The Fashion and Garment Industry in Madrid

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Photo courtesy of IFEMA. Sebastián Marjanov

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I. EXECUTIVE SUMMARY

Fashion plays a very important role in the Spanish business sector. The textile and clothing industry is the only sector that provides **direct employment to more than 200,000 people** in the country. This figure represents 7% of all employment in the industrial sector. The fashion sector generates 4% of the country's industrial production. In 2006, **the fashion sector**, which includes the manufacturing of clothing, accessories and footwear, generated **expenditures totalling 17,750 million euros**, a total production worth **8,625 million** euros, and **exports** valued at **5,770 million euros**. **Imports** during 2006 totalled **10,750 million euros**.

The Spanish region of Madrid registers the highest expenditures within the fashion sector, at 15% of all manufactured fashion goods, which is the highest **average amount spent annually per person** in Spain. The region's fashion industry includes 8,170 retail establishments and has a diverse **production** sector, which generated more than **2,000 million euros** in 2006. Madrid also accounts for 11% of all textile exports and 23% of fur/leather fashion exports. The fashion sector represents **4% of the capital city's GDP** and provides direct and indirect employment for more than 100,000 people.

In order to support the industry throughout the **current worldwide restructuring process,** Spain's central, autonomous and local governments, in collaboration with the country's enterprise associations, are adopting a series of **measures** that are centred around two main points: **innovation** and **internationalisation.** One of the most notable measures put into place by the central government is the Ministry of Industry, Tourism and Trade's **"Support Plan for the Textile and Manufacturing Sector,"** which has a budget of 800 million euros. In addition, the **Spanish Institute for Foreign Trade (ICEX)** has a Sector Plan for the Promotion of Clothing and Knitwear Abroad. Financial aids for R&D&I projects are provided via organisations such as the Centre for Development of Industrial Technology (CDTI) and the Official Credit Institute (ICO). At a business level, organisations such as FEDECON (Spanish Federation of Clothing Companies)**,** FICE (Spanish Federation of Footwear Industries), ASECOM (Association of Clothing Manufacturers of Madrid), ACME (Spanish Association of Fashion Creators) or Di Mad (Madrid Designers' Association) provide a large number of technological services and training activities. **All of these organisations are based in Madrid.**

Madrid has a deep commitment to the fashion sector. A number of activities are planned as part of the capital's **Strategy for Promoting the Industrial Sector within the City of Madrid,** which assigns priority to the fashion sector. One important part of this strategy is the creation of a **Business Development Centre**. This centre will act as an incubator for companies, and it will be built using an approved budget of 4.1 million euros. The project will be overseen and managed by the "Madrid Emprende" Economic Development Agency, part of the City Council of Madrid. In addition, a **proposal to create** a large business complex, similar to the "**Style Centres**" of other European capitals, is also being considered. This complex could provide close to 100,000 square metres of industrial space.

The city of Madrid is a meeting place for design and innovation. The city hosts the sector's most important trade fairs: including the broad-spectrum (International Fashion Week and the TEXTILMODA textile fair) and more specialised exhibitions (the SIPIEL leather goods fair, the Modacalzado footwear fair and the Wedding Fashion Designer Competition). The **Pasarela Cibeles** fashion show attracts Spain's top designers and has become the fifth-most important show worldwide. In 2007, 31 shows were put on at the venue with designs from 37 different designers, and more than 14,000 spectators.

Madrid is an excellent location and has all of the logistical hubs required to be a key **distribution centre** (with 7.2 million m² devoted to warehouses, transport and logistics). The main groups in the fashion sector, such as Inditex, Cortefiel and C&A, are all investing in new logistics hubs in Madrid. Madrid is also an **excellent platform from which to export goods abroad**, thanks to its constructive transport connections and the efforts made by locally-based organisations to internationalise the sector.

II. INTRODUCTION

Fashion, design and clothing can incorporate a wide range of different activities: These days, almost everything is related to fashion, from cars to architecture to stationery. However, in this report, when we refer to the fashion sector we will be using the term in its most traditional sense - as the original fashion sector that has expanded to incorporate other parts of our life - the clothing sector and fashion in terms of the way people dress. This will, therefore, include the manufacturing of clothing and accessories in a variety of materials (textiles, knitwear, leather and fur) and footwear.

This report provides an overview of the sector and is structured around the following sections:

- **Sector Characteristics:** main scope of the sector, what it has to offer and its key figures, demand in different segments, legislative framework and investments and financial aids for design and R&D&I.
- **Trends and Outlook:** factors which will influence future demand in the sector.
- **Advantages of Investing in Madrid's Fashion Sector**
- **Reference Materials**
- **Legal and Institutional Framework:** links of institutional interest.
- **List of Companies within the Sector**

III. SECTOR CHARACTERISTICS

The textile and clothing industry plays a very important role in the Spanish business sector, as it provides direct employment to more than 200,000 people in Spain. This figure represents 7% of all employment in the industrial sector. The fashion sector generates 4% of the country's industrial production.

Within the EU, Spain represents one-tenth of European production, in fifth place behind Germany, Italy, the United Kingdom and France. The leading textile activity (spun and woven fabrics) is highly concentrated in Catalonia and the Region of Valencia, while clothing and knitwear are produced throughout the country.

CHANGES IN THE TEXTILE/CLOTHING SECTOR OVER TIME (millions of euros)

	2003	2004	2005	2006
Employment (000)	**257.5**	**243.3**	**223.2**	**206.0**
Production	**13,258**	**12,790**	**11,650**	**11,415**
Imports	**9,431**	**10,031**	**11,011**	**12,336**
Exports	**6,437**	**6,627**	**6,659**	**7,356**
Balance	**-2,944**	**-3,404**	**-4,352**	**-4,980**

Source: CITYC (The Textile and Clothing Information Centre)

As in the rest of the world, the Spanish manufacturing sector is facing a comprehensive restructuring process as a result of globalisation: competition from Southeast Asia and from countries new to the EU has increased considerably.

The sector is becoming more concentrated and the number of companies is decreasing. The overriding trends are of the vertical integration of production-distribution and brand-value strengthening, and both of these activities are being carried out on an international level.

According to reports by the Spanish Intertextile Council (CIE)**,** following the huge impact of the liberalisation of international trade in 2005 and the limitation agreement with China, the **sector is presently much more stable**. However, adjustment in production levels has continued and, as a result, the year closed with a further recession in activity, though this was considerably lower compared to the previous year.

The recovery of the exports sector (+ 10%) has had a positive influence on the current climate. The greatest increase in exports took place within the clothing sector.

In 2007, the sector will continue to adjust to the new global climate, although it seems to be becoming slightly more stable.

The restructuring of the sector is centred on two main points: **innovation** (both in terms of products and design and of the manufacturing, management and distribution processes) and **internationalisation**.

Given the importance of the fashion sector for Spanish industrial activity and the sector's current climate, central, autonomous and local governments, working in collaboration with the country's business associations, have adopted a series of measures to increase the sector's competitiveness and added value. These measures centre around, on the one hand, support for production modernisation and management processes, along with research and design, and on the other hand, promotion of the image of the fashion sector in Spain. These measures will be examined in more detail in the R&D&I chapter.

Most European countries are also experiencing similar issues in the fashion sector; as a result, the **European Technology Platform for the Future of Textiles and Clothing** has been founded and will be managed through each country's technological platforms.

In 2006, **the fashion sector,** which incorporates the manufacture of clothes, accessories and footwear, **generated of 17,750 million euros,** production worth **8,625 million euros,** and **exports** valued at **5,770 million euros. Imports** during 2006 totalled **10,750 million euros.**

The sector's industrial structure is highly fragmented in geographical terms. Most companies are SMEs (small and medium-sized enterprises) with an average of 34 employees. Only 0.4% of companies employ more than 500 workers. However, there are large groups that work in both the industrial and distribution sectors.

Geographically, the highest concentration of fashion-sector businesses is located in Catalonia, Castile-Leon, the Region of Valencia, Galicia and **Madrid.**

THE FASHION SECTOR: Key Figures 2006			
	Clothing	Footwear	Total
Consumption (millions of €)	**15,766**	**1,978**	17,744
Production (millions of €)	**6,566**	**2,059**	8,625
Imports (millions of €)	**9,113**	**1,637**	10,750
Exports (millions of €)	**4,053**	**1,718**	5,771
Trade Balance (millions of €)	**-5,060**	**81**	-4,979
Number of Companies	**4,273**	**2,283**	6,556
Nº Industrial Workers	**144,000**	**48,122**	192,122
Nº Retail Outlets			73,170
Nº Trade Workers			242,131
Source: Acotex, CITYC, FICE			

There are 73,610 establishments marketing the products, providing employment for almost 250,000 workers.

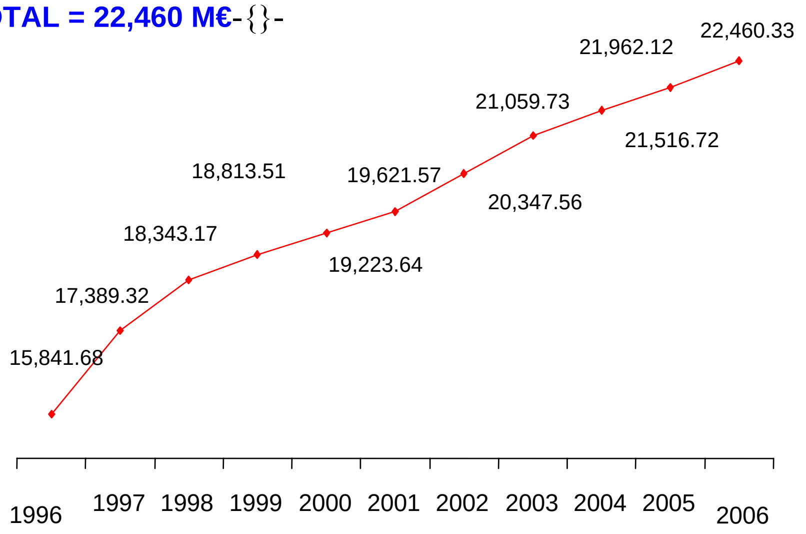
Madrid is the Spanish region that registers the highest expenditures on fashion – at 15% of all clothing produced. The city has 8,170 establishments that provide jobs for more than 32,150 workers, and produces a diverse range of products, including clothing for women, men and children, as well as fur and accessories. It accounts for 11% of all of the country's exports. The fashion and accessories sector accounts for 4% of the capital's GDP and provides both direct and indirect employment for more than 100,000 people in the region.

