

**THE POLISH CLOTHING SECTOR IS FACING MERGERS  
COMPETITION IS TOUGH / DEMAND IS GROWING**


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Warsaw (GTAI) - The dynamic demand for clothing and shoes in Poland is unbroken in 2017. The clothing sector, which is in a tough price competition, consolidates itself through mergers. A merger between the two large men's outfitter Bytom and Vistula is due. In the case of women's fashion, the trend is towards timeless quality goods, which also opens up opportunities for German suppliers.

Retail sales of textiles, clothing and footwear are the fastest growing of all product groups in Poland. According to the Central Statistical Office (CIS) in the first five months of 2017 the real growth was 16.1% above the value of the previous year's period. The total retail sales increased by 6.9%. For the full year 2016 these growth rates were 16.4 and 5.7%, respectively.

The in spring of 2016 introduced children's allowance and the fact that many Poles spend their summer holidays in Poland are stimulating the demand even more. This also results in additional supply chances for German suppliers. However, they are in an intense competition with domestic manufacturers and dealers. Sector experts have calculated that the stock exchange listed companies for clothing and footwear could have increased their revenues by an average of 16% in the first half of 2017. The CCC shoe chain was the most successful company with an increase of one third.



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**Revenue from domestic companies for clothing and footwear in the first half of 2017  
(in ZI million ZI, change compared to the first half of 2016 in%) \*)**

	Rvenues	Change
LPP	3,069	15.0
CCC	1,845	32.3
Vistula	308	12.4
TXM	165	-2.0
Gino Rossi	141	10.5
Bytom	85	22.6
Wittchen	76	21.0

