

Textile Industry Cluster: Made in Vorarlberg

Key cluster concepts: traditional regional industry cluster, multiple sub-clusters/value added chains, strong entrepreneur and Chamber of Commerce roles, restructuring/shifting production, international competition, regional government ambivalence

Description

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Vorarlberg is one of nine "Bundesland," which is located in the very west of Austria and shares a common border with Germany, Switzerland, and the Principality of Liechtenstein. This small region comprised in 1994 more than 35% of the firms and employees of the Austrian textile industry. Even more remarkable is that almost all Austrian producers of embroideries are concentrated in Vorarlberg, fully half of which are clustered tightly in the small town of Lustenau. Some 650 firms of all sizes employed about 11,500 persons in 1993, the output of which is valued at 17 billions Austrian Schillings (27% of the region's total value of production). Textile products account for 23% of total regional exports, indicating the region's heavy export reliance on the textile cluster.

The textile industry in Vorarlberg is a complex construct. Its firms use quite different production technologies and address sufficiently different final market segments such that linked, multiple value added chains result. Accordingly, different fractions of the textile industry form distinct sub-clusters. Producers of embroidery form a particularly fascinating sub-group of the larger Vorarlberger textile cluster. The small to medium size firms use nearly identical production technologies and engage in strong competition with each other, which markedly increases overall product quality. In addition, as international competition has grown stronger, the need for cooperation among the producers of embroidery has become increasingly apparent. The broad textile cluster offers interesting lessons in how the successful restructuring of a 'traditional' industry continues to evolve. For those drawn to its structural richness, high regional density, and the role of tradition, the Vorarlberger textile cluster merits further inquiry.

Product Market Scope

The cluster can be distinguished according to three broad final market product categories: clothes, embroideries, and textiles. The product market scope ranges from preparation and spinning of textile fibers, to textile weaving and finishing, to the manufacture of knitted and crocheted articles, and the manufacture of embroideries. What nearly all producers in these different product lines have in common is that their products compete in high quality/high price market segments. An export rate of about 80% of the total textile production highlights the importance of the international markets, the European Union being the most important (2/3 of the exports go to EU markets).

Performance

Although the textile tradition in Vorarlberg dates back to the 13th century, the actual origin of the modern textile industry began early in the 19th century with the first mechanical spinning mills. Traditional "textile families" like Getzner, Hämmerle, Rhomberg, and Ulmer were responsible for development of the modern textile industry into the 20th century. More recent experience of the textile industry has been marked by prominent bankruptcies and rationalizations, leading to severe declines in the textile sector employment. From 1961 to 1991, regional employment in the textile sector decreased from 22,771 to 11,707 workers (from 22.7% to 10.8% of total regional employment). This followed a general European trend of restructuring away from the textile industry, due principally to strong international competition coming of low wage country producers. By 1993, the EU imported nearly 30% of all yarns and 50% of all clothing from low cost countries.

Until Austria became a member of the EU in 1995, problems for its textile industry were aggravated by EU regulations regarding the passive finishing industry. Firms of EU member states were permitted to have products partly manufactured in Eastern Europe without paying customs when sold in the EU. In contrast, firms in Austria (not yet a member of the EU) had to pay customs if they exported goods to the EU made partially in Eastern Europe. However, since becoming a member, Austria's disadvantage has vanished, thereby relieving the textile industry from needless pressure. Nonetheless, to stay competitive on the international markets, the restructuring of the textile underway in Vorarlberg has been reflected in the success stories of Wolford, Josef Otten, Willy Hermann, and others. Creativity, innovation and rationalization are seen as the means for being successful in a surrounding of high production costs and rigid environmental regulations.

Organization

Because of its overall complexity, organization of the textile industry is not as obvious as it usually appears in a cluster with a distinct end-product and market segment. Therefore, it will prove necessary to consider it as consisting of three sub-clusters, divided according to their three principal product categories: clothes, embroideries, and textiles.