CONSUMPTION

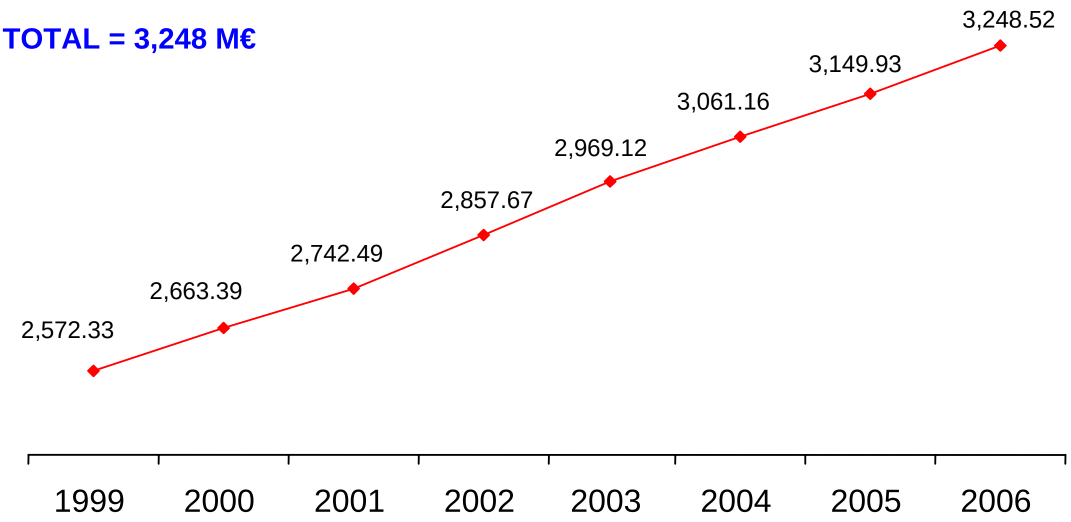
In 2006, turnover for the retail sector dedicated to the sale of textile products, clothing, footwear and accessories reached 22,460 million euros. The sector has been growing continuously for more than ten years (by around 2.7% annually in the last five years).

SPENDING ON HOME AND FASHION TEXTILES

SPAIN: 2006 TOTAL = 22,460 M€-{}-



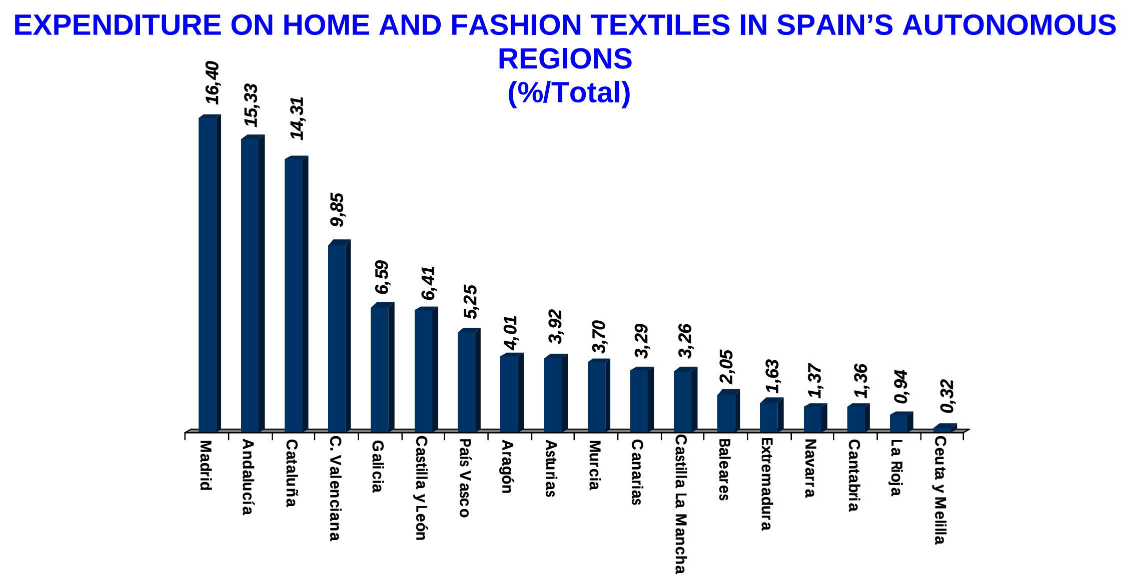
2006 TOTAL = 3,248 M€



Source: Acotex (Spanish Business Association for the Textile and Accessories Sector)

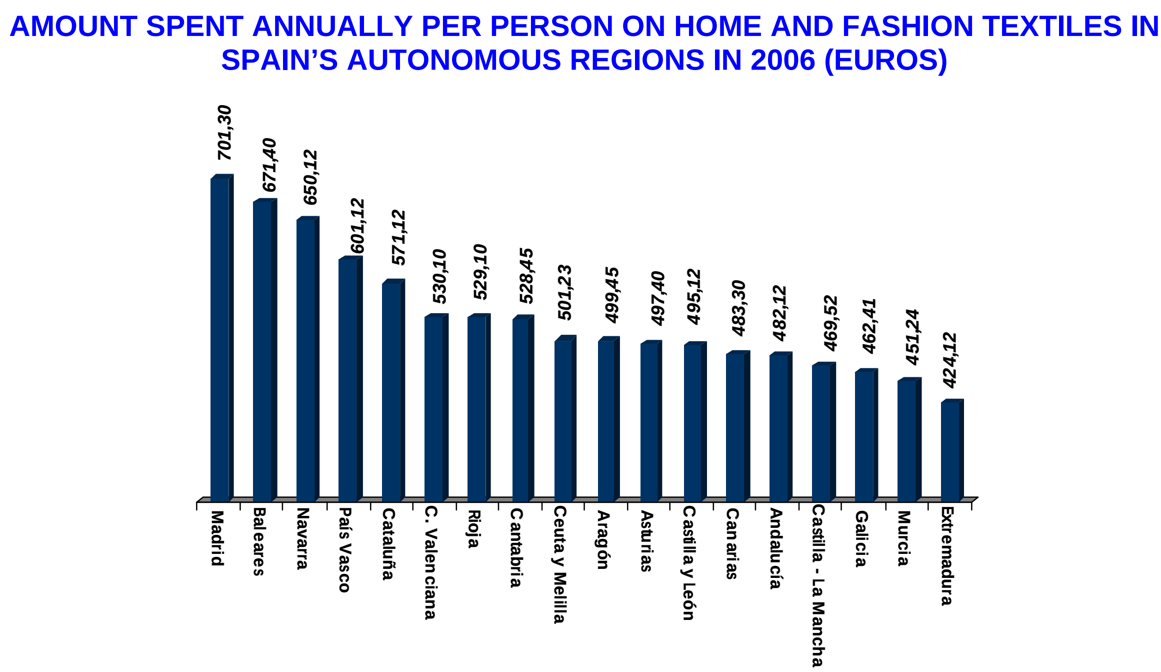
The Madrid region represents 16% of the whole sector in Spain, as it has developed at a rate greater than the average for the country as a whole, with an average annual growth of 3.4% over the last five years.

Three of Spain's Autonomous Communities account for over 45% of the country's consumption: **Madrid**, Andalusia and Catalonia, each of which have a market share of between 14% and 16%.



Source: Acotex

The **average amount spent annually per person** in Madrid is 701 euros. This represents the highest figure in Spain, followed by the Balearic Islands, Navarre and the Basque Country.



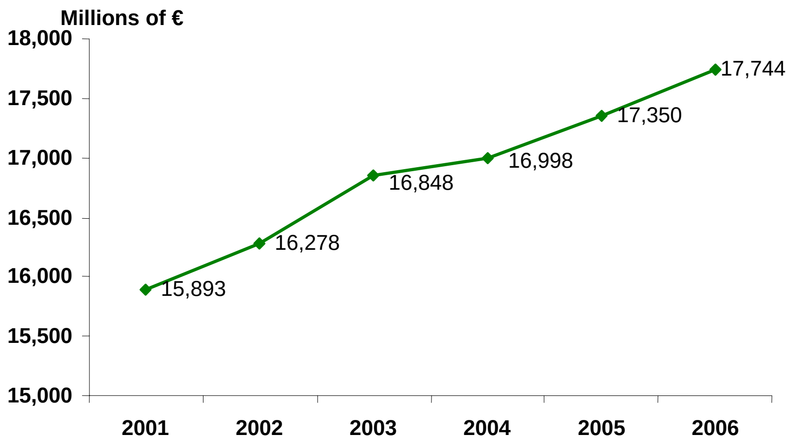
Source: Acotex

In the **first quarter of 2007**, the sector's turnover was **over 6,000 million euros**: 5,014 million in clothing, 1,118 million in footwear, and 532 million in home textiles.
The fashion sector, excluding the home textiles sector**, accounts for 79% of total consumption.** This figure has been maintained over the last three years, following a slight increase in the role of home textiles between 1999 and 2003.