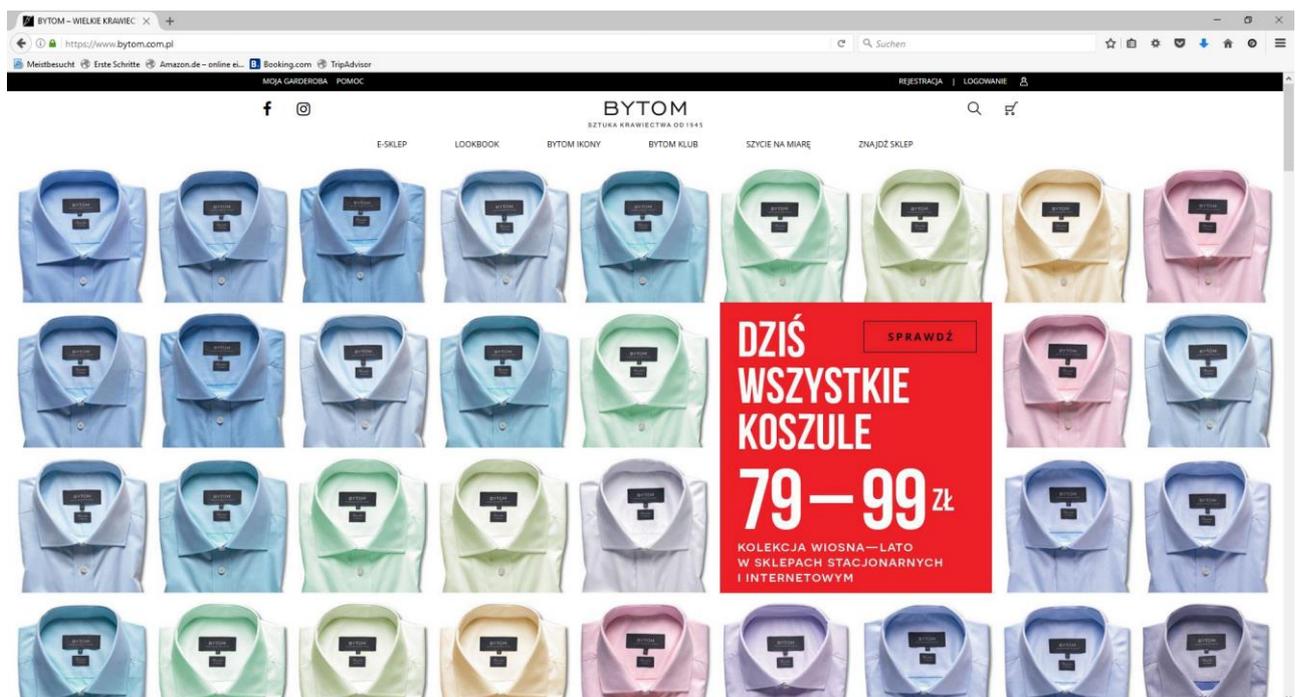
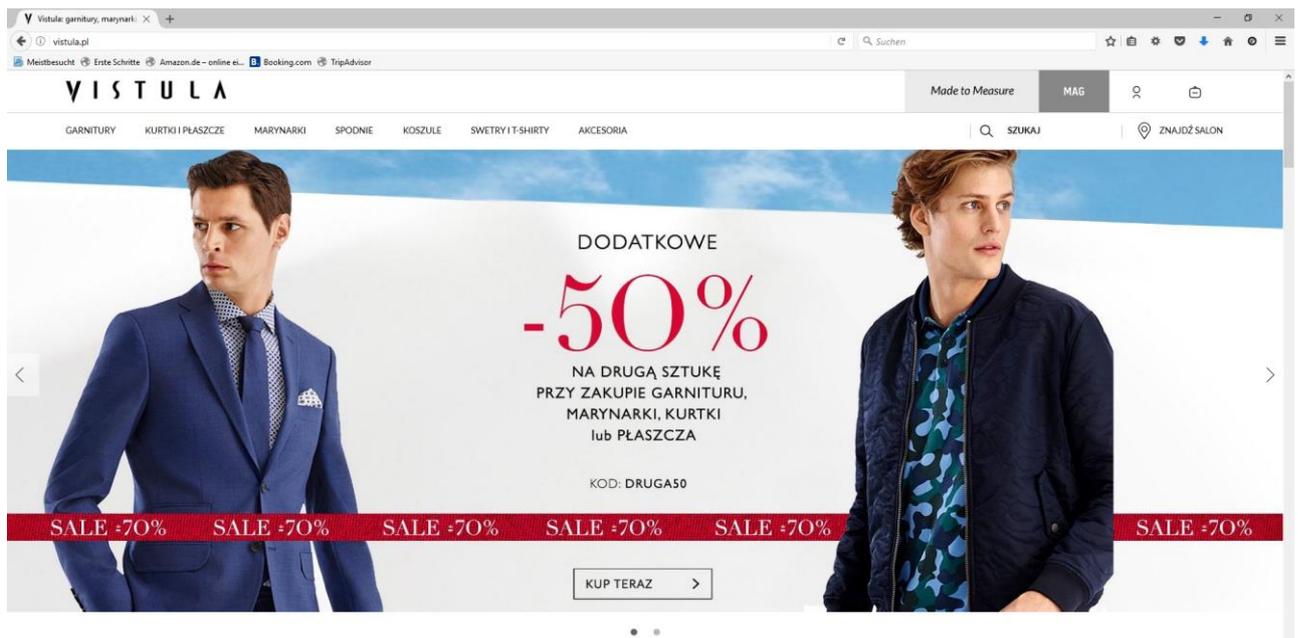
\*) preliminary data

Source: companies' data

The positive development is mainly attributable to the increased number of chain stores, the expansion of sales areas and the increase in online trading. Now the sector wants to strengthen its position through mergers.

### Vistula on expansion course

The two men's outfitter Bytom and Vistula want to use synergy effects and operate more successful on the market by merging. Since the middle of April 2017 they are negotiating about this step which could be completed by the end of the year. According to market observers, Vistula should have to issue new shares in order to be able to take over Bytom. The merger would end the tough price competition of the two competitors in formal clothing. They would be able to arrange joint purchases and coordinate their logistics.



**Number of shops of trade chains for elegant men's wear**

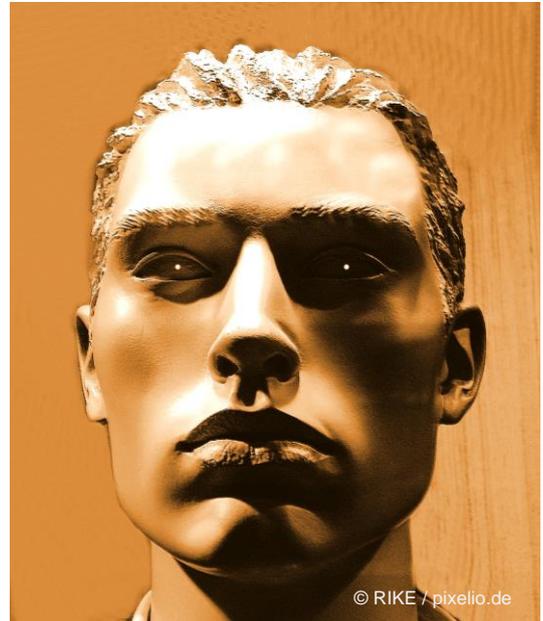
March 2014	March 2015	March 2016	March 2017
618	676	757	810

