



Colours and texture are key to the wide range of Peter Geng Double Face. ALL CREDITS: PETER GENG DOUBLE FACE



## Peter Geng Double Face Company

Nangong, Hebei Province, China

**P**eople close to Peter Geng, who has run his own double-face tanning operation in Hebei Province since 2008, insist that his success has come about because of his focus on a narrow range of products. At a time when customers are asking for increasing levels of personalisation and individualisation of almost all products, including leather, the Peter Geng Double Face Company refuses to alter its focus. It makes double-face leather from high-quality sheepskins, most of which come from Spain. Its aim is to stand out, not by trying to be all things to all people, but by specialising, by respecting the natural characteristics of the skins it buys and processes. "That's how you serve the needs of the market and how you achieve mutual benefit for the manufacturer and for the customer," Mr Geng says. "That's how you add value."

**After years of working for large double-face leather manufacturing companies in Hebei Province, Peter Geng set up his own tannery in 2008. Through hard work and deep knowledge of the specialist raw materials double-face requires, he has now built up a strong reputation for quality, service and innovation.**



The site is surrounded by land on which the owners grow fruit and vegetables.

He says that what put him on the path to success was to have the chance to spend six months in Spain at the end of the 1980s in the company of one of the most prominent exponents of double-face leather, Andrés Colomer, whose ties to the leather industry in the famous tanning town of Vic in Catalonia spanned most of the twentieth century. He spent 50 years collecting pieces of leather from all over the world and donated his collection, plus a building, to allow the town of Vic to set up its now famous Museum of the Art of Leather. Shortly after spending time tutoring Peter Geng, Andrés Colomer gave up running the Colomer Group. He stepped down in 1993, but remained its honorary president. Mr Colomer died in 2008. In a statement following the leather entrepreneur's death, a former president of Catalonia, Jordi Pujol, issued a statement saying Mr Colomer had been the first business leader the politician had met who spoke of the great potential of building commercial links with China. He had built up his own links already, working as a consultant to a number of Chinese double-face tanners. "Andrés Colomer showed me everything," Peter Geng recalls now. "I was working at that time for a famous, state-owned double-face producer, which sent me to Europe to learn. One of the things that Mr Colomer emphasised was that, without good waste management, it would be impossible for any of us to survive in the future."

### Accurate prediction

Years of rapid growth in the Chinese leather industry followed, but Mr Geng now believes the visionary statement has proved to be correct. Today, across the whole of Hebei province, there are around 300 tanneries. Ten years ago, the figure for this province alone was closer to 2,000. In and around the city of Xinji, where he worked for many years, more than 100 leather manufacturing facilities were operating as recently as 2016. Now there are no more than 30. "Some companies have paid too little attention to the environment," he comments, "and the authorities have closed them down. Five or six years ago, there was a lot of smog here and, if the



Then: Peter Geng (left) cements ties with Spain in the early 1990s. Now: Family ties. Wu Xiuqing, Peter Geng and daughter Sophie.

national standard for chemical oxygen demand is 100 milligrams per litre, the local authorities here decided to make their standard 50 and many tanners have closed as a result."

He speaks about these closures with regret, recalling that Xinji was where he began his career and where he learned to love the leather industry, having studied physics and chemistry at university. But he says that if he became a pioneer during those years, it was as a pioneer for the environment and, for a number of years at least, Xinji was at the cutting edge of the Chinese leather industry. He admits that some of the tanners there, unfortunately, were "resistant to the new ideas that were coming through".

### Small city pros and cons

He started the Peter Geng Double Face company in Xinji, but moved it in 2010 to the smaller city of Nangong, where making leather is more unusual. He says that it can be an impediment as well as an advantage to have a large number of tanners located together. It would be good to think that companies would want to work together to set up the best common effluent treatment plant their combined resources could fund, but even if some players want to advance, others "think only about the cost". Armed with the knowledge and wisdom Andrés Colomer handed on to him, Mr Geng decided to start from scratch in a new place with waste management as the first consideration. It took time for the ideas he learned from Mr Colomer to percolate through his mind and for the business landscape in China to change enough to make it possible for Peter Geng to set up and run his company the way he wanted. "You have to have the idea and then build it," he says, explaining the mission statement he drew up at the time of the company's launch. "But you also need harmony and unless you have that harmony, including harmony with the environment, you cannot succeed. You also need to have the clear objective of moving forward for the mutual benefit of customers, suppliers, the workforce, society and everyone."