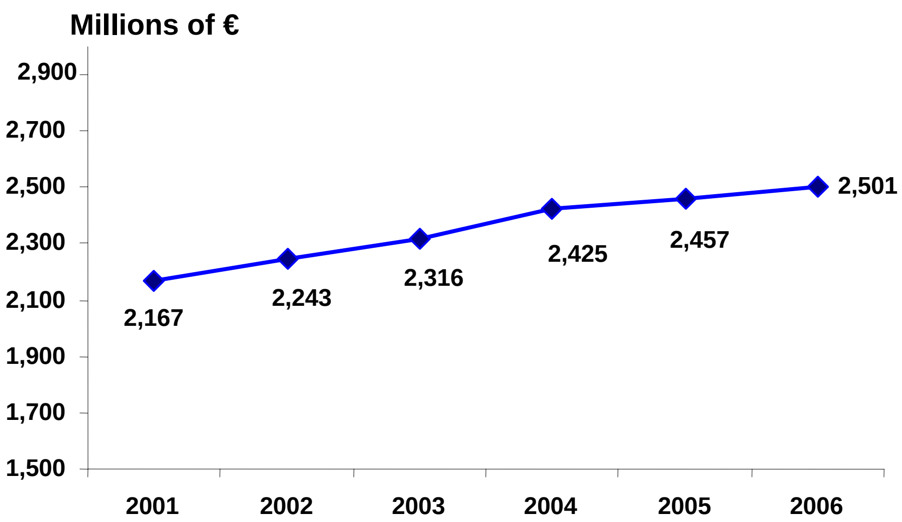
In 2006, the turnover of the fashion industry, excluding home textiles**, rose to 17,744 million euros.** The sector has grown at a sustained rate of approximately 2% annually.

EXPENDITURE ON FASHION PRODUCTS

SPAIN: 2006 TOTAL = 17,744 M€



MADRID: 2006 TOTAL = 2,501 M€



Source: Acotex

In 2006, **Madrid's fashion sector** had a turnover of more than 2,500 million euros (14% of the national total), an increase of 4.2% from the previous year. This increase is much greater than the average growth for the city over the last five years (3%), and greater than growth throughout Spain, in general (2%).

The **composition of demand** for the sector has remained the same over the past several years, with a little over half of the garments produced designed for women, around 40% for men and 10% for children. The figures for Madrid are similar, although they show slightly more garment production for children.

PRODUCTION AND DISTRIBUTION

In the past, the sector was made up of two clearly distinct segments: manufacturing and distribution.

Today, however, major clothes manufacturing groups produce and distribute their products through their own shops or through franchises using different brands and logos. Globalisation means that production centres may be spread across different parts of the world, which complicates determining which companies have the highest production at national levels.

As such, we have included a table showing details about the main groups working in Spain's fashion sector. This includes figures relating to turnover and national and international presence (number of stores).

THE 10 MOST IMPORTANT GROUPS IN THE FASHION SECTOR IN SPAIN Data from 2006 (turnover)-2007(shops)							
GROUP	Total Turnover	Fash. Turn. In Spain	Total Nº Shops	Nº Shops in Spain	Nº Own Shops	Employees	Countries
INDITEX	8,196	3,278	2.131	1,628	89%	62,240	65
El Corte Inglés (1)	15,900	3,500	100	59	100%	45,000	7
Cortefiel	1,041	625	1,252	650	74%	9,000	57
H&M	7,535	414	1,345	68	100%	60,000	24
Mango	1,257	302	1.000	232		6,000	90
C&A	5,600	348	1,119	80	100%	2,600	16
Burberrys	1,100	240					
INDUYCO	515	515				3,568	5
Adolfo Domínguez	182	153	400	98	58%	1,617	20
Loewe (2)	5,222	No data	87	13	100%		34
Source: Websites of the different companies and press resources							
Notes: (1) Estimated data for fashion. Includes department stores and Sfera shops, does not include hypermarkets nor Induyco (2) A large part of the Loewe group's turnover is through sales in the perfume sector.							

The sector's leader in Spain is the company **Inditex** (Industria de Diseño Textil SA). In **2006, the company saw a turnover of 8,196 million euros** (22% more than the previous year), 40% of which was generated in Spain, 41% in Europe and the remainder throughout the rest of the world. The company manufactures more than 12,000 garments annually in its 16 factories across Spain and other parts of the world. It provides goods for all segments of the market via different brands (Zara, Pull & Bear, Massimo Dutti, Stradivarius, Bershka and Oysho) and for its children's fashion chain, Kiddy's Class, which has been operating for more than ten years. The ZARA brand still accounts for 65% of the company's sales, with 990 shops. Inditex applies a controlled policy not only to the manufacture of its goods but also to their distribution – approximately 90% of the stores selling the company's products are owned by the Inditex, itself.

The second largest group is El Corte Inglés, which has its central headquarters in Madrid. The chain began with department stores and has since opened hypermarkets (Hipercor), supermarkets (Supercor) and convenience stores (Opencor), as well as a chain of shops specialising in fashion and cosmetics for young people (**Sfera**). In 2006, the group's **turnover was 15,900 million euros**. In the fashion and home textiles sector, the group accounted for 15% of the market share (3,370 million euros) in its department stores, alone.

Department stores sell the El Corte Inglés brand as well as other brands, and also have “concessions” for leading Spanish and international designers and brands. This total turnover does not include the group’s 70 **Sfera** stores (in 2007 the 51 shops had a turnover of 77.5 million euros) and its hypermarkets. The group’s hypermarket chain, **Hipercor**, is the leading hypermarket in the textile and clothing sector, with a turnover of 3,337 million euros.
In addition, El Corte Inglés is a shareholder of one of the most important textile companies in Spain, **Induyco (Industrias y Confecciones SA)**. The company is located in Madrid and in 2006, it manufactured 24 million garments in its four factories in Spain (Madrid, Teruel, Cáceres and Seville), generating a **turnover of 515 million euros**.
The company is the main supplier to El Corte Inglés, which accounts for almost 80% of Induyco’s turnover. Induyco also manufactures and distributes garments for its Tintoretto, Síntesis and Amitié brands. In addition, it produces a range of sportswear, Mitto, and a range of childrenswear, Bus Stop.

Thanks to its five brands (Cortefiel, Pedro del Hierro, Springfield, Milano and Women’secret), **the Cortefiel Group**, which is also based in Madrid, has become the **third most important company in the Spanish market, with a turnover of more than 1,000 million euros.** The group works in all segments of the fashion market – menswear, clothing for young and adult women, underwear (Women’secret) and childrenswear. The company has two factories in Spain, three in Morocco and one in Hungary. The rest of its production is subcontracted to a global network of third-party manufacturers in Asia, North Africa and Spain. There are 50 collaborating companies that produce 40% of the total number of goods manufactured. Cortefiel’s shareholders are: CVC Capital Partners (33%), PAI Partners (33%) and Permira Europe Limited (33%), as well as the board of directors.

Mango is another Spanish manufacturer which has expanded worldwide through franchising. The chain currently has 1,000 franchises in 90 countries. Its clothing is aimed at young people and, as yet, the company has not entered any other fashion segments. It is number 14 in the Spanish Top 100 ranking of franchises in terms of turnover and has 232 shops.

Adolfo Domínguez manufactures and distributes its own creations. In 2006, the company had a turnover of 182 million euros (19.5% more than the previous year) and managed 400 shops. Of these, only 98 are located outside of Spain. Approximately half are owned by the company itself and half are franchises. The company is planning to open a new factory as well as some large shops (between 800 and 1,000 square metres) where it can sell its entire range of fashion products, accessories and perfumes.

In 2006, the **Loewe Group** had a turnover of 5,222 million euros in the fur textiles, footwear, accessories and perfumery markets. The Loewe brand is an indisputable leader in the fur and high-end fashion sector worldwide, especially in the Asia-Pacific region, where more than 60% of its shops are located: 26 being in Japan. In Spain, the group has 13 of its own shops and 144 retail outlets. It is now part of the LVMH group.

International brands include H&M, C&A, Burberry Spain and, through distribution via franchises: Franchising Calzedonia, Etam Lingerie and Intimissimi.

Swedish firm **H&M** arrived in the Spanish market in 2000, and by 2004 it had a **turnover** of 185 million euros. In 2006 this rose to **414 million euros**, 5% of its worldwide turnover.

Dutch group **C&A** has subsidiary offices in Madrid and has been trading in Spain since the 1980s. It distributes its products through its own stores, with a **turnover** of 226 million euros in 2004 and **348 million euros** in 2006 (an accumulated growth of 50% over two years). At the end of October 2007, the company had 80 shops in Spain, **21 of which were in Madrid**. **The group has invested heavily in the Spanish and Portuguese markets.** In 2006 alone, the company invested 15 million euros in Spain. It plans to invest a further 45 million euros

(35 million in Spain) to reach a target total of 175 establishments in the Iberian Peninsula in 2009.

One of **Burberry Spain's** four factories is located in Spain (the others are in Poland, Portugal and China). The company registered a turnover of 1,100 million euros, while the turnover for Spain was 240 million euros (26% more than in the previous year).

Franchising Calzedonia has its headquarters in Italy and two franchise chains. Its Calzedonia shops sell hosiery, socks and swimwear. There are 900 Calzedonia shops worldwide and 232 in Spain; the company also has 91 Intimissimi shops in Spain.

Etam Lingerie is a French company with a subsidiary based in Madrid. The company has 487 shops in more than 30 countries worldwide; 93 of these shops are in Spain.

Of the more specialised Spanish companies that are more production-focused and boast turnovers of more than 100 million euros, Mayoral, Vive Vidal, Coflusa and Pronovias are of particular note.

Confecciones Mayoral (Mayoral) **is the childrenswear sector leader**. In 2007, the company's turnover was estimated at 140 million euros: 50% of which was through foreign sales. Other Spanish companies in this sub-sector include Star Textil (Bóboli), Agatha Ruiz de la Prada, Pili Carrera, Tutto Piccollo and Tuc Tuc.

Vives Vidal is an indisputable leader in the **lingerie and swimwear sector**, with a turnover of 97 million euros and 439 employees (Belcor, Bolero, Gemma, Intima Cherry, Lou, Variance, Vassarette, Bestform, Belcor and Majestic).

In the **leather and footwear** sector, Coflusa's **Camper** brand and, of course, Loewe are both noteworthy. Other companies that stand out as a result of their design components include, Sara Navarro, Ibercuir, Monreal y Mercader, Heitorn, Patricia, Ricart Pells and Confecciones Munper, the leading manufacturer of leather and imitation-leather garments.