Source: Market research company PMR, 2017

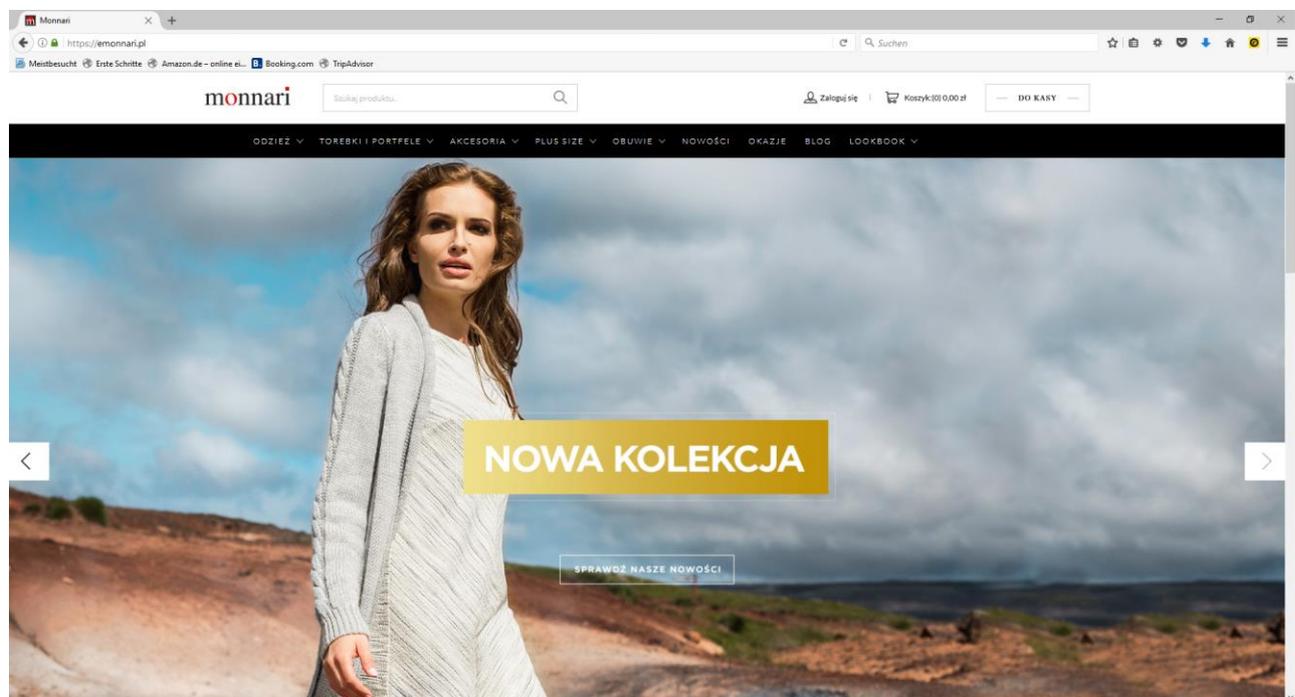
According to own data Vistula had 366 own shops with a total area of 30,500 sqm. in 2016, Bytom 111 sales salons with 12,690 sqm. The revenues of the Vistula Group were with ZI 599 mio in 2016 (around EUR 137 million, 1 EUR = 4.36 ZI, average rate 2016) almost four times higher than those of Bytom with ZI 153 mio. The net profit of Vistula was with ZI 35.2 mio almost three times as high as that of Bytom (ZI 12.4 mio).

Vistula owns more clothing brands like Wolczanka and the noble mark Lambert as well as the brand Deni Cler for ladies fashion of the high-end segment. The jewelry manufacturer W.Kruk is also part of the group. Industry experts see Vistula continuing to expand.