1. Firms Fehler! Textmarke nicht definiert.

In terms of industrial clusters, the production of clothing is of relatively minor importance in Vorarlberg. A few big firms produce mainly hosiery, underwear and other outerwear (including the traditional costumes called "Trachten"). Some of the firms comprise nearly the whole value added chain where others rely on the supply of high quality inputs from inside the region. Not all firms specialize solely in the production of clothing, as some supply inputs to other clothing manufacturers. Products are distributed under the firms' brand names, such as **Wolford** (hosiery, bodies, and bathing suits), **WOLFF** and **Huber**

Tricot (lingerie and sleepwear), **Amann** (traditional costumes), **Gasser** (children's wear) and **Bäumler** (suits, ties, and shirts). Additionally, specialized products are manufactured for such prominent brand companies as Marks & Spencer, Palmers, Donna Karan, DKNY, and Ungaro. The firms' main strategies are to produce high quality, innovative products and product lines. The firms consider it important to enter markets with their own strong brands – they have often been highly successful in niche markets (e.g. Wolford).

The "embroideries cluster" is quite a different picture. A huge number of small firms use identical technologies to manufacture the same product for the same market (**Brunner, Stark Emil & Co., Weber**, etc.). The difference between individual products lies only in the design of the embroidery, which itself is very easily imitated. Only a few innovative firms (e.g. **Hämmerle & Vogel**) possess a leading production technology allowing themselves to stay ahead of the existing strong competition. Thus the picture of the embroidery industry is twofold. First are numerous small producers that work very hard to survive regional as well as the international competition. For this group, restructuring pressures remain strong and certain firms are certain to be driven out of business. At the same time, highly innovative firms that command high prices on the international markets continue to prosper. Thus, various firms in this sub-cluster see themselves confronted with quite contrasting future prospects.

The sub-cluster that produces textiles is involved with several different steps, from the spinning of yarn, to the weaving, dyeing and finishing of textiles, including the manufacture of knitted and crocheted fabrics (**Schoeller, Josef Otten, bandex, Getzner, F.M. Hämmerle, Willy Hermann, ChriStoff, J.M. Fussenegger**). In order to adapt to the new market conditions (cost pressure from Eastern European and Asian countries), certain firms have specialized within the value chain by increasing their innovative capacities. Other firms have specialized in markets, such as the niche market for home textiles, rather than in innovation. Another strategy was to drop those production phases in Vorarlberg that demand less highly skilled labor, and shift less demanding production to low wage countries. Whatever the strategy adapted, the firms' aim was always to produce high quality products that justify Vorarlberg's high wage location as the preferred production site.

Due to space limitations and the huge number of potential firm contacts, a contact list cannot be provided here. However, the cluster web address (above) supplies a rich list of the key contacts for all different product markets. In addition, the Chamber of Commerce (see section Institutions) will gladly respond to inquiries and offer assistance in finding the firm(s) and the key contact partner(s) sought.

2. Relationship between Firms

Competition and cooperation among clothing manufacturers play a minor role in establishing relationships, as most of them serve different markets through individual distribution channels and produce with different technologies.

Cooperation among the producers of embroidery is difficult to detect because of the strong competition that often divides them, particularly the high likelihood of product imitation and the independent mentality of the firms' owners. But small firms under the greatest pressure of being thrown out of business do not consider cooperation as unimaginable as it was a decade ago. And, with the support of the Stickereiverband (a subgroup of the Vorarlberg Chamber of Commerce), cooperation in form of common product presentations at the most important textile fabrics fair – the PREMIERE VISION in Paris - is now thriving. Nonetheless, considerable room still remains for future expansion of beneficial cluster cooperation.