*Wu Xiuqing, Peter Geng with their daughter Sophie, son Lancelot and the team from footwear Deckers.*

He says he sees much of this philosophy instilled into China's Belt and Road Initiative (BRI), a development strategy aimed at improving supply chain links between China and a long list of countries in the rest of Asia, the Middle East, Africa and Europe. As part of BRI, which the government launched in 2013, Chinese companies have already invested billions in countries including Singapore, Saudi Arabia, Pakistan, Vietnam, Malaysia, Thailand and Indonesia. "We want success for China, but for our neighbours too," Mr Geng says, "to move forward in harmony for the mutual benefit of all. This isn't about west defeating east or vice-versa. We need to learn from each other and improve together."

### **Time to grow**

For almost a decade, the biggest producers in the area have been beating a path to his door to learn how to manage more responsibly the liquid and solid waste they generate. He has shared his knowledge openly and willingly. Three years ago, the China Leather Industry Association asked him to address its annual meeting, for tanners from all parts of the country, on the subject of wastewater treatment. His company's own technical team works non-stop to find new ways of saving energy, water and chemicals. Save on these and you save costs, he explains. The chemicals the company does choose must be ones that it can recycle or will, at least, have as low a burden as possible on the onsite wastewater treatment plant. Using top-quality chemicals is important, he insists, and he buys many chemical products from European and North American suppliers. However, he has worked hard to build up good relationships with the manufacturers themselves so that he can buy directly from them, rather than through agents, and in this way save money.

He mentions US leather chemicals manufacturer Jos H Lowenstein & Sons as a particularly good partner. The two companies have worked closely together on a project to develop a technique for

dyeing the wool side and the leather side of a double-face skin at the same time. "It's something that's been difficult to achieve," Mr Geng says, "but we researched it together for two or three years and had samples to take to Shanghai for the All China Leather Exhibition in 2018. When people saw the samples they could not believe we had made them with one-time dyeing, but we did, and what's more we did it while lowering the temperature. And we have saved time as well as energy."

In the last six years, Peter Geng Double Face has expanded production from making 500 or 600 pieces of double-face per day, with a consumption of between 200 and 300 tonnes of water, to making 2,000 or 3,000 pieces of double-face per day while still consuming the same volume of water as before.

"It took a lot of work to get to where we are now," the company president says, "because at first money is tight and everything is difficult when you launch a company. We had to hire equipment at first and rent a workshop and a car, everything was rented. It cost us a lot of skins; we had to destroy them after trials went wrong. I had the idea of doing things this way many years ago, but it took a long time to master the technique, to perfect the process. Once we did, though, looking at every stage of our processes, from raw material management, to degreasing and washing, we stopped wasting skins and began to grow."

### **Lean machines**

He still starts every working day on the factory floor, looking for ways to make further improvements and to increase efficiency. Examples of success include a method for making the wool on the double-face he produces pure white, removing any dye marks applied by the farmer as a sign of ownership early in the lamb's life. How he does this must remain a secret, he says.

One of the first machines he bought (on favourable terms, paying in instalments) was a samming machine. Until then, he was often covering the blade on a fleshing machine and using it to samm. When he decided to buy a cheap, used milling drum through a third party, he went to collect it and found that the previous owner had built around it and that there was no way of taking the drum out through the door. But then the owner said he had heard of Peter Geng and admired what he was trying to do and agreed to remove the door and ship the drum at his own expense. "I remember these things clearly," he says. "I think you always remember the difficult times most clearly, especially those you go through at a relatively young age."

Immediately after the move to Nangong, he bought two wooden tanning drums. They were in need of repair but he had soon fitted steel plates inside the drums and mounted them on platforms of bricks. The total number of machines in the tannery at the time of the move was 14, almost all pre-owned. This built up gradually. A Turkish tanner that had set up a factory in China and decided to close it soon after offered Peter Geng some of the machinery, allowing him to pay over time. "People told him he was crazy," Mr Geng recalls, "saying that if he went back to Turkey without full payment he would never see the money. But he trusted me and this too is something I will always remember."

He says the task of putting in place his desired machine set-up took from 2013-2018 to complete. He has had enough time using up-to-date machinery to have calculated that the new technology has already saved the company almost \$1.5 million, compared to



*More than 60% of the skins the tannery processes are toscana, entrefino and merino skins imported from Spain.*

what its costs would have been had it failed to make these investments. This calculation does not include a Chinese government grant of around \$100,000 (motivated by the desire to have leather manufacturers update the kit they were using to lower their impact on the environment), but this money certainly helped make Mr Geng's machinery dream a reality.