Pronovias is the leading company in the wedding fashion sector, with a sales network of 3,200 retail outlets in 60 countries. The company is a pioneer in the design of wedding dresses. It is followed by **Exponovias (Rosa Clará),** which has more than 1000 retail outlets, and has collaboration agreements with Spanish designers such as Jesús del Pozo and Modesto Lomba. Other leading Spanish designers in this sub-sector include Franc Sarabia and Charo Peres.

Although the manufacturing and distribution processes are now reasonably well-integrated, below we have provided major figures separately for both activities.

<u>The Fashion Industry Sector</u>

Spain's fashion industry sector is extremely active, with high levels of national production, imports and exports.

In **2006**, total production in the **fashion sector was valued at 8,625 million euros**. Garments accounted for 6,550 million euros and footwear for 2,059 million.

The sector is made up of more than 6,550 companies which employ almost 200,000 workers.

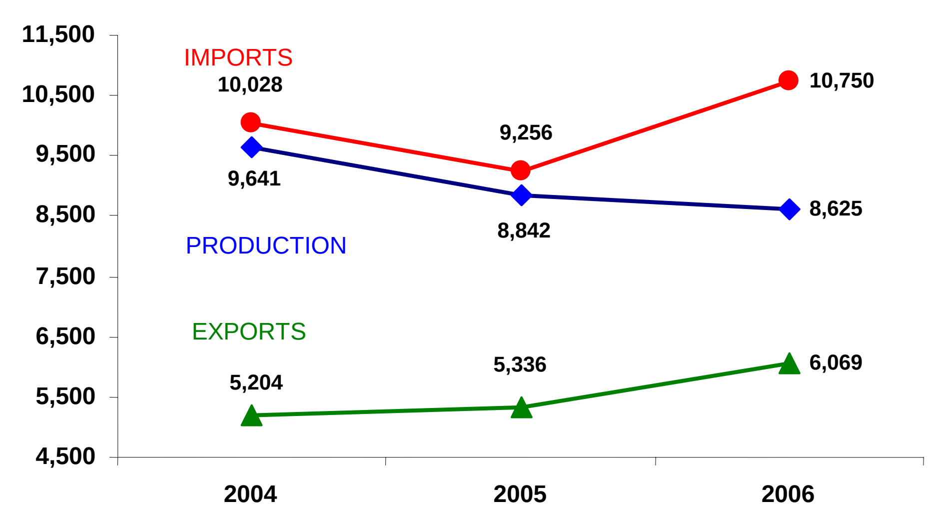
FASHION MARKET COMPOSITION IN SPAIN IN 2006			
	Clothing	Footwear	Total
Production (Millions of €)	**6,566**	**2,059**	8,625
Imports (Millions of €)	**9,113**	**1,637**	10,750
Exports (Millions of €)	**4,053**	**1,718**	5,771
Trade Balance (Millions of €)	**-5,060**	**81**	-4,979
Number of Companies	**4,273**	**2,283**	6,556
Nº Industry Workers	**144,000**	**48,122**	192,122
Source: Acotex, CITYC, FICE			

As previously mentioned, the **production sector** of the fashion industry is currently adapting its technological management and production structures and methods to cope with demand and to compete with cheaper imports from countries in Southeast Asia and new EU member states.

However, exports are increasing (at an average annual growth of 8%), at a higher rate than imports (3.5%), thanks to the international expansion of large companies and prestigious Spanish designers.

If we analyse the **clothing and footwear sectors separately**, the clothing sector has had more success than the footwear sector during the last three years. Production has fallen 4.5% annually on average in the clothing sector and by 8% in the footwear sector. Imports in clothing have increased 1.3% while imports of footwear have increased almost 20%. Garment export has increased by 12.3%, while footwear exports have decreased slightly (-1%).

PRODUCTION AND FOREIGN SALES IN THE FASHION SECTOR (Millions of euros)



Source: Fashion from Spain (CITYC) , FICE

In terms of material varieties, the 2006 production of **textile garments** accounted for 5,500 million euros (**84%**), **knitwear** accounted for approximately 800 million euros (**12%**), and **leather and fur** for 250 million euros (**3.7%**).

The most active sub-sectors in the **clothing sector are the lingerie, childrenswear and wedding sectors.**

Lingerie (underwear, corsetry, socks, hosiery and swimwear) is manufactured by about 200 companies with a total turnover of almost 300 million euros (10% of production). Lingerie exports increased by 4% in 2006. Traditional leading companies in other sub-sectors, such as Zara and Cortefiel, have begun trading in this sub-sector with some success through their own brands (Oysho and Women's secret).

Childrenswear, with a similar 200 companies, has also grown well over the last four years, with an average annual growth rate of 16%. In 2006, exports in the childrenswear sector were worth almost 210 million euros, 24% of the total.

Spain is the leading country in the wedding fashion sector, both in quantitative terms and in terms of trends. 500 companies operate in this sector, with a total turnover of 300 million euros. Spain is known for the quality and creativity of its designs, and it is the second most important exporter worldwide, according to the second “Puerta de Europa” (Door to Europe) economic report on the impact of wedding fashion in Spain.

According to the Spanish National Statistics Institute (INE), textile, clothing and footwear **production in Madrid** in 2005 totalled **2,068 million euros**: around 24% of the national total. Of this, the textile and clothing sector accounted for 1,052 million and the leather and footwear sector for 67.8.

Madrid accounts for 11% of textile garment **exports, 23% of fur and leather fashion and 13.6% of fur and leather articles. 24% of the wedding fashion** companies in Spain are located in Madrid.

As previously mentioned, **the sector is made up of** large groups, which manufacture and distribute their products, and SMEs, which employ, on average, less than 34 people. As a result of the restructuring of the sector, both the number of companies and the number of jobs have decreased over recent years, while processes have gradually become more concentrated and automated in order to be competitive.

INDUSTRIAL STRUCTURE OF THE FASHION SECTOR				
	2004	2005	2006	Var 06/04
Nº of Companies	7,119	6,778	6,556	-4.0%
Clothing	**4,535**	**4,437**	**4,273**	**-2.9%**
Footwear	**2,584**	**2,341**	**2,283**	**-6.0%**
Nº of workers	209,403	201,757	192,118	-4.2%
Clothing	**164,950**	**155,448**	**143,996**	**-6.6%**
Footwear	**44,453**	**46,309**	**48,122**	**4.0%**
Source: CITYC, FICE				

Despite the fragmentation of the sector, **the country’s ten main production and distribution companies account for almost 50% of the sector’s turnover.**

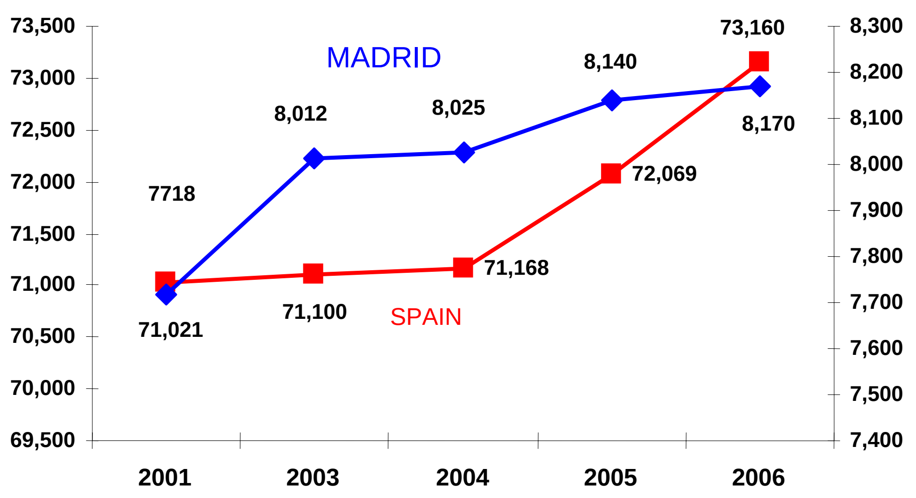
The success of Spanish companies is the result of good design and, as mentioned above, **international expansion.** Some Spanish companies, such as Inditex, Mango, Cortefiel, Vives Vidal, Adolfo Domínguez, Mayoral, Caramelo, Tutto Piccolo, Neck & Neck, Andrés Sarda, Custo Barcelona, Pronovias, Rosa Clará, Saez Merino (Lois, Cimarron), Antonio Miró, Armand Basi, TCN or Amaya Arzuaga decided to expand internationally many years ago, and now have a presence in a large number of markets with highly-consolidated brands.

Fashion Distribution Sector

As mentioned above, in 2006 the fashion (clothing, footwear and accessories) distribution sector had a turnover of around 17,750 million euros. The sector is growing at a moderate, yet continuous, pace. Madrid accounts for 16% of this total turnover, with its own turnover of over 2,450 million euros in 2006.

Distribution occurs through a network of more than 73,000 retail outlets in Spain. This number of outlets has remained stable over the last five years (2001-2006) (0.3% annual average). **In 2006, Madrid had 8,170 retail outlets, 11.3% of the national total.** Over the last five years, the number of outlets has grown in the city at an average annual rate that is greater than the national average of 1.1%.