Textiles producers, more than the other sub-cluster firms, are vertically linked quite strongly with others. Without high quality producers of yarn, specialists in dyeing, weaving and finishing, and the high quality manufacturers of knitted and crocheted fabrics, the textile cluster could not produce its highly innovative and creative products. Thus, the textile cluster's highly specialized firms are strongly linked with each other through a strong value-added chain, its horizontal links remaining of comparatively minor importance. Production capacity is occasionally contracted from a competitor or minor contracts assigned outright to a competitor, although risks to a firm's market niching reduce substantially cooperative efforts to establish common distribution of product lines.

3. Support Services

Various different institutions (see next section) in the region provide a solid basis for the sustainable development of the textile industry cluster. The Location Agency Vorarlberg – a public regional industrial promotion agency – sees its goals as attracting new businesses to the region and in assisting the existing firms to enter new markets. The private equivalent of this public agency is the Innovative Management Concept Incorporation, which specializes in textile firm consultancy. The Vorarlberg Chamber of Commerce (WK Vorarlberg) supplies firms and government offices with useful information, engages in lobbying on behalf of cluster firms, and tries to establish cooperation among the different firms. Here again, related divisions of the WK play a more or less important role in supporting cooperation within the different sectors of the textile industry cluster. The Chamber of Labor (AK) offers seminars that aim at increasing cooperation among textile firms.

The Vorarlberg Technology Transfer Center (VTTZ) assists firms helping them apply for funds on the national and the European level. The RETEX program, which was launched in 1992 by the European Commission to assist areas heavily dependent on the textile industry, constitutes the single most important support program. The Vorarlberg Institute for Economic Development (WIFI) supports businesses through the provision of technical assistance. The textile school (HTL Textil Dornbirn) provides the much-needed skilled workers to the textile industry cluster. The curriculum of HTL Textil Dornbirn states clearly that the

textile industry of the future is an innovative and demanding business, not necessarily an old outdated industry branch.

A dense network of banks and business services (not specifically oriented to cluster firms) forms a strong regional industrial support base. The textile industry's high export performance is supported by an equivalently high density of extremely competent transport services in the region. The existing highway infrastructure in the region as well as in the bordering regions is of significant importance to the region as much of the business has to be done on a personal basis (three hours by car to Milan – the heart of fashion – is quite an advantage to local firms).

Governance

Vorarlberg Withdraws. By the end of the eighties and the beginning of the nineties, the Vorarlberg textile industry cluster was exposed to extremely strong competitive pressures and trade restrictions, which forced many old and traditional companies out of business. Because of the economy's strong dependence on the textile industry, these failures had very severe implications for Vorarlberg. One consequence was that certain interest groups (e.g. Chamber of Commerce) strongly advocated Austria's entry into the EU to overcome the existing disadvantages (unfavorable EU regulations regarding the passive finishing industry). Surviving firms were forced to restructure to stay competitive within new global markets. Reflecting on this experience gives perspective in how the textile industry cluster in Vorarlberg is governed: shock of serious and continued decline in the regional textile industry cluster actually reduced its support from the regional government. Vorarlberg sees ongoing restructuring away from the textile to the more promising metalworking industry as a natural and not undesirable trend, which would be obstructed with strong textile industry cluster support. Vorarlberg recognizes its minimal duties and obligations, helping the textile industry when necessary, but not paying as much attention as textile firms would obviously prefer.

Chamber and Firms Advance. In consequence, the Chamber of Commerce and individual firms are left to initiate and support something like a textile cluster in Vorarlberg. Different small projects have been launched by the Chamber of Commerce that were designed to establish better cooperation between certain firms. For example, under the project named Piz Buin, assisted the Chamber of Commerce different firms to form a value chain with the goal of shortening the time-to-market. Even though this project was conducted by the Chamber of Commerce, the ideas spilled across various cluster members such that many other textile firms in Vorarlberg now carry out the same procedures to shorten the time to market through strong links within the supplier-buyer-chain. Increasing degrees of vertical cooperation are clearly visible.

