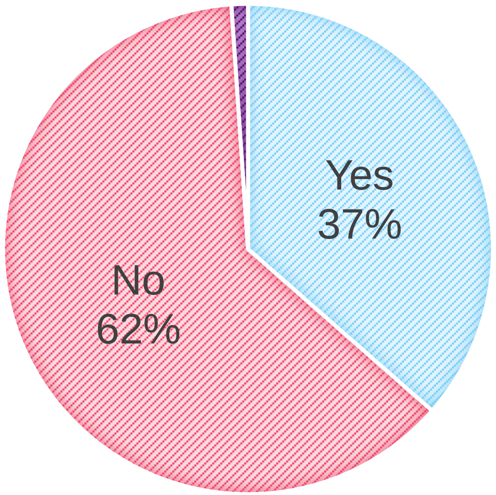


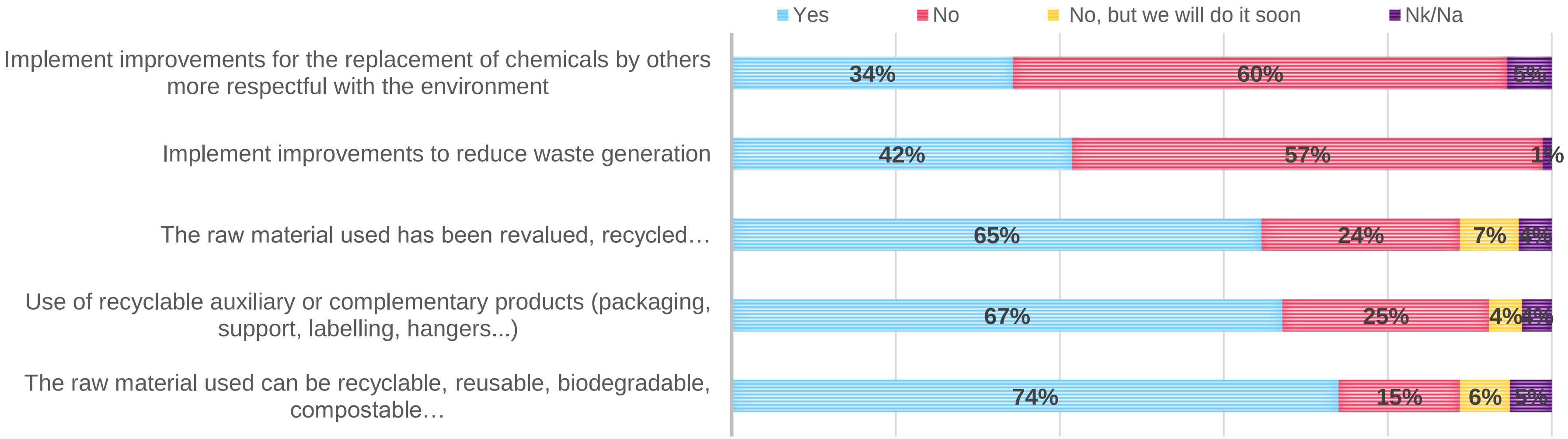
The 70% of companies interviewed have said they do not perform R&D activities. The 50% of companies that carry out R&D projects are medium-sized enterprises. The innovation tasks that are carried out mostly are the creation of new products and the use of new materials.