### Special skins

To become especially good at one thing, then, is the aim he set himself. His one thing is double-face, and within that, he has come to be the king of toscana. In case that sounds like two things, we should clarify. Double-face refers to sheep or, especially, lambskins that tanners tan with the wool still on. At Peter Geng Double Face in Nangong, skins from several different kinds of lambs are made into double-face and toscana refers to a particular kind. As the name suggests, toscana skins refer strictly speaking to those from the lambs of a breed of sheep that originated in Tuscany, but the name is now used more generically, in Spain and elsewhere, to refer to the skins of suckling lambs from several breeds and mixes of breeds, slaughtered for the tender meat. Toscana skins are small and their wool is relatively long; Peter Geng calculates that it takes six toscana skins to make one coat in standard sizes for women.

Between 60% and 70% of the skins the company processes are toscana, entrefino and merino from Spain. The rest are merino and a merino-entrefino cross from China. Size is an easy way to tell most of this material apart: the toscana skins are the smallest, yielding an average of 3.7 square-feet of double face each. The entrefino and merino from Spain each give around 6 square-feet, while the Chinese skins deliver between 7 and 8 square-feet. Naturally, Mr Geng makes regular trips to Spain to assess the quality of skins with his own eyes and hands before buying. "It's such a specialist material," he explains. "You can't just go anywhere and find suppliers of entrefino and toscana." His relationships there are

strong and of long-standing, a set-up he says again he has only been able to construct by making sure it brings mutual benefits to supplier and tanner alike.

### A famous brand

Since moving to Nangong, he calculates that he has invested around \$80 million in total in the company's present manufacturing facility. The tannery is now processing one million pieces of finished double-face per year. The company is also using some of this leather to make its own finished products (gloves, boots and garments, especially jackets and coats) under the brand name Guofu. This brand, still famous in China, belonged to Mr Geng's former employer in Xingtai. In 2010, after that company had run out of money and closed down, he acquired and applied to use the Guofu brand name. It took until 2014 to secure the necessary approval, but when it came through, Guofu double-face jackets and coats became available for Chinese consumers to buy once more.

Mr Geng is chairman of the local leather industry association and is now (following his success in addressing its annual meeting) a vice-chairman of the China Leather Industry Association. He has a role in local politics as a member of the city government's consulting committee (a group of business leaders and other local figures who advise the local authorities on some aspects of policy). In this, he has followed in the footsteps of his wife, Wu Xiuqing. Madam Wu is general manager of the company but has also had a long career in local politics; she worked as a high-school teacher immediately after graduation but left education after only a few years to work in local government. Even now, when she is busy helping to run the tannery, she serves as a member of the people's congress for the city of Nangong. One of her roles in running the business is as finance manager and she is pleased to have been able to register 20% growth year on year for several years running now. She believes this is the result of Peter Geng Double Face knowing the raw material market well and of being committed to sharing the price advantage this knowledge brings with customers. "If we buy the raw material at a good price, we sell our leather at a good price too," she says. The sharing goes beyond the company's own supply chain. Every year, at the time of China's new year and spring festival celebrations, Madam Wu visits ten local families to give them gifts of food, cooking oil and other essentials.

Peter Geng recalls buying good-quality skins from Spain in abundance for €5 per piece in 2008. In 2014, when the price of similar-quality skins went as high as €24 per piece, he stopped buying and used up stored, semi-processed material instead. In 2018 and 2019, prices returned to lower levels, averaging €6 or €6.50 for each toscana skin, bringing him back into the market. He has a reputation for knowing when to buy and it's typical for other buyers to follow his lead. He appears to have his own cycle. He has been buying for so long that sellers in Spain have come to have a high level of trust in him. It helps them that he is willing to buy their best skins to make double-face but also that he can work with slightly lower-grade material, which he uses to make his own finished products.

Buying a range of material is all part of keeping costs down. "Not all skins can be high-quality," he explains, "but we can accept them all. Even the lowest-quality skins can make good lining for shoes or for garments. When the skins are of high quality, I believe we can produce double-face that is of a similar standard to the material



customers can buy in Europe, but our price is better. There is a different technical requirement for each different type of skin; they can go through slightly different processes and that means we can sell them at different prices. It is also a question of knowing your market well and of working out which skin is right for which customer. Good selection makes success. You can see where you can add value."