Firm-led Initiatives. On a horizontal level, different firms joined to start a textile school initiative designed to attract students who would become future specialists in the rapidly restructuring textile industry cluster. This is done by

providing grants for good students and a workplace guarantee. In addition, leading employees of certain firms – inspired through a workshop on the Italian textile industry – worked together to create the cluster trademark "Made in Vorarlberg". This successful workshop was initiated by the Chamber of Labor (more information below). The group contacted the manager of a private business consultant (IMC) to develop their ideas with professional support. He was already engaged in a related project aimed at promoting the Austrian textile industry abroad under a common heading (like "Made in Austria"). The outcome of this project is not yet foreseen. However, it is the firms' voluntary activities that lie clearly at the heart of governance. Some business leaders who are most supportive of the cluster regard it as undesirable to institutionalize something like "cluster governance" beyond the firm level.

Organized Embroidery. However, this does not hold true for the small producers of embroideries, for which circumstances are far less pleasant. Here the pressure on the individual firms to become more competitive through cooperation is very intensive. But because of native distrust, necessary steps are often not undertaken. As a consequence there is much room for institutions that aim to develop cooperation. The Stickereiverband – a subgroup of the Chamber of Commerce – is assuming this role. The Stickereiverband unites different high quality producers of embroidery under the label 'Austrian Embroideries' and acts parallel with client firms as their collective representative at the international level (e.g. at the PREMIERE VISION PARIS). As the representative of Austrian Embroideries, they rent their own box at different international fairs and produce a high quality image magazine. Thus, in this sense the institution's aims are to force cooperation by acting as a representative on the international stage. The Stickereiverband also takes responsibility for managing 'capacity sharing' arrangements; this arises when one firm temporarily requires the additional production capacity of another firm that has excess capacity at the moment, thereby increasing the overall efficiency of the regional production system. In terms of the limited governance measures attempted, the Stickereiverband helps to increase the competitiveness of the embroidery industry by acting upon behalf of members at the international level and assisting them at the regional level.

Institutions

Chamber of Commerce (WK Vorarlberg)/Stickereiverband

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The Chamber of Commerce represents the concerns of its members (every company is obliged by law to join the WK). The WK also sees as its task the responsibility to collect new ideas on regional development and push them further if regarded as desirable. Thus, the WK plays a key role in initiating cluster projects. One important subgroup of the WK – the Stickereiverband - and its role has been discussed in the sections above.

Key Contact: Ing. Hödl and Mr. Kazil (Textile), phone: 05522/305-421 and 05577/8141,
Mag. Walch (Embroidery), phone: 05577/83234

Chamber of Labour (AK)

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The Chamber of Labour assumed responsible for the organization of a workshop on the innovation process in the textile industry. Business leaders and representatives of various institutions (e.g. Istituto Europeo di Design) from Italy were invited to talk about the successful restructuring of the Italian textile industry some 10 years ago and to assist the participants by working out a regional strategy for the textile industry in Vorarlberg. The results of this unique project have been published by the Istituto Europeo di Design as a book (Title: Innovation Process in Textile Industry). Key Contact: Ms. Hehle, phone: 05522/3551-0

Technology Transfer Center Vorarlberg (VTTZ)

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The Vorarlberg Technology Transfer Center (division of the Austrian Innovation Relay Centre) supports firms in the fields of research and technology. The VTTZ provides firms with useful information regarding patents, cooperation partners, financial aid at the European level (the RETEX program advocates the modernization of the textile industry in the EU), etc. and assists them with various projects. Key Contact: Dr. Krüger, phone: 05572/389470

Vorarlberg Location Agency (Wirtschaftsstandort)

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The Vorarlberg Location Agency is a public corporation financed and controlled by the province of Vorarlberg. Its tasks are to attract new investors to the province and to provide services to existing local firms.

Key Contact: Mag. Rüdissler, phone: 05574/511-2610

Vorarlberg Institute for Economic Development (WIFI)

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The WIFI is a division of WK that supplies technical assistance in form of information and advanced training programs.