A further possible takeover candidate is the brand for chic women's wear "Simple" with the same name trade chain and an online business, which is currently owned by Gino Rossi. Simple had recently weakened and is



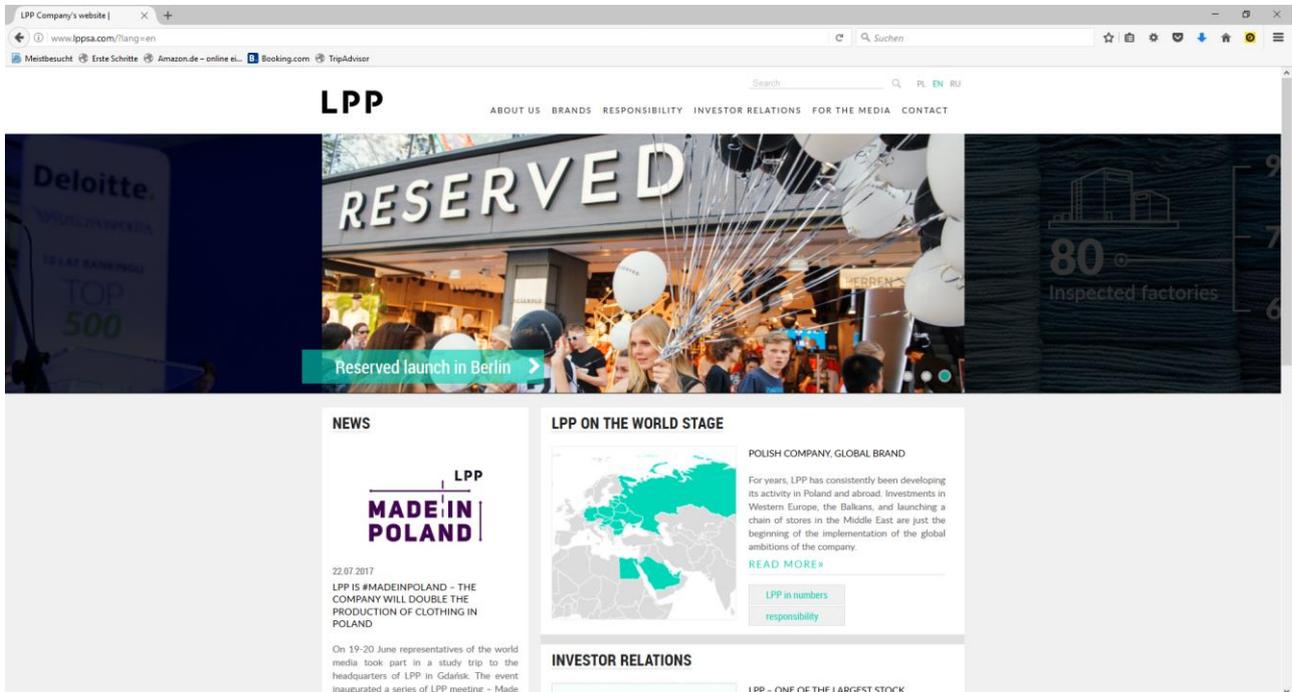
currently being restructured to get better results again. The chairman of the Vistula Group, Grzegorz Pilch, sees opportunities for a takeover of a company for women's clothing in 2018 at the earliest.



Also the manufacturer of ladies wear Monari is looking for take-over candidates. The competition in this segment is the largest. According to the Gino Rossi chairman Tomasz Malicki customers are increasingly looking for high-quality clothing with simpler cuts, that can be worn for longer than a season. Another large garment company, Prochnik, is considering investing in an online business.

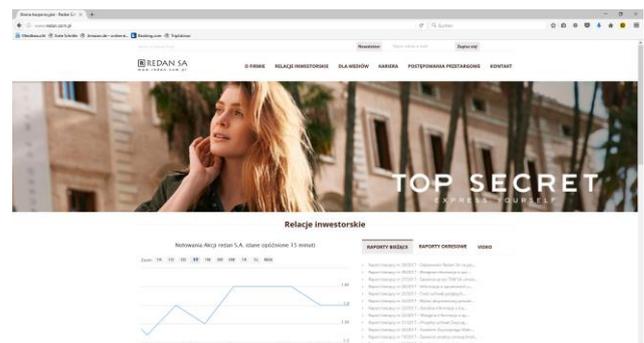
### LPP stays with casual everyday fashion

Unable to withstand the competition was the brand Tallinder, which was introduced for elegant men's wear by the market leader LPP in 2016. The shops had to close again. LPP, on the other hand, is successful in casual everyday fashion, often sewn in the Far East. The company sells its five brands Reserved, Mohito, Cropp, House and Sinsay in a total of 1,704 stores in 19 countries, including Germany. Demand is developing dynamically for example in Russia.