HOME AND FASHION TEXTILE RETAIL OUTLET TOTALS

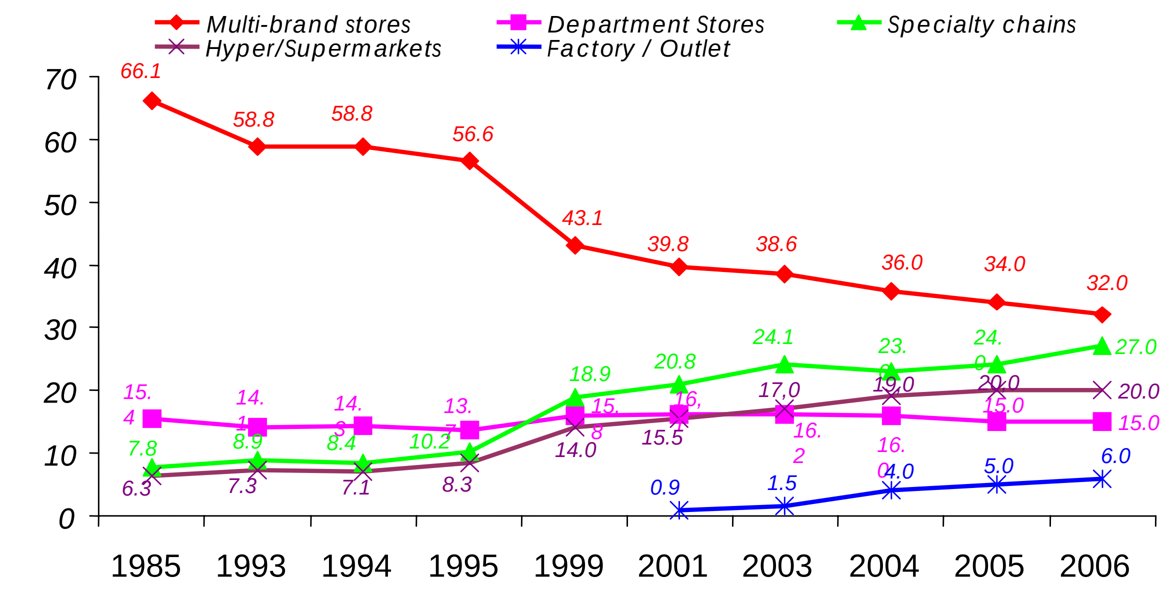


Source: Acotex

In Spain, 32% of products are distributed via multi-brand stores, 27% in speciality stores (8% in chain stores and 15% in department stores) and 20% in supermarkets and large retail outlets. Over recent years, there has been a notable decrease in the role played by multi-brand stores in favour of specialist stores as a result of franchises. Outlet or factory stores have also gained importance, and over five years have achieved a market share of 6%.

In 2005, the group formed by Spain's top five companies – El Corte Inglés, Inditex, Carrefour, Cortefiel and Hipercor – **had a market share equivalent to approximately half of the total market value.**

DISTRIBUTION OF TURNOVER IN THE TEXTILE AND FASHION SECTOR BY ESTABLISHMENT TYPE (%s/Total)



Source: Acotex

The fashion sector is one of the most important business sectors in terms of distribution via franchises. **In Spain, there are more than 200 franchises related to the fashion sector:** 37% sell womenswear and menswear, 22% sell accessories (more than 40), 18% sell childrenswear (29 with turnovers of €290 million), 6% sell lingerie and 16% sell a variety of different products (multi-brand).

MAIN FASHION FRANCHISES IN SPAIN (Turnover and Employment Data 2005, Shops 2007)								
Ranking Number	Franchise	Fashion Type	Turn. (M€)	Employees	Total Outlets	Own Outlets	Franch. Outlets	Nationality
14	**Mango**	**Womenswear**	**302,00**	**5.590**	**232**	**122**	**110**	**Spanish**
26	**Adolfo Domíngu**	**Mens/Womenswear**	**126,40**	**n.d**	**311**	**147**	**164**	**Spanish**
58	**Cadena Q**	**Multi-brand & segment**	**41,85**	**386**	**99**	**32**	**67**	**Spanish**
59	**Roberto Verino**	**Womenswear**	**40,00**	**n.d**	**116**	**100**	**16**	**Spanish**
60	**Calzedonia**	**Lingerie**	**38,26**	**221**	**232**	**44**	**188**	**Italian**
64	**Trucco**	**Young fashion**	**37,00**	**221**	**85**	**40**	**44**	**Spanish**
65	**Etam Lingerie**	**Lingerie**	**36,13**	**304**	**93**	**67**	**26**	**French**
68	**Lacoste (*)**	**Mens/Womenswear**	**36,00**	**800**	**151**	**14**	**137**	**French**
72	**Charanga**	**Childrenswear/young**	**35,00**	**318**	**183**	**75**	**108**	**Spanish**
98	**Intimissimi**	**Lingerie**	**16,39**	**148**	**91**	**32**	**59**	**Italian**
Source: Tormo y Asociados, Press and Annual Reports								
Notes: (*) All data from 2005								

Of the 100 most important franchises in Spain, ten are in the fashion sector, and have their own shops and franchises. These include Mango and Adolfo Domínguez, with 232 and 311 retail outlets respectively. Four of the ten most important franchises in the fashion sector are European, specifically French and Italian. Of these ten franchises, three have their headquarters in Madrid – Cadena Q, Trucco and Etam – and others have large distribution logistics hubs in the Spanish capital.

Madrid is the most important Spanish region in terms of franchises, occupying first place in both cases. Madrid is home to more than 32% of headquarter premises and accounts for 38% of total turnover (almost 7,000 million euros). This is because Madrid is home to a large number of high-volume companies and/or the master franchise headquarters of large international networks. The main franchises are from the USA (24%), France (24%) and Italy (14%), followed by Portugal (7%) and the United Kingdom (5%).

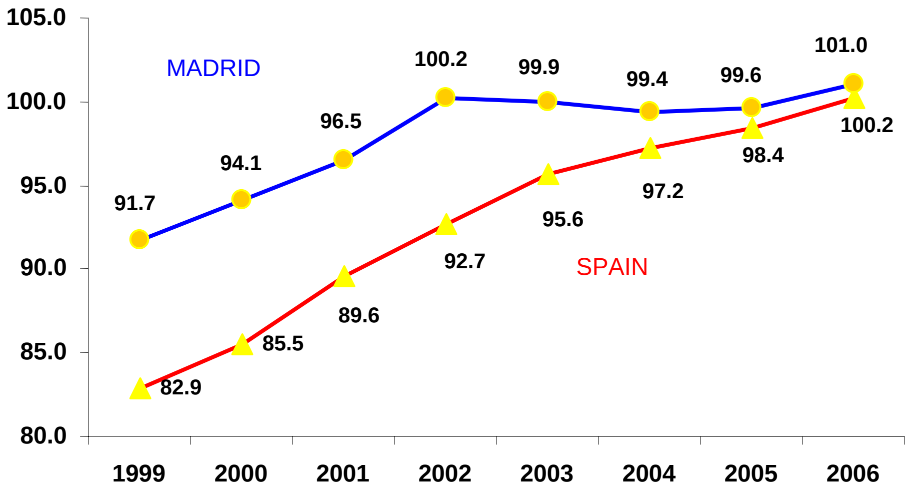
Major international franchises from around the world (Benetton, Etam, Intimissimi, Orchestra, Fauchon, Lacoste, Elefante azul, IKKS Compagnie, Intermarché and Jacadi) and key haute-couture brands (Dior, Givenchy, Chanel and Versace) have premises in Madrid.

Thanks to Madrid's large population and the increased number of low-cost airlines flying to the Madrid Barajas airport, **the Spanish capital has become one of the most popular destinations for international city breaks**. Yearly more than 5 million tourists travel to experience Madrid's offerings, and one thing that Madrid always has on hand is shopping. The city's outlets have turned Madrid into the most important destination in Spain (33.5% of national tax-free shopping) and one of the major shopping cities in **Europe for fashion goods**, behind the classic shopping cities of London, Paris and Milan. On Calle Serrano, within the Lista neighbourhood and the surrounding area, you will find retail outlets for all the major national and international brands. Fashion plays a key role in the shopping areas of the Salamanca district, Calle Preciados, Gran Vía and Fuencarral, in central Madrid. There are also a number of other districts that have a high volume of shops (Princesa, Bravo Murillo and Orense, etc.), as well as numerous shopping centres in the heart of the city, itself (Moda Shopping and ABC Serrano, etc.).

The fashion distribution sector employs almost 225,000 people throughout Spain. This number has gradually increased since 2001 (0.5%). **Madrid employs 14% of the sector's workforce**, more than 32,000 people, and employment in the sector has increased in the city at a rate much higher than the national average (2.5% annual average increase over the last five years).

Although figures are gradually levelling out, productivity has always been somewhat higher in Madrid than the rest of Spain.

TURNOVER PER EMPLOYEE IN THE TEXTILE AND FASHION DISTRIBUTION SECTOR (Thousands of € per employee)



Source: Acotex

LEGISLATIVE FRAMEWORK

The fashion sector's legislative framework is closely linked to the **European Union's (EU) directives and agreements.**

Over the last ten years, the textile and clothing sector has gradually undergone a process of global trade liberalisation. **On the January 1, 2005, the Agreement on Textiles and Clothing (ATC), which was implemented in 1995, stated that the sector would adhere to the normal rules and regulations of the World Trade Organisation (WTO) and that there would no longer be any limits on the amount of imports that could enter a country.** As a result, the sector became much more competitive as international markets were opened up.

The sector must also meet the **challenges posed by the expansion of the EU**, which has led to the incorporation of countries with increasing relevance in the international textiles and clothing markets.

Finally, a limitation agreement was established with China, which was concluded in June 2005. This has worked quite well and had a clear moderating effect on Chinese exports which, because of predatory pricing and the weak Yuan, have the potential to destabilise the market. However, **the limitations expire in December 2007,** which is particularly worrying as large markets, such as the US market, will continue to limit the amount of imports entering their borders from China throughout 2008.

All signs suggest that the agreement will not be extended, although the previous limit on imports shall be maintained to ensure that governments can intervene should imports grow at an excessive rate.

Faced with this threat from Asia, it appears that overcoming the considerable cost disadvantages, compared with Asian countries, by improving productivity is no simple task. European companies have tended to adopt measures related to **product quality and design,** and this is particularly noticeable in the clothing sector. Furthermore, **Euratex** (an organisation that represents the European sector) is optimistic about the future, though it believes that success will only come once liberalisation is based on reciprocal agreements between all of the countries that form part of the World Trade Organisation (WTO).

This has been especially apparent throughout **negotiations for what is known as the Doha Development Agenda (DDA)** and through Europe's inability to put a stop to **competition based on dumping, subsidies, copies and forgeries.** However, it cannot be ruled out that, in extreme circumstances, a minimum agreement may be drawn by the large negotiating areas (USA, EU, India and Brazil) which may, in the end, be accepted by all members of the WTO.