HTL Textil Dornbirn

The textile school trains much-needed skilled worker for textile firms, but also serves as a research institute and potential partner to the textile industry.

Key Contact: DI Mayer, phone 05572/3883-0

Innovative Management Concept Incorporation (IMC)

The IMC is a private consultant agency with its focus on internationalization. They also assist applications to various financial aid programs, thus enhancing chances of implementation.
Key Contact: Mr. Vallaster, phone: 05522/45813

Funds

Vorarlberg grants financial support in various fields. The most important grants are the those that aim at enhancing private R&D, restructuring, and supporting business start-ups. However, in comparison with national grant sources, they are quite small and often allocated to supplement national grants.

Austrian Research Fund (FFF or RPF)

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The research promotion fund for commercial enterprises (FFF) finances research projects of natural and legal persons in the field of application-oriented and technology-oriented research through contributions or loans. For research projects that result in immediate economic benefits for the applicant, fair cost contribution are assessed to the applicant. It is the essential task of the RPF to raise business-related research in Austria to the EU-level. Companies are expected to participate in cross-border cooperation in research and development, and in projects that could otherwise not be carried out or only with difficulties. Since the beginning of 1995, this fund has been supervised by the Ministry of Economic Affairs.

BÜRGES

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The BÜRGES defines its goal in supporting the foundation of new businesses. The costs involved in setting up a new business are partly subsidized by the fund. The BÜRGES development bank provides surety for credits earmarked for investment.

ERP-Fund

<http://www.erp-fonds.gv.at/erp/richtlinien/index.htm>

http://www.erp-fonds.gv.at/erp/richtlinien/erp_wach.htm

The ERP technology and innovation program was set into place to reduce risks associated with innovative projects and to foster co-operation between firms and research institutes. Support works by granting loans to firms and projects with generally favorable conditions.

Innovation and Technology Fund (ITF)

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The innovation and technology fund (ITF), a strategic instrument for the federal technology policy was installed with money received by the privatization of energy production enterprises in 1988. A ministerial committee decides on the use of promotion funds for research, development and quick application of new technologies in the Austrian economy. The technological renewal of the Austrian economy shall thus be promoted, priority for applied research intensified, and the competitiveness of Austrian enterprises raised. Beyond the promotion of projects in the fields of research and technological development, ITF also helps diffuse technologies through financial assistance and counseling to stimulate high-tech enterprise formation.

K-Plus

Program in preparation. This program aims at improving the links between public sector research and the industrial sector. The Austrian Ministry of Science and Transport (BMWF) will promote academic-industrial collaboration through setting up competence centers. As defined by the BMWF competence centers are collaborative research institutions aimed at high-quality, pre-competitive and industrial basic R&D activities that fulfill the needs of the industrial sector and preserve high academic standards. It is planned that a maximum of 60% of a competence center's budget will be provided through public funds.