ANNEXES

SUSTAINABILITY

KNOWLEDGE OF THE ENVIRONMENT LEGISLATION

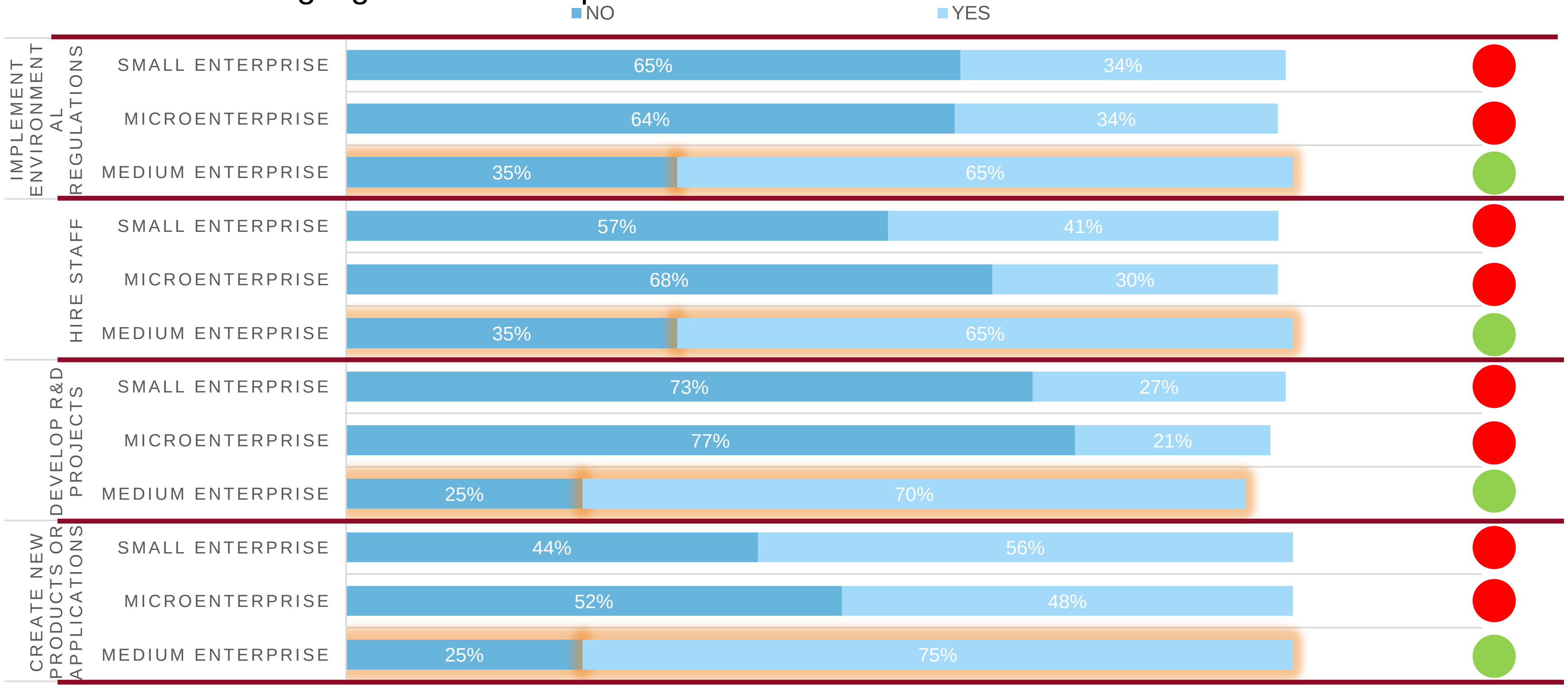




Most companies are completely unaware of environmental regulations. But this does not mean that they do not implement measures that reduce the carbon sink. As it is observed, the measures they apply mainly are the most demanded by clients, since the use of more respectful chemicals and the reduction of water and electricity consumption is not so controversial.

ANNEXES

CROSSINGS OF RESULTS WITH ENTERPRISE SIZE CLASSIFICATION AND ECONOMICAL ACTIVITY:
This has allowed to highlight the most representative data



The size of the interviewed companies is important for the implementation of regulations, hire staff, developing R&D project and invest in technologies/ methodologies or changes in their value chains.

ANNEXES

CROSSINGS OF RESULTS WITH ENTERPRISE SIZE CLASSIFICATION AND ECONOMICAL ACTIVITY:

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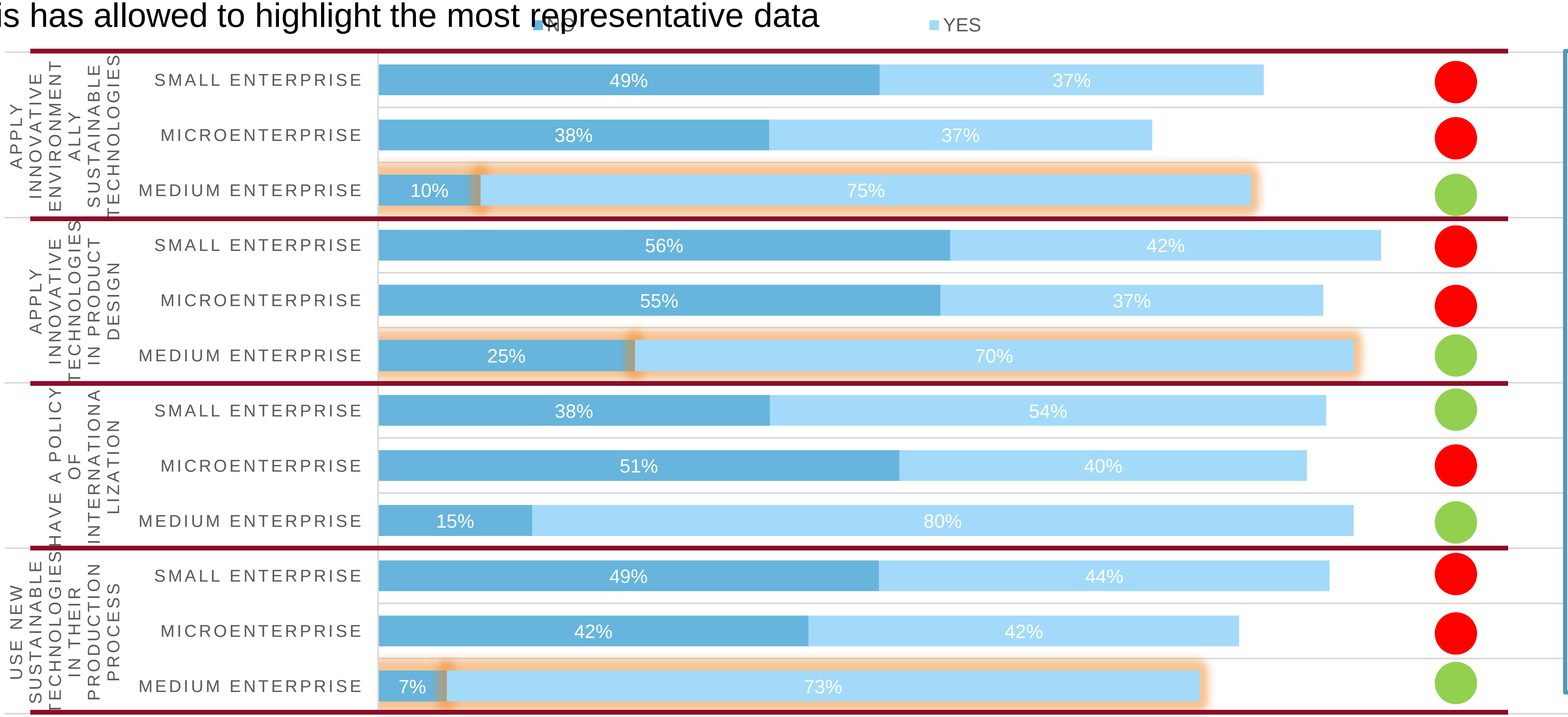
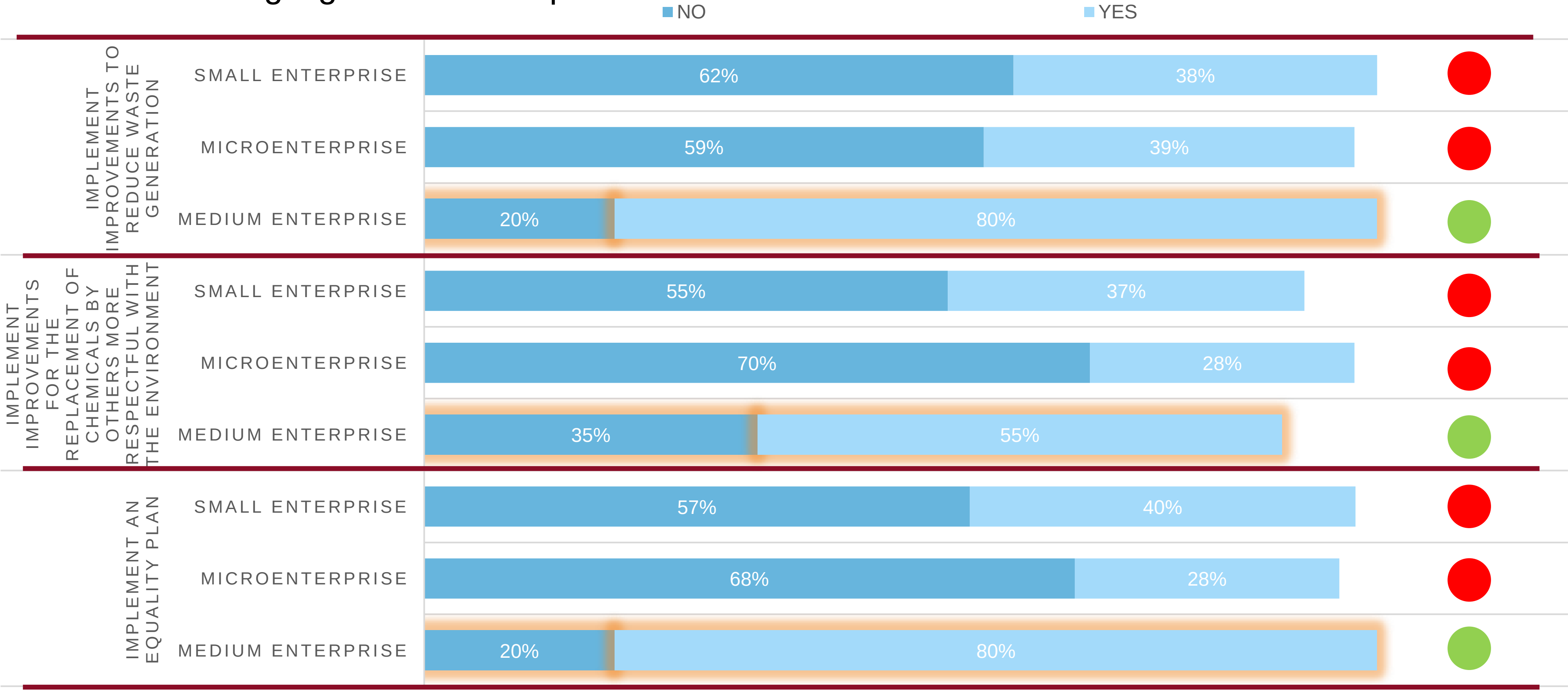


Medium-sized and small companies interviewed are aware of the importance of internationalization and have applied policies.

ANNEXES

CROSSINGS OF RESULTS WITH ENTERPRISE SIZE CLASSIFICATION AND ECONOMICAL ACTIVITY:

This has allowed to highlight the most representative data

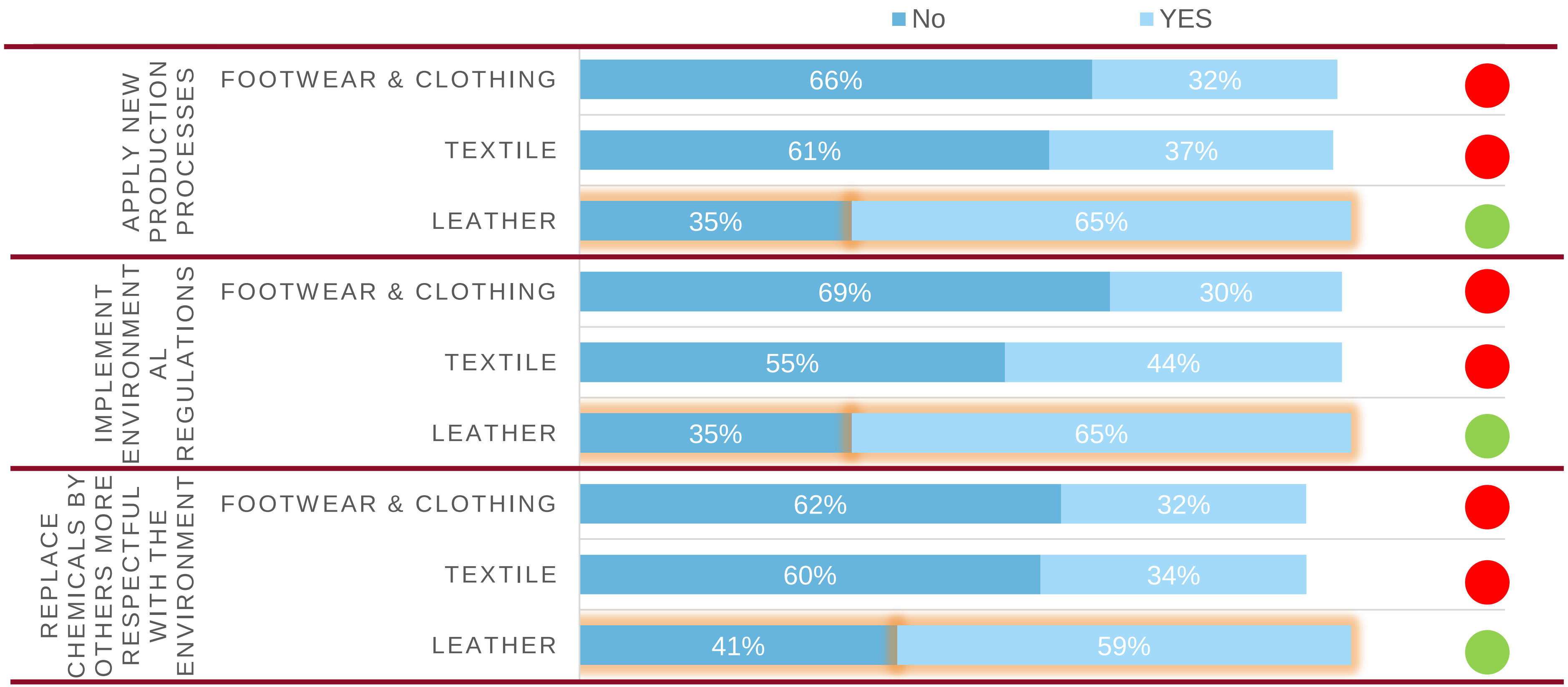


Interviewed companies need to reinforce their awareness of the environmental impact and improving the gender policies.

ANNEXES

CROSSINGS OF RESULTS WITH ENTERPRISE SIZE CLASSIFICATION AND ECONOMICAL ACTIVITY:

This has allowed to highlight the most representative data

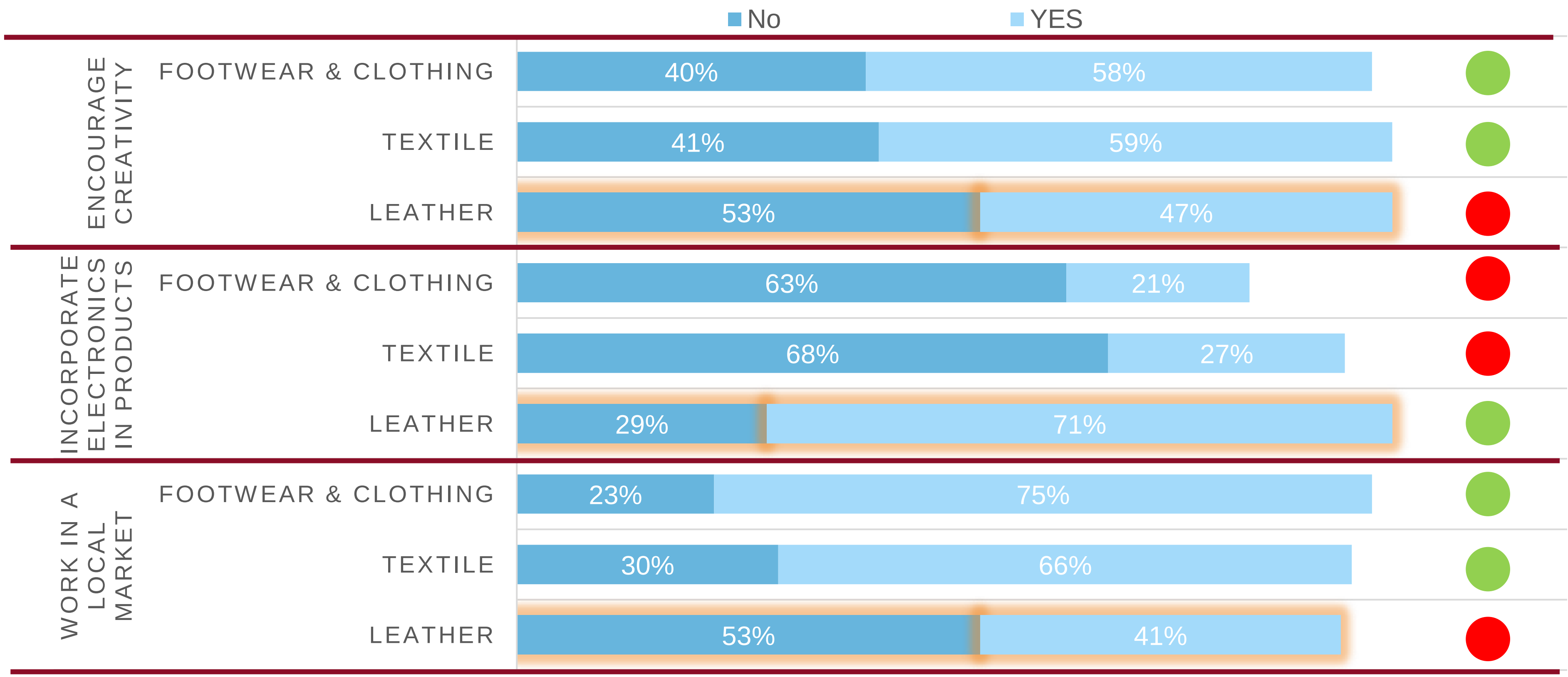


It is important to highlight that leather companies interviewed are more aware on environmental issues and have invested in applying new production processes.

ANNEXES

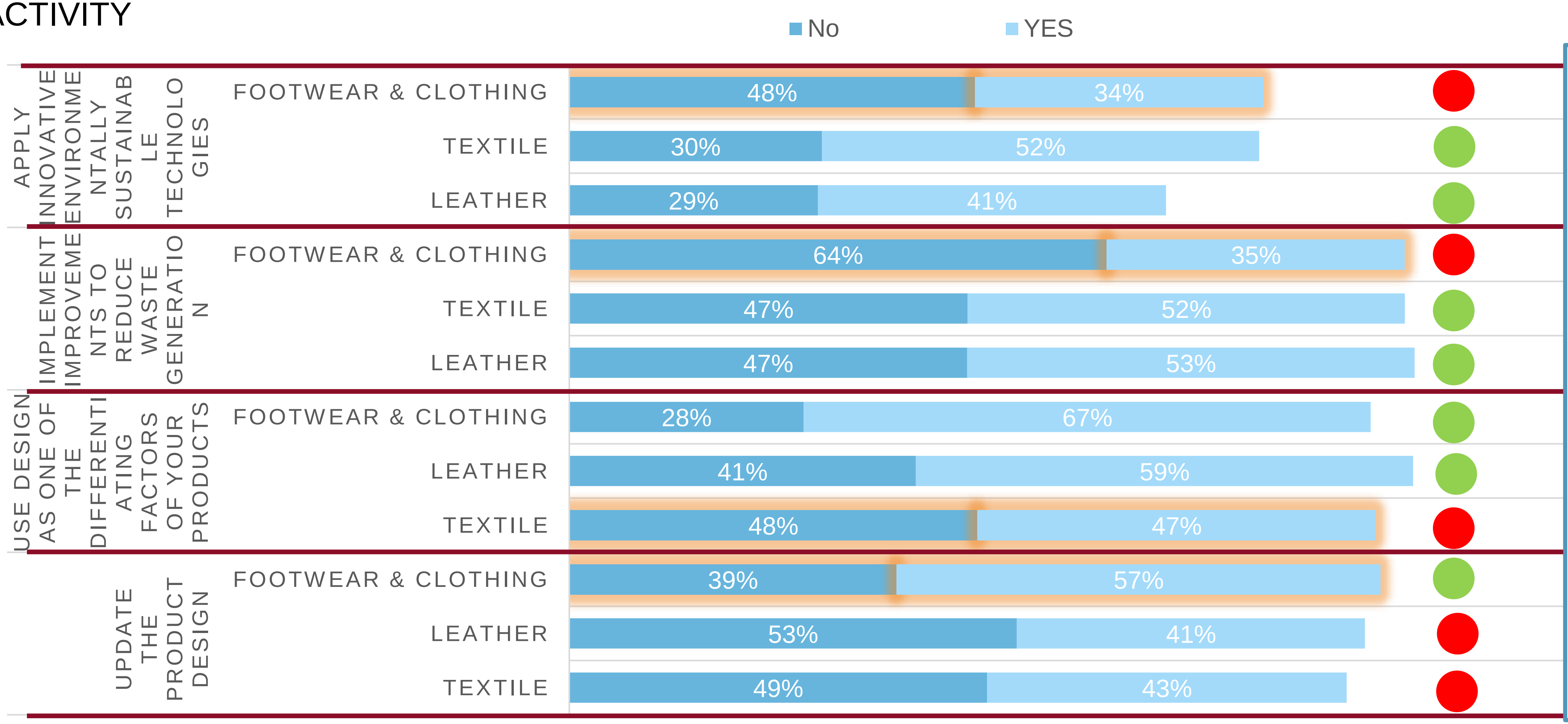
CROSSINGS OF RESULTS WITH ENTERPRISE SIZE CLASSIFICATION AND ECONOMICAL ACTIVITY:

This has allowed to highlight the most representative data



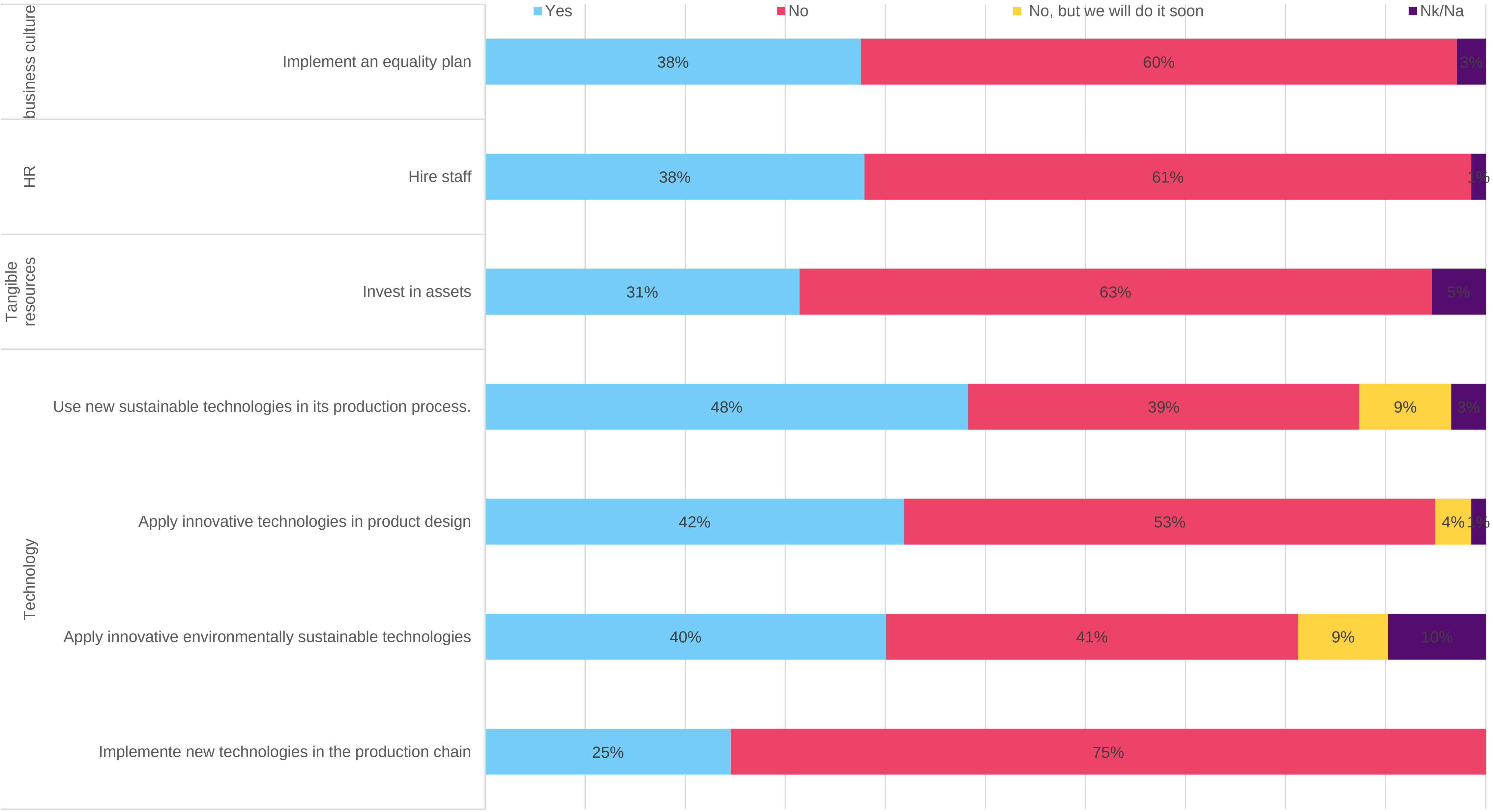
Almost all interviewed companies are encouraged on creativity importance. The incorporation of electronics has been carried out by leather companies. Textile, Clothing, and Footwear companies have stressed the importance of working in local markets.