### **Two garments in one**

His daughter, Sophie Geng, who works as the company's vice-general manager, explains that the in-house garment department is small and is intended only to provide a specialist service on a limited scale to customers, but it is busy. The company still sells most of the skins it processes to bigger garment factories in China, as well as to a number of customers who manufacture double-face jackets, coats and other garments in Europe. Fashion brands from Denmark and from Spain have been avid buyers of leather from Peter Geng Double Face for years. Something that's become popular in recent fashion seasons are reversible jackets, with which you can wear the wool inside or out, effectively giving you two garments in one. She also likes a recent touch from the company's Danish customer, which has begun putting green labels in all of its jackets, insisting correctly that they are "eco-garments". "And in South Korea we have many customers," she continues. "People there are still very keen on double-face jackets and double-face features in a lot of Korean companies' fashion collections."

The South Korean market is important to Peter Geng Double Face for reasons other than sales. Customers there are "very smart" Mr Geng says and to have built up long-term relationships there, through offering new articles, new ideas, good quality, good service and good delivery times year after year, has given him confidence that he can establish strong relationships anywhere. If the tannery processes skins from crust, it can deliver to customers in South Korea in two days and to customers in the rest of Asia in around five days. China has a free-trade agreement with its near neighbour and labour costs there, in South Korea, have gone up by 20% in the last 12 months, according to Peter Geng's calculations. His customers there are now keener than ever to import not just skins but finished jackets from him.

Across all costs, for raw material, chemicals processing and waste management, the Nangong-based company believes it has saved 30% since 2017 and has passed half of those savings on to its customers. It also shares the benefits of success with its workforce; team leaders are shareholders in the company and there are financial incentives for all 150 or so workers "to encourage them to do their best". The family that runs the company believes that, after you reach "a certain level", money isn't only for you, but for society too.

Most of the employees live locally and the company is not one of the many manufacturers in China who worry about workers returning to villages in far-away provinces for the new year holiday and failing to come back to work when the fireworks have all fizzled out. Sometimes finding more senior members of the team is a challenge in a relatively small place such as Nangong. Many younger professionals seem happier to pursue their careers in the bigger cities, such as Beijing, Shanghai or Hangzhou, none of which would take them too far away from friends and family back in Hebei province, which for some young professionals is the best of

both worlds. On a number of occasions, well qualified people have come to the company from some of the nearby tanneries that have closed in recent years.

### **Advanced technology**

"Labour costs have gone up here too," Sophie Geng says, "and will be even higher in the future, so we know we need to look at more automation and use fewer people. This applies across the manufacturing sector in China." Her father agrees and points out that bringing artificial intelligence into manufacturing environments across the country is a subject of importance at the moment to the Chinese government. He points out that smaller employers, including his company and most tanners in China, are not yet able to avail themselves of government support for investing in such advanced technology, but he says that "huge help" is already in place for larger companies. "Smaller companies have to wait," his daughter says, "but we hope this help will come to us, too." The company has already embraced technology, and not just tanning machinery. A system of social media chats is in place across the whole business, providing a fast and effective set-up for sharing information across technical and leadership teams. Messages cover everything, from a fault with a piece of machinery to the details of a sample that needs to go to a customer.

Change is inevitable, Sophie Geng says. Not long ago, 70% of the company's output was for export customers and only 30% for the domestic market. She says the Chinese market is growing quickly now for Peter Geng Double Face and that a more accurate breakdown today is 50-50, or even 40-60 in favour of China. "This isn't a problem," she observes. "The market changes every year. Plus, we have observed what happened to all those factories in Xinji. They were too dependent on one export market, Russia, which demanded double-face leather products in huge volumes and in only one colour. That's all changed now. We recently had an order for 300 double-face jackets, but it included 30 different colours and variations in the materials. Three, certainly five years ago, that would have been impossible."

She describes the overall market situation as "poor", saying that consumers' desire for cheaper materials is driving brands towards artificial alternatives. "The quality of those alternative materials is, of course, lower," she insists. "They might look similar and their cheap price is certainly attractive, but the difference in quality is enormous. Plus, if the garments are made from leather they are more environmental."

Her father insists that consumers in China still prefer natural double-face, but he concedes some "go on price" at the time of purchase and choose artificial materials instead. "The market is full of variety," he says with a shrug. "Natural is better and people will realise that in time. There is a lot we can do with natural double-face now to satisfy changing fashions, whereas every coat you see that's made from artificial materials looks the same because it's come off a huge production line, so there's no individuality. We have options to make the wool longer, to change the colours and to use chemicals intelligently to achieve effects that the producers of artificial material cannot match. Natural double-face will last longer; it's more noble. It shouldn't surprise anyone that a jacket in genuine double-face is more expensive. It's handmade and the price is always higher for handmade things. Swiss watches are expensive because they are handmade." 🕒