



# Fashion brands and a changing supply chain for exotic leather

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Fashion houses in Europe have the good fortune that, for the last 10 years, they have enjoyed double-digit annual growth. Naturally, management is continuously challenged to sustain this growth and, at the same time, improve profit margins. The basis, or at least one of the major contributors, has been the leather accessories divisions of these companies.

Handbags were significant contributors to this growth and have become image carriers for fashion brands. In this day and age, it has become the norm that a person dressed in jeans carries a high-value branded handbag. This has expanded the luxury handbag market beyond the realm of only the very rich. In the case of most fashion houses leather accessories represent at least 40% of their turnover, and in some cases the figure is as high as 80%.

To sustain the growth of the fashion houses, the availability of good quality leather is crucial. This is particularly so for those who have narrowed their focus to identify which sub-divisions are the real creators of such growth. Handbags in general were obvious in their contribution, but it is divided in two segments of exotic and non-exotic leather.

The emphasis for non-exotic bags is on design, and over the years iconic handbags have been created: this meant good business for fashion houses. The negative side of this is that fashion houses are not sure whether they will have a hit every year from a design perspective.

However, exotic leather handbags, especially those manufactured from crocodile and ostrich, have for many years proven their ever-increasing popularity in the luxury market. It simply made financial sense to focus on crocodile leather. This is because in terms of value it is top of the pile, with ostrich following a close second.

### Purchases of crocodile tanneries by fashion houses

The result of all of this was that fashion houses decided to purchase part of the crocodile leather supply chain, starting with crocodile tanneries. These were all businesses that have been under family control for at least 30 years, and in some instances even longer. These companies also have a rich history and a great legacy in the exotic leather industry. One of the core aspects of their success as well as survival is the relationships they have with raw material suppliers, namely the farmers. It is understood that there has often been very close cooperation between tanneries and farms, where they carried one another through difficult times over the years.

The current generation in control of these tanneries realised the importance of these relationships. But they have also been extremely successful in transforming the businesses within modern corporate organisations. The incorporation of these tanneries into fashion house structures has, by all accounts, been a resounding success.

Currently fashion houses dominate raw crocodile purchases in southern Africa, and the competition will undoubtedly increase with time. At the same time the competition for material moved



*Competition among the big fashion brands for exotic leather is hotting up.*

CREDIT: GDS/ALEXANDER PALACIOS



from dealing with crocodile tanneries in Europe to dealing with crocodile and alligator farmers in Africa and United States. While competition for raw material already existed for the tanneries, the added dynamic of the involvement of fashion houses leaves one wondering how the supply situation will evolve under the new “rules”. There is no illusion that competitors will be eliminated, but the game has changed and the impact of fashion houses with their financial power will be felt right at the farm gate.

But the behaviour on the other side of the gate will also change. Different strategies are already being followed, from establishing buying contracts to the appointment of locally based buyers. So will the next step be the purchase of crocodile farms? Getting involved at the live end of the industry creates an element of risk.

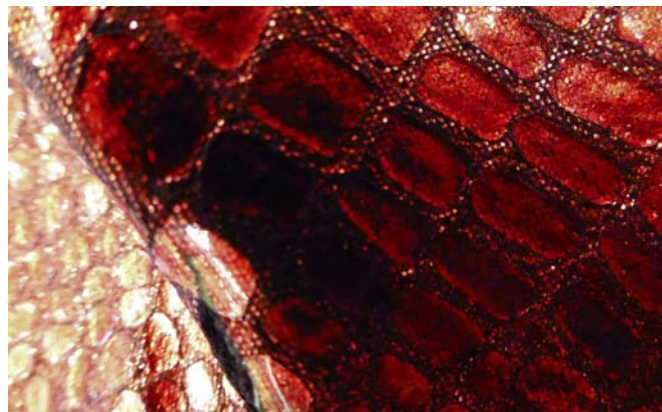
### New opportunities for exotic leathers

Fashion houses farming with crocodiles will surely have their farming operations intensely scrutinised, and this opens up a new chapter in the already-sensitive area of fashion house animal welfare.

To put matters into perspective, in South Africa ostrich farmers own the various supply chains from the bottom up, right up to the market. Even under these circumstances, some of them do not necessarily support their own integrated supply chain at all times.

Efforts have been made in the past to put supply contracts in place but, after several attempts, all was abandoned. In the end it was just a matter of price and volume that determined where the raw material would be sold.

By bringing the fashion houses and tanneries into a closer cooperation, the crocodile leather supply chain is exposed to a creative ambience which can only be to its benefit. A big advantage in generating more value from the investment in a



*Tanners specialising in exotic leather will benefit from working with creative fashion brands. CREDIT: LE CUIR A PARIS*

crocodile tannery can be achieved by giving tannery technicians the opportunity to work alongside designers. What might not have been possible in the past, regardless of the reason, may very well now be achievable in a new creative environment.

The result of this new creative process for crocodile leather can have a positive impact in developing a broader market for accessories manufactured from it. This also creates an opportunity to use the lower-grade raw material, and this will serve the ultimate goal of “more for less money”.

There is a significant price gap between crocodile and the next level of exotic leather. Ostrich leather is the ideal exotic leather to fill this gap. This change in the exotic leather industry just might be the opportunity ostrich leather has been waiting for. ☺

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