CROSSINGS OF RESULTS WITH ENTERPRISE SIZE CLASSIFICATION AND ECONOMICAL ACTIVITY

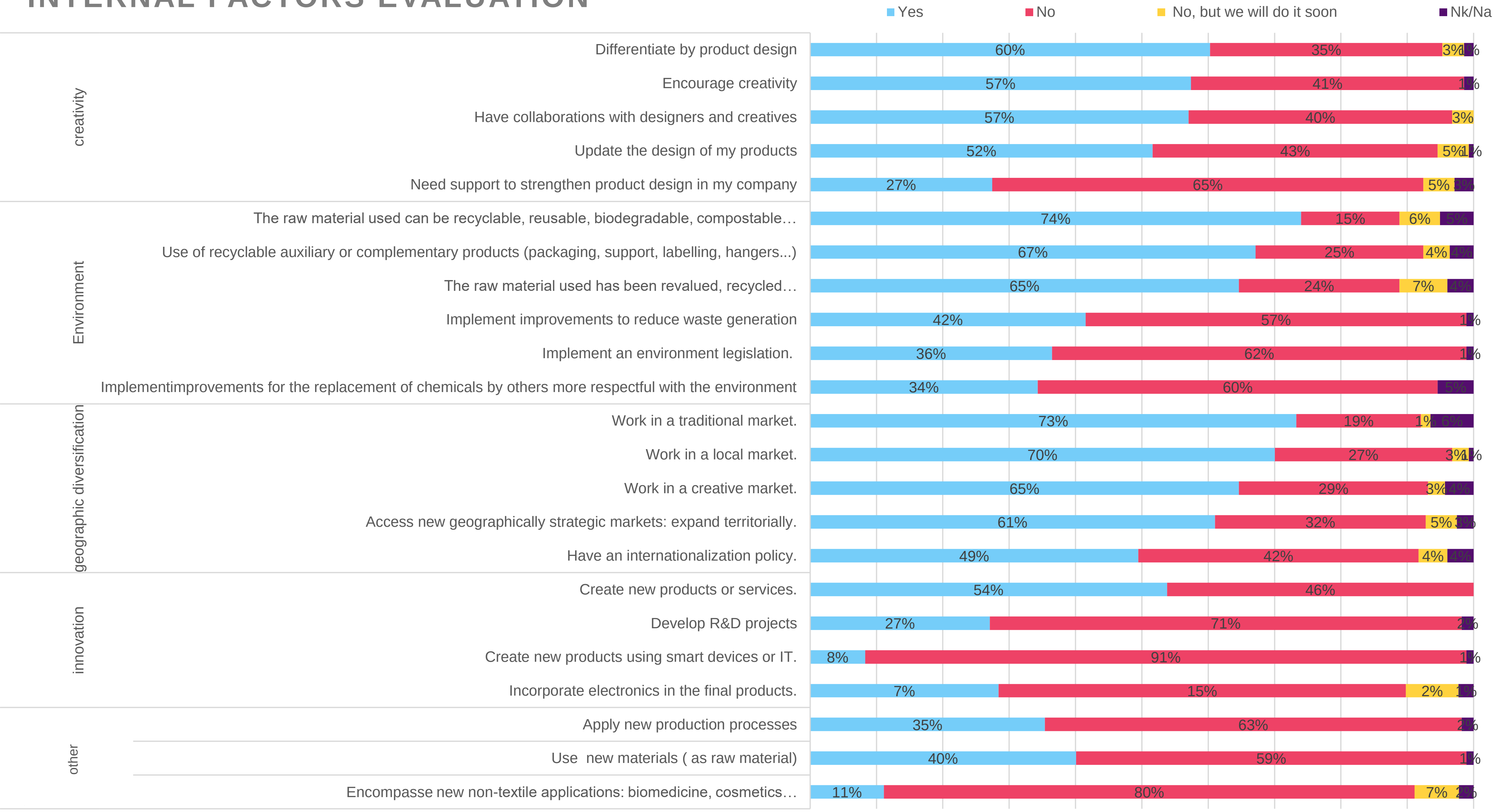


Textile, clothing and footwear companies interviewed are aware about the use of design as one of the differentiating factors of their products but only footwear and clothing companies have updated and/or reinforced their product design.