The frustration caused by the stagnation of the Doha Agenda negotiations has forced the EU to make a move and launch a **new European trade agreement**. This is based on an ambitious **plan for negotiations to establish free trade agreements, which has begun in South Korea and India, and which will be adhered to by member countries of ASEAN, the Association of Southeast Asian Nations, Central America and the Andean Pact.** Europe's textile sector is now on the offensive, and hopes to assure reciprocal agreements through symmetry both in terms of the abolition of custom duties, the calendar and the application of preferential trade agreements within the European Union.

R&D&I

At Spanish national level, the main **sources of financing for R&D&I are coordinated through the "InnoEmpresa" Programme to Support Innovation in Small and Medium-Sized Enterprises (SMEs)**. This has three different support types: organisational innovation and advanced management, technological innovation and quality and projects for collaborative or syndicated innovation. The beneficiaries of these support tools may be SMEs and intermediary bodies.

Another important national programme in Spain is the project to support **Innovative Business Groups (AEI – American Enterprise Institute).** This programme provides public incentives which help to improve competitiveness in Spanish companies.

The "Avanza PYME 2007" programme was designed to aid in developing an information society between Spanish companies.

The CDTI (Centre for the Development of Industrial Technology) provides financing for technological R&D&I projects in various sectors. It uses its own funds or facilitates access to third-party financing (bank financing from the Finance Facility for Technological Innovation and subsidies from the EU R&D Framework Programme). The centre can finance up to 70% of a project through interest-free credit and long-term repayment agreements.

At an international level, the **5th European Union Framework Programme 2007-2013** provides access to financial aid by taking part in international consortiums for R&D&I projects. This programme has a budget of **50,521 million euros.**

One part of this framework programme which is specific to the textile sector is the creation of the European Technological Platform for the Future of Textiles and Clothing.

In 2006, the Spanish Technological Textile Platform was created. The platform comprises the Spanish Intertextile Council (CIE), a number of different institutes and foundations for research in the sector, and the CDTI. Throughout 2006, the actions carried out by the CIE to promote the clothing sector totalled a budget of almost 5 million euros. These actions consisted primarily of exhibitions and trade delegations to EU countries and a further 14 non-EU countries; 324 companies took part in these events.

In addition, as the CIE was created as part of the EU policy promoting R&D&I in the business world as one of its priorities, the Council held a series of meetings in Brussels with EURATEX and with representatives from the European Textile Technology Platform. The aim was to integrate the Spanish platform into the European one. During these meetings, a Strategic Research Agenda (SRA), which would govern the main action points, was predefined.

First, a **strategic analysis** will be carried out to uncover the current situation, identifying the key international-level players and evaluating them within sub-sectors of the textile value chain. The objective is to create a database of platform participants and, above all, of their areas of interest and development. Then, the predefined **Spanish Strategic Research Agenda (SRA)** will be drawn up and executed. Once these two basic steps have been taken, a series of actions will be carried out by the companies:

- √ **Conferences on technology transfer and innovation** (awareness of the concept, and what and how to innovate) and on the diffusion of new technological advancements at a European level.

- √ **Technical support for companies who want to implement R&D&I:** the training and exchange of research staff between these companies and Technological Centres (TC).

- √ **Promote participation in European sector conferences and meetings in the field of textile innovation:** create a network for technological exchanges between companies and other European countries in the same sub-sector, and with TCs in countries that already have textile platforms, or promote the use of existing financial instruments for R&D&I at a European level.

A significant number of actions have been planned **for 2007. To carry them out, three work groups have been created, each specialising in a different area: technology/science, diffusion and enterprise.** The most important activities will be those designed to help textile companies incorporate R&D&I in their areas, products or processes.

At Spanish government level, on June 13, 2006, the **"Support Plan for the Textile and Clothing Sector"** was signed by the Intertextile Council, the Ministry of Industry, Tourism and Trade and the Ministry of Employment and Social Security.

The Plan, which will be in place until December 31, 2008, includes a **series of industrial, financial and employment measures, and has a budget of 800 million euros.** The Ministry of Industry, Tourism and Trade will provide interested parties with a total of 670 million euros in credits and direct financial aid. This will be used to improve competitiveness and boost the business framework in areas that have a greater presence in this industry. The plan's industrial and financial measures include:

- √ **Programme to promote technical research** for the textile and clothing industry, to provide support for all companies, although especially for SMEs.

- √ **ICO finance facility**, to promote innovation in production processes, with a view to diversifying or specialising.

- √ Establishment of the **industrial textile observatory**, made up of the relevant ministries, business organisations and trade unions. This will act on joint industrial policy actions in order to achieve a stable growth model.

- √ **Tax incentives** for textile exhibitions.

- √ **Actions carried out for the Institute for Foreign Trade (ICEX)** to increase exports and to create a beneficial image for Spanish products.

- √ Actions carried out by the National Innovation Organisation (ENISA) which will give preferential treatment to projects that incorporate **technological modernisation.**

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IV. TRENDS AND OUTLOOKS

The textile sector in Madrid has followed the same trends as the rest of the world. The following are of particular note:

√ **Taking advantage of investment in fashion design and branding to extend to other market areas and even to other sectors that are linked to fashion and image:**

For major brands, the trend is to supply products for all segments of the market – men and women (Massimo Dutti, and soon Springfield), young people, ladies, gentlemen and children (Zara). Another notable trend is to expand the range to include lingerie (Cortefiel's Women'secret and Inditex's Oysho) and, especially, childrenswear (Kids store in C&A, Women'secret for girls and prestigious designers such as Adolfo Domínguez, Agatha Ruiz de la Prada, Toton Comella, or Victorio & Luchino). Zara is set to launch its maternity line next year.

For some time, all haute-couture brands (Dior, Chanel, Givenchy…) have sold their own **accessories** (handbags, handkerchiefs and leather goods), **costume jewellery, perfumes** and even **cosmetics.** Spanish ready-to-wear brands are also expanding their ranges to include these products: Massimo Dutti, Adolfo Domínguez and Agatha Ruiz de la Prada.

Related sectors, such as the home textiles sector (Zara Home, Agatha Ruiz de la Prada), and even some non-related sectors, such as the stationery sector, have followed the same trend. Taking advantage of its success in the children's sector thanks to its brightly-coloured designs, Agatha Ruiz de la Prada has developed a wide range of stationery.

√ **Converting clothes shops into fashion centres:**
As brands have expanded the range of products they sell, stores have become centres to which customers go not only to buy clothes, but also to buy accessories and even the cosmetics they need to complement their look. Almost all chains now sell accessories (handbags, shoes and belts). Sfera shops go even further, selling a range of cosmetics for young people manufactured by Mac alongside clothes and accessories. Kiddy's Class shops, part of the Inditex group, also sell cosmetics (perfume and toiletries) and accessories (bracelets and necklaces) for children/young people.

√ **Vertical integration: manufacture and self-distribution:**
The Spanish Federation of Clothing Companies says that the companies that encounter the most problems are those exclusively devoted to production. Companies with their own brands work well, while those with their own stores experience higher growth.

√ **Taking advantage of globalisation to increase activities abroad and decentralise research, design and patternmaking:**
The sector is becoming more globalised every day, both in terms of manufacturing and marketing. Major logos are now found all over the world. Spain is no exception, and exports have increased gradually over the years. In addition, although large companies such as Inditex, Induyco and Burberry manufacture their goods in Spain, most companies also have manufacturing centres abroad.

- √ **Foreign investors' interest in the Spanish market:**
  Over the last few years, foreign groups have shown an interest in the Spanish market, not just as a consumer market, but also as an area of interest for investors. Over recent years, many international franchises have set up premises in Spain. Even companies that have been expanding throughout Europe for years, such as C&A and H&M, along with American brands such as Tommy Hilfiger, Liz Claiborne, etc., have come to Spain over recent years. Groups such as LVHM have bought Spanish brands such as Loewe, and venture capital investor groups have invested in Spanish companies, such as CVC Capital Partners, PAI Partners and Permira Europe Limited, which have invested in the Cortefiel Group.

- √ **Increased number of single brand shops vs. multi-brand shops:**
  FEDECON reports that multi-brand shops and manufacturer-owned shops are losing their hold over textile distribution to single-brand shops. According to the "Clothing Distribution" report, carried out by consulting company DBK, the turnover of fashion chains in 2006 was 9% higher than that of previous years, with a total turnover of 6,500 million euros (36% of the market). In contrast, the turnover of independent retailers decreased by 11% from the previous financial year, with a turnover of 4,500 million euros.

- √ **Strengthening of brands and creation of new brands for different market segments.**

V. ADVANTAGES OF INVESTING IN MADRID'S FASHION SECTOR

MADRID – MEETING PLACE FOR DESIGN AND INNOVATION

Madrid is home to the headquarters of several important institutions that aim to protect and promote the sector, such as FEDECON (Spanish Federation of Clothing Companies), promote research projects, such as the CDTI, and promote the sector abroad (Institute for Foreign Trade).

FEDECON is the only state-level organisation in Spain that brings together the country's clothing industry. Its primary objective is to represent and defend the socio-economic interests of businesspeople in the sector. It groups together provincial and regional associations as well as the Spanish Association of Fashion Creators (ACME).

FEDECON carries out projects to help the sector's businesses improve in technological terms; it also promotes the "Moda de España" ("Fashion from Spain") brand abroad in collaboration with the ICEX.

The organisation's projects to improve technology within the sector include:

- √ Tecon (installation of advanced telecommunication equipment in 180 companies, and use of the FEDECON server to place advertisements).
- √ SCT-SCT (Electronic Contact Systems for Subcontracting in the Textile Clothing Industry), a database of workshops and electronic tools used to contact client companies).
- √ NET-BUS, a mobile platform for demonstrating how electronic services work, and how they can be used for ongoing training.
- √ TELECAD: part of the ARTE PYME help programme, which provides SMEs in the sector with equipment that will help them increase their competitiveness. The conditions for the provision of this equipment are very advantageous for the companies involved.