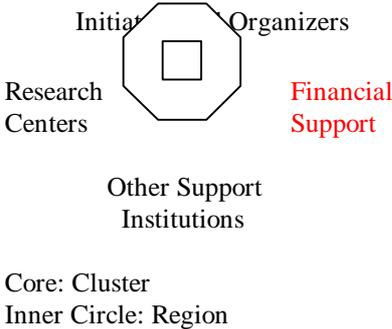
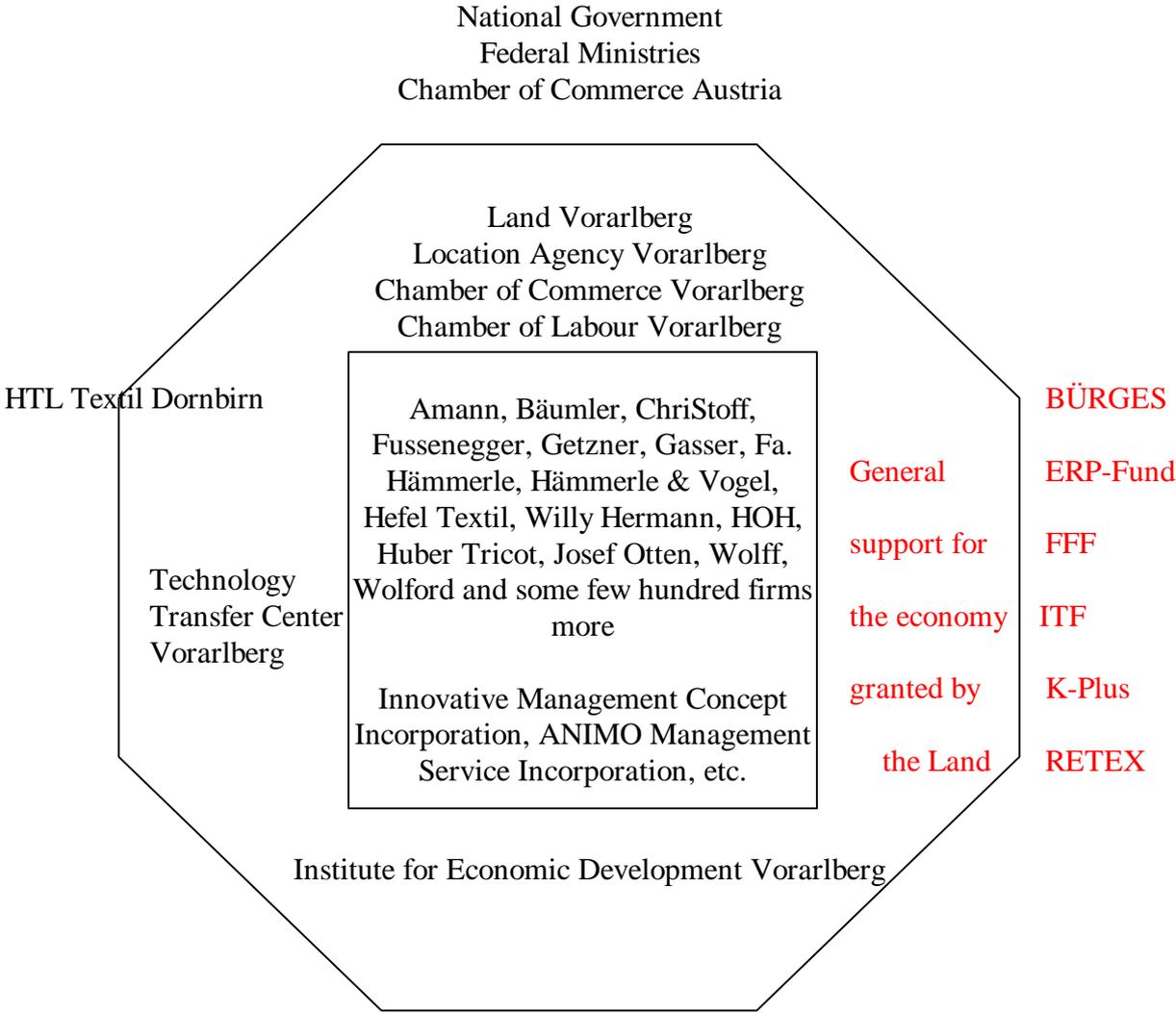
Key Contact: Dr. Stampfer, phone: 01/53464-3412

RETEX

<http://europa.eu.int/en/comm/dgiii/publicat/textile/en/index.htm>

The RETEX program is designed to assist regions or areas that are heavily dependent on a declining industry (objective 2 area). The program goal is to make these affected regions less dependent on the declining textile industry and to improve its overall performance. Special attention is given to the improvements in the qualifications of the workforce through adoption of new technologies and to cooperation between training centers and firms.

Textile Industry



Outer Circle: National/International