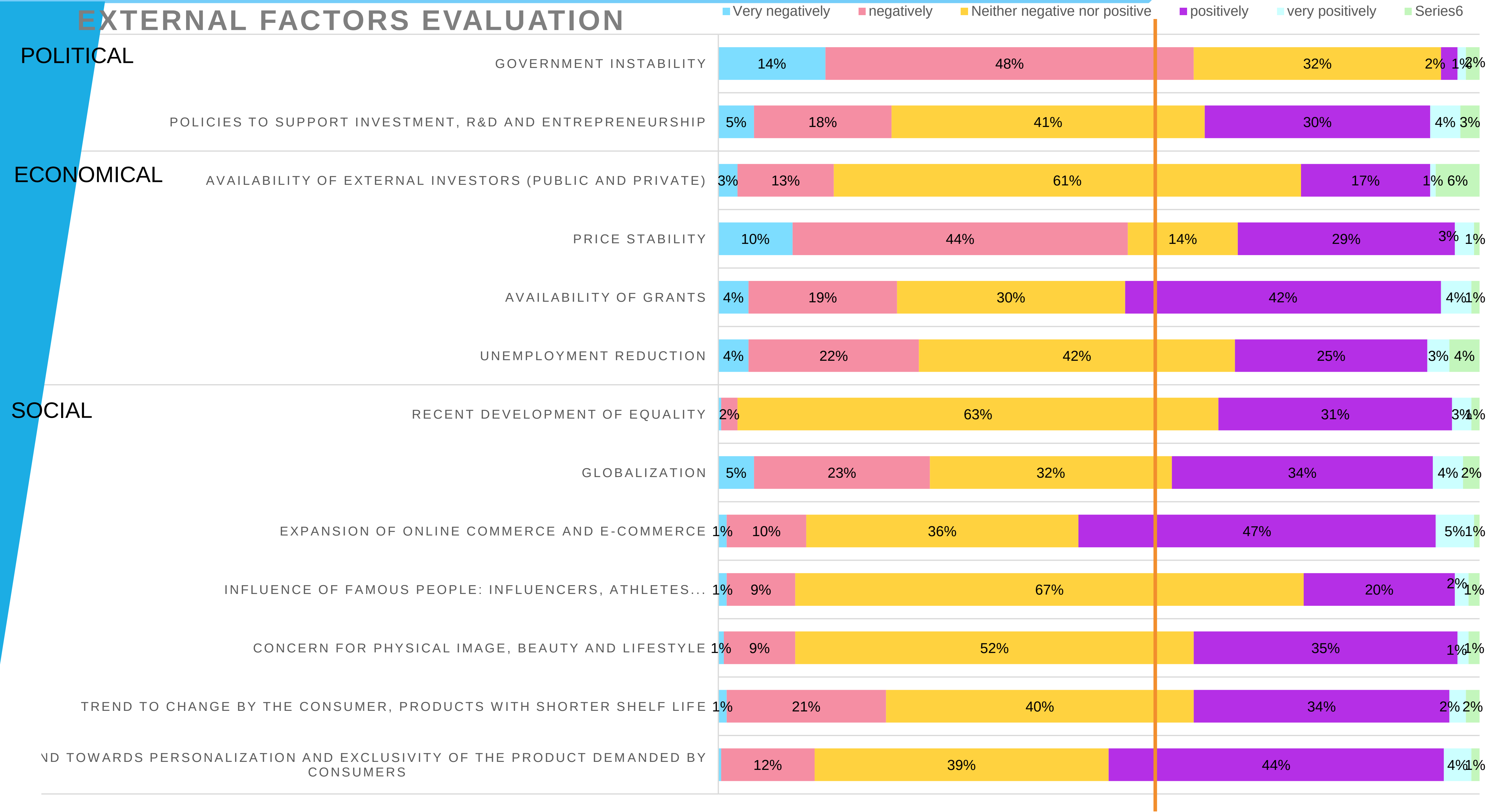
INTERNAL FACTORS EVALUATION



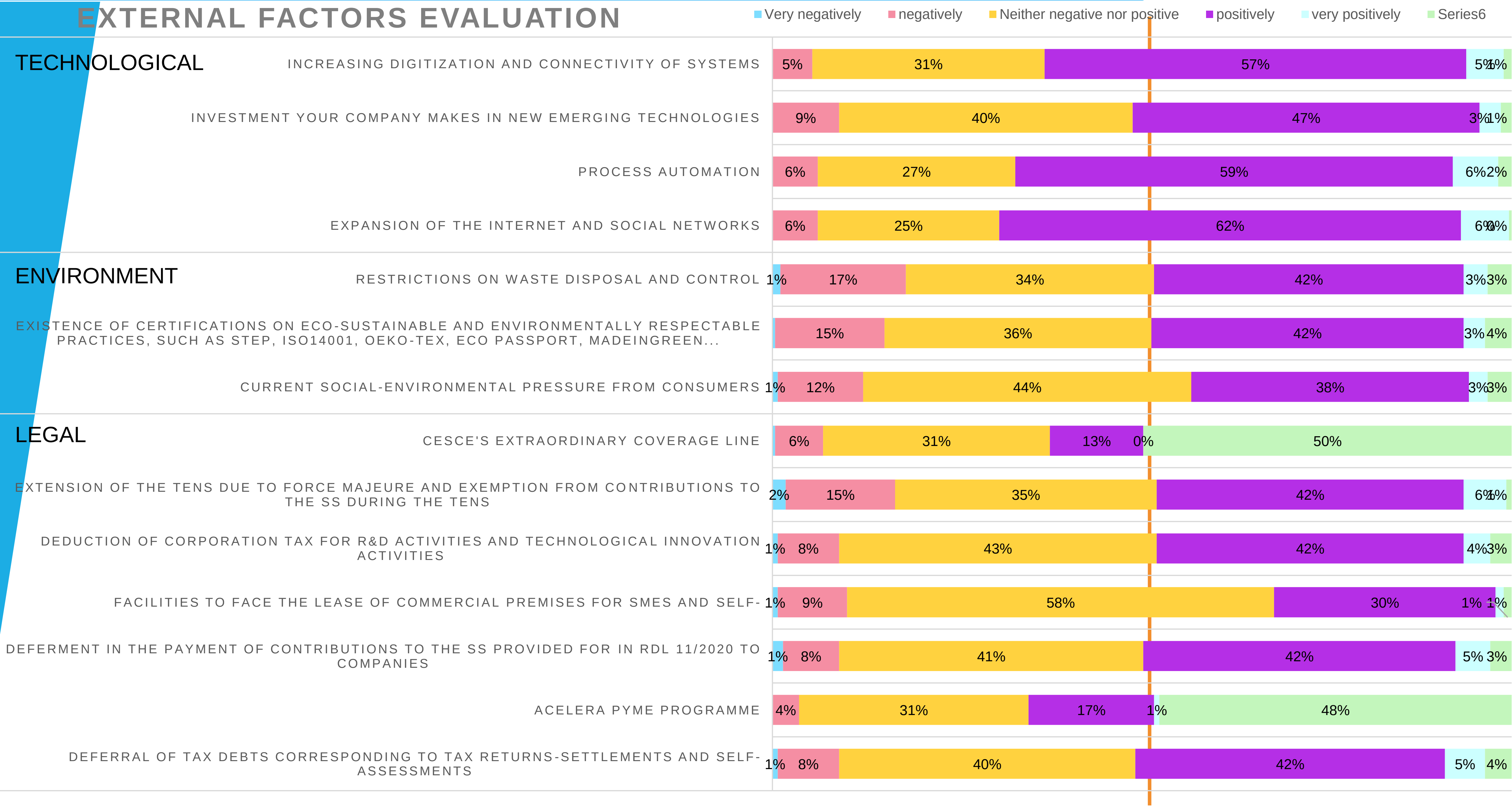
INTERNAL FACTORS EVALUATION



EXTERNAL FACTORS EVALUATION



EXTERNAL FACTORS EVALUATION



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