Some of the sector's most important trade fairs and exhibitions are held in Madrid: general sector events such as IFU (International Fashion Week) and Textil Moda, as well as some specialist events for footwear, such as the International Footwear and Leather Goods Week (Sipiel) and Modalcalzado, and the annual wedding fashion designer competition, held in Puerta de Europa (PdE). The most recent IFU took place between August 31 and September 2, and was attended by some 300 foreign companies, the majority of which came from France, Italy and Portugal, despite the fact that the event coincided with the Paris show.

The Pasarela Cibeles fashion show has been running for over 20 years and is now one of the five most important fashion events in the world, behind Paris, Milan, New York and London. The last exhibition (September 2006) was attended by around 14,000 people. In 2007, the fortieth exhibition was held in Madrid's Retiro Park. The event boasted designs from 37 designers in 31 shows, including brands that were previously shown at the Pasarela Barcelona show, such as Guillermina Baeza and TCN. Spain's most important designers take part in the event, which also devotes one day to young designers, honouring the best designer with a prize. After this show, the EGO CIBELES show takes place. This show is for new, young designers and is split into five sections. It places special emphasis on Latin American designers and includes a showroom event that is open to the public for direct sales. Approximately 60 designers took part in the 2007 show.

Institutions such as ACME and Di Mad organise activities to promote designs from Spain and Madrid and provide business advice and training. Other training courses are offered in Madrid by the IED (European Design Institute) or the Madrid Fashion Design College (CSDMM), part of the Madrid Polytechnic University (UPM).

MADRID – COMMITTED TO THE FASHION SECTOR

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Madrid's local and regional authorities are deeply committed to the success of the fashion sector.

The Mayor of Madrid has, on numerous occasions, spoken about the importance of the sector to the city, including the promotion of design and fashion as a strategic area for development in his latest electoral pledge.

The city therefore **plans to create a large business complex for the textile and fashion industry, similar to the "Style Centres" found in other countries.** The project is currently in the planning stage; most likely its location will be in the "La Atalayuela" area in the Villa de Vallecas neighbourhood where there are approximately 100,000 square metres of land that may be used for industrial purposes. This initiative would make it possible to relocate the fashion, tailoring and clothing companies, which are currently in the city centre to this peripheral district.

The Puente de Vallecas neighbourhood will have a **Business Development Centre**, which will be managed by the "Madrid Emprende" Economic Development Agency, part of the Economic and Employment Department of the City Council of Madrid. The regional government has authorised a budget of 4.1 million euros for the construction of this centre.

The new centre will act as an incubator for future companies and **will be aimed at the textile and fashion sector.** It is set to become the perfect place for public initiatives, providing a series of shared services and infrastructures. These will facilitate training, the organisation, starting-up and consolidation of new companies in the sector, and improve the viability of existing companies for integration into the market. The centre will act as an incubator for business projects and will follow EU recommendations for this activity.

The incubator will encompass 4,000 square metres and will include: an entrepreneurial area with 22 offices and other rooms of various sizes, a shared-services area with a CAD design studio, a multi-purpose suite, conference rooms and training areas, and an area for administrative purposes.

"Madrid Emprende" is currently building or remodelling four centres in four districts in southern and eastern Madrid: Carabanchel, Puente de Vallecas, Vicálvaro and San Blas.

These initiatives are part of the **Strategy for the Promotion of the Industrial Sector in the City of Madrid** (Industrial Map), designed with the agreement of the socio-economic agents involved as part of the Local Council for Development and Employment in the City of Madrid.

MADRID - A PERFECT PLATFORM FOR EXPORTING TO FOREIGN MARKETS

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The ICEX (Spanish Institute for Foreign Trade), which is based in Madrid, has drawn up a Sectoral Plan for the Promotion of Clothing and Knitwear Abroad. The plan consists of promoting the 'Fashion from Spain' brand abroad and helping companies attend international exhibitions, fairs and trade delegations organised by the institute by contributing aid to alleviate their costs.

To promote the sector abroad in 2007, and in collaboration with **FEDECON**, the institute arranged for 22 groups to participate in many of the most important international fairs in Europe and the USA, as well as six trade delegations in Mexico, Argentina, Russia, the United Arab Emirates, Brazil and Poland.

As discussed above, many Spanish companies that have become international remain based in Spain, thanks to the opening of franchises or their own stores abroad and the support of national, regional and local institutions.

Investment in Latin American countries plays a key role. Spain is one of the main investors in these markets and has privileged relationships with several countries.

For the fifth time, Madrid International Fashion Week hosted the presentation of collections from top Latin American designers, the LatinoAméricaFashion show. The aim of this show is to promote the creative work being carried out in these countries, introducing Latin American fashion to Europe and the rest of the world. Creativity and modern design took on a key role throughout the 2-day fashion event, which featured collections from eight designers from Argentina, Brazil, Colombia and Mexico.

Madrid is the best link between Europe and Ibero-America, North Africa and the Middle East, thanks to traditional, personal and cultural ties, and to the city's strategic geographical location. Madrid is an excellent "bridge" that leads to more than 1,200 million potential customers.

A number of Latin American companies have their European offices in Madrid, while the Latin American offices of many European and some Asian companies also operate in the Spanish capital. This may be attributed to the fact that Madrid provides the best transport links and a number of excellent financial and business services.

Madrid-Barajas airport is the most important airport linking Europe and Latin America: 25% of flights between the two continents take off or land in Madrid.

However, Madrid is also looking at other markets. As the president of the Spanish Association of Fashion Creators (ACME), Modesto Lomba, has said, Spanish fashion brands are looking for markets in the **European Union and the United States**. They are focusing primarily on **New York** which, because of certain similarities in terms of innovation and state-of-the-art design, "is a good gateway" through which to promote the work of Spanish designers.

In this regard, the **MADRID FASHION WEEK NEW YORK EVENT**, which took place in the Spanish Institute between October 19 and November 17, 2007, is of particular note. The event was **sponsored by the City Council of Madrid**, the Spanish Chamber of Commerce, IFEMA and the Madrid Business Confederation (CEIM). Another important event was the Tokyo fair, which was inaugurated on November 1, in the city's Cervantes Institute, and which was supported by the Cervantes Institute and the ICEX.

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MADRID – A SELECTION OF HIGH-QUALITY DISTRIBUTION HUBS

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Madrid is an **excellent location for distribution hubs** thanks to its strategic geographical position, good accessibility to suppliers and clients, and the support provided by the Spanish government. Madrid is a meeting point for multinational companies and the hub from which many of them distribute their products to Europe, Latin America and Africa.

Given its strategic location in the centre of the Iberian Peninsula, Madrid has become a centre for radial transport systems: A dense, continually growing network of over 13,000 km of motorways and dual carriageways converge in Madrid.

7.2 million square metres of land in the Spanish capital is devoted to storage, transport and logistics. All of this land is found in nine specialised hubs (Coslada transport centre, Barajas cargo terminal, etc.). Hoping to turn Madrid into the most important logistics hub in southern Europe, the government is following a 10-year infrastructure plan: Perspectiva 2015.

In April, **Inditex** opened a logistics hub in the R-2 Alcalá Meco Industrial Park, near Madrid, which will create 4,300 jobs (1,500 direct jobs and 2,800 indirect jobs). The premises cover a surface area of 160,000 square metres and include 120 unloading bays. 100 million euros have been invested in the project. The hub will provide services for the entire distribution process, from the receipt of garments to the dispatch of orders to shops. More than 100 million items will pass through the hub.

On April 27, 2007, **Cortefiel** began building a logistics centre in Aranjuez (Madrid). 37 million euros will be invested in the project, which will generate a total of 300 jobs. This centre will cover a surface area of 40,000 square metres and will be used by all 1,252 of the group's shops, both in Spain and abroad.

All of the sector's major groups have distribution hubs in Madrid: Inditex, Induyco, El Corte Inglés and C&A, etc.

The quality and low cost of its infrastructures and the efficient services it provides to its companies mean that **the city of Madrid is the ideal logistical base** for accessing the 60 million consumers throughout the Iberian Peninsula within a period of 24 hours. In fact, 75% of Spanish and international transport and distribution companies have premises in Madrid, basing 60% of their logistics services for slow-moving products in the city.

The **most important logistics hubs** include the Madrid-Coslada dry port (the most important inland port in the EU), the Coslada, Getafe and Vallecas transport centres, and the Barajas air cargo centre. All of these hubs are connected to each other and to the other logistics hubs in Spain and the rest of Europe.

Madrid Barajas Airport was extended in 2006, increasing the airport's capacity to 70 million passengers per year and 120 flight operations per hour, making it the second most important airport in Europe in terms of capacity. The airport provides frequent, direct connections to 34 Spanish and 150 international destinations, and it is only 13 km away from the city centre. No other European capital city has an airport so close to its centre. The airport can be reached easily by car or via the city underground train in just 12 minutes.

MADRID – INTERNATIONAL BUSINESS CENTRE

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Over the last several years, the Spanish capital has become one of the most popular locations for many leading companies worldwide. Many prestigious independent institutions have stated this in their reports and studies.

According to Standard & Poors, the city of Madrid has climbed to third place in the global ranking of business centres. According to the company's report, Madrid will consolidate its leading position as a tourist and business destination thanks to the considerable investment made in the city's infrastructures. In its ranking, the report puts Madrid in joint third place with New York, Toronto and Los Angeles, behind only Paris and London.

Lorenzo Pareja, one of the authors of the comparative study, highlights the advantages that Madrid has as a driver of the country's national economy. **"Madrid is a financial, business and administrative centre, as well as the headquarters for the main state institutions of the country's large businesses,"** he explains. However, Madrid is also, "**one of the most important tourist and business destinations in Europe,**" an attraction which "we hope will become stronger in the future thanks to improvements made to infrastructures, particularly to the quality of hotels, by-pass motorways, the metropolitan transport network and the international airport."