In Poland itself there are around 1,000 shops, the number of which could drop in the future with a simultaneous enlargement of the sales areas at the individual branches. This was said by the chairman of LPP, Marek Piechocki, to the daily Rzeczpospolita. The total LPP sales area should increase by about 10% until 2021 and the company's sales should increase by 15 to 20%. At the end of 2017 LPP is planning to operate 19 Reserved stores in Germany.

One of the leading exporters is the company Redan, which is well represented in Central Eastern Europe. It sells brands such as "Top Secret", "Troll" and "Drywash". Redan owns the TXM discount chain which includes around 380 stores locally and abroad as well as an online shop. The company OTCF with its brand for sportswear "4F", has a wholesale network in more than 30 countries.

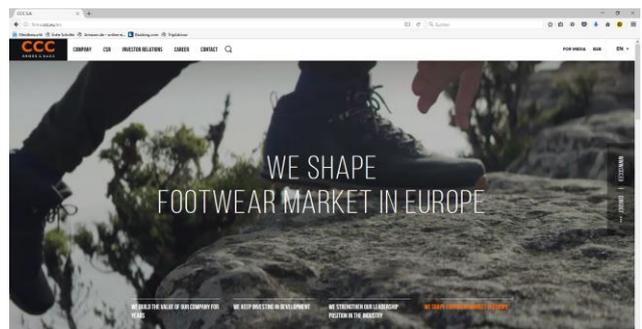
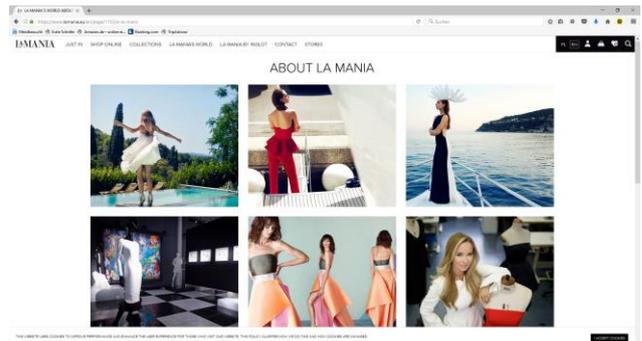


In addition to the large chains, numerous Polish fashion designers create their own designs. In the premium segment, the brands "La Mania" by Joanna Przetakiewicz and "Emanuel Berg" by Jaroslawa Berg-Szyczulda can be found in foreign fashion centers. In several Polish cities the chain Hexeline is represented with its own sales saloons, which produces high-quality women's fashion in its own studio in Łódź.

With the "Product Warmia Mazury" award, which special products from Warmia-Masuria can receive, the fashion designer Barbara Caly-Jablonska can provide her hand-sewn wedding, evening and cocktail dresses as well as stage costumes. Their creations are inspired by the traditions of the area.

According to its deputy chairman Marcin Czyczerski the sales area of the shoe chain CCC will be enlarged by around 100,000 m<sup>2</sup> in 2017. In March 2017, the chain owned 870 stores with a total area of 471,300 sqm. In the first quarter alone, eight sales saloons with 12,700 sqm were added. CCC needs to increase the profitability of its activities in Germany and Austria.

Even though it is not easy for Polish suppliers of clothing and footwear to gain a foothold in Western European markets, they are still exporting to there, especially to Germany. More than half of the in Poland produced textiles go abroad, almost half of their clothing. Fashion and accessories are shown in Poland at numerous trade shows.



The next Poznan Fashion Show (<http://www.targimodypoznan.pl/pl/>) will take place from September 5<sup>th</sup> -9<sup>th</sup> 2017.

*Source: Beatrice Repetzki, Germany Trade & Invest [www.gtai.de](http://www.gtai.de)*