In its last regional report on Madrid, the Organisation for Economic Cooperation and Development (OCDE) noted that "the city is more competitive and modern today. It has made the most of the benefits of globalisation." According to the study, **it is the fourth most popular tourist destination in Europe, behind London, Paris and Rome, and is especially popular for business trips.** In addition, between 2000 and 2006, the city's unemployment has decreased from 11.6% to 6.5%. This figure is particularly impressive when you take into account that Madrid is home to 13.5% of the population of Spain. The report also praises the city's public transport and points out that the underground train network has grown an average of 6% annually, doubling its size since 1984.

According to the **"European Cities Monitor 2007" report, completed by real estate consultancy Cushman & Wakefield, Madrid is** the most-improved big city since the same study was carried out in 1990.

The report highlights that **Madrid**, along with Barcelona and Prague, is one of the **cities currently making the greatest effort to improve as a business destination**. It puts Madrid in third **place in the ranking of cities that offer the best quality of life** to employees, **fourth place of the cities with the best office availability**, and sixth **place in the ranking of the cities** most renowned as business locations.

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mmoda.es: fashion news

Cinco Días.com and Expansión.es: news reports

Actualidad Económica: "30.000 Mayores Empresas Españolas". ("The 30,000 Most Important Spanish Companies") 2006 Edition

Web pages of Companies in the Sector and Annual Reports: Inditex, El Corte Inglés, Cortefiel Group, H&M, C&A and Burberry etc.

Web pages of Organisations and Associations: news reports, financial aids, projects, directories, legislation

- **FEDECON** (Spanish Federation of Textile Manufacturers)**, ACME** (Spanish Association of Fashion Creators), **Mityc** (Spanish Ministry of Industry, Tourism and Trade)

LEGAL AND INSTITUTIONAL FRAMEWORK

Mityc

ORDER CTE/135/2002, of January 24, establishing the calculation bases for the concession of financial aids within the framework of the Programme for the Promotion of Technical Research in the Textile/Clothing Sector.

ORDER ITC/692/2007, of March 20, for the request of financial aid to formulate strategic plans for Innovative Business Groups.

AGREEMENT ON TEXTILES AND CLOTHING (ATC) of the World Trade Organisation (WTO): http://europa.eu/scadplus/leg/es/lvb/r11011.htm

THE SECTOR'S KEY INSTITUTIONS – *WHO'S WHO IN SPAIN*

ACME
Spanish Association of Fashion Creators
Promotion, development and teaching of all activities that benefit the fashion design sector in creative and business terms. Aims to represent, defend and promote the economic, professional, social and cultural interests of its members.

ACOTEX
Spanish Business Association for the Textile and Accessories Sector
An organisation representing businesspeople and the self-employed working in the sector in the Autonomous Community of Madrid. Represents the interests of the sector, negotiates with public administrations and institutions, negotiates collective agreements for the textile and accessories sector in the Region of Madrid. Writes reports on the sector's status, prints circulars, organises events and provides legal advice and free training.

AEF
Spanish Association of Franchisers
Turnover of associate members currently represents 66% of the turnover of the national market. Services:

- √ Information services for members: agreements signed by the association with various organisations; transactions handled by the association for its members; participation in organisations through the association and works published by the association with the active participation of members.
- ○ International activities: information regarding foreign markets; presence at international fairs and exhibitions; support for companies in foreign markets and international publications.

ASECOM
Association of Clothing Manufacturers of Madrid
The association provides legal, tax and quality advisory services, helps companies with paperwork and other procedures (quality certificates, pay slips, applying for financial aid, setting up and managing companies) and provides information and training programmes. It also works with institutions to defend the interests of the sector.

ASINTEC
Association for the Incorporation of New Technologies in Business
Private, non-profit organisation. Its main objective is to provide services to companies in various areas of the textile/clothing sector, with the aim of strengthening those companies, improving their competitiveness and helping to develop the business framework of the sector.
In 1994, ASINTEC opened the Technological Centre for the Clothing Industry (CTEC).
It provides advisory services relating to production, CAD/CAM, subcontracting workshops for the INNOVATEX-CLM cluster, physical and chemical quality control tests (supplier controls) and ongoing training in the sector (patternmaking, foreign trade, machinist, management, control, environmental and HR etc…).

CDTI
Centre for the Development of Industrial Technology
Public business organisation, part of the Mityc, which aims to help improve the technological level of Spanish companies. Provides its own or third-party financing for use in R&D projects. Supports projects for technological promotion, to exploit in-house technologies developed by companies, through its network of international offices and Iberokea projects.

CEIM **Madrid Business Confederation**
CIE: Spanish Intertextile Council Top-level organisation for the coordination and representation of different textile organisations at a national level. It has representatives from 6,800 companies, which provide approximately 243,000 jobs and have a turnover of 13,000 million euros. The CIE is in permanent contact with the Spanish Secretary of State for Trade, the Ministry of Science and Technology and Spain's permanent representations to the European Union and the World Trade Organisation.
CITYC **The Textile and Clothing Information Centre** Non-profit organisation which, in collaboration with the MINISTRY OF INDUSTRY, TOURISM AND TRADE, aims to provide companies with the information they need to make strategic decisions. Regularly publishes statistical information about the sector's development as well as a monthly newsletter.
DI_MAD **Madrid Designers' Association** Strives to bring together the greatest possible number of designers and design professionals in the widest sense: art directors, writers, teachers, managers etc., and, of course, students and/or young professionals. Has relationships with public administrations, competitions, the directory of designers and tariffs, legal support and advice and projects of regional and international scope. Offers placements, and the creation of a Design Centre in Madrid.
FEDECON **Spanish Federation of Clothing Companies** Represents and defends the socio-economic interests of businesspeople in the sector. Plays a role in collective negotiation and in the CIE. Information and advice, training, training abroad and technological projects.
FICE **Spanish Federation of Footwear Industries** National business organisation that represents the general interests of the sector at both a national and international level. Exporters' Association. Recognised by the Spanish Ministry of the Treasury as a Collaborative Body in Administration. It is formed by 12 business associations. Some FICE activities of note include: negotiation of collective agreements, organisation and sponsorship of trade fairs in the sector in Spain (Modacalzado), ensuring Spain's presence in trade fairs abroad (Germany, Italy, USA, China, Hong Kong and Japan…), information regarding foreign markets, information regarding the EU, legislation, trade, labour and statistical information and advice, trade publications (yearbook, magazine and Infofice…), training activities (Management of the Sectoral Ongoing Training Plan) and research, development and innovation (R&D&I) activities through the Technological Institute for Footwear and Related Industries (INESCOP).
ICEX **Institute for Foreign Trade** Provides services to Spanish companies to help promote their exports and help them to move into foreign markets. **Fashion from Spain** Provides information about different sub-sectors of the fashion sector, company directories, news reports, fairs and newsletters.

INESCOP **Technological Institute for Footwear and Related Industries** Organisation providing services for the footwear industry and related and auxiliary sectors. Made up of relevant companies in order to examine technological activities of interest for the sector as a group. 600 member companies.
Mityc **Ministry of Industry, Tourism and Trade** Responsible for industrial policy. Provides statistical data and information regarding financial aid for different sectors via the ayudatec portal: www.mityc.es/PortalAyudas/Servicios/index.htm

COMPANIES

THE SECTOR'S PRINCIPLE COMPANIES	
ADOLFO DOMINGUEZ	EL CORTE INGLES
BASI S.A	ETAM LINGERIE
BURBERRY ESPAÑA	H&M
C&A	INDITEX
CALZEDONIA	INDUSTRIAS Y CONFECCIONES, S.A. (INDUYCO)
CARAMELO	LOEWE S.A
COFLUSA (CAMPER)	MANGO
CONFECCIONES MAYORAL	VIVES VIDAL
CORTEFIEL, S.A	

ADDITIONAL COMPANIES IN THE MADRID SECTOR	
ACHYMODAS	JUAN ANTONIO HUERTA, S.L.
ACTURUS TEXTIL, S.L.	LA CASITA DE WENDY, S.L.
ARENA NOVA	LEXUS, S.A.
ARTESANOS CAMISEROS, S.A.	LIBANTEX, S.L.
AT LEAST, S.A.	LIZA DIFUSSION, S.A.
ATRAPADA, S.L	MACARENA KINDELAN, S.L.
BACHILLER PIEL, S.L.	MADE LINE FACTORY, S.L.
BARBARELLA FASHION	MERLETTI, S.L
BEATRIZ MATEOS ALTA MODA SPOSA, S.L.	MESTRE INFANTIL, S.A.
CADENA S.A	MO BY MARIA ROCA, S.L.
CALZADOS PABLO, S.L	MODAS PIMOR, S.L
CANEDA D&L DISEINEU, S.L	MUKA WEAR, S.L.
CELTAURA, S.L	MYRIAM GALLEGO, S.L.
CHANAKYA, S.L	NECK CHILD, S.A.
CHAVARRIAS MAINAR ANTONIO	NEHA COLECCIONES, S.L.
CONFECCIONES ANCAR, S.A.	OLE TORERO, S.L.
CORDON, S.A.	ORELLANA UNO, S.L.
CREACIONES ACOSTA, S.L	PEMAE, S.A. UNIPERSONAL
CREACIONES DOREGATI, S.A.	PEQUES TRAP, S.L

CREACIONES MIRTO	PIEL INTERNACIONAL, S.A.
EDWARD'OS, S.A	PRODUCCIONES ANA SANDRA, S.L
ESTUDIO MARTE, S.L.	PROGRAMAS EXTERIORES, S.A
EXIGENCY, S.A.	RONMARA 1815, S.L.
FOURQUET 17,	SABELMA, S.L.
GLOBE CONFECCIONES, S.L	SATENBELL, S.L
GOTAS DIFUSION MODA, S.A.	SPANDITEX, S.A.
GRUPO FUN & BASICS, S.A.	TEJIDOS BRUGUES, S.L.
IN SITU, S.A.	TEXTIL ACV, S.A.
JAUSE, S.A	VEGASKI, S.A.
JAYCRIS, S.L.	TRAPETIN, S.A
JOSE JIMENEZ ARELLANO, S.A.	ZOLDER, S.A.
JOY COSTURA, S.L.	
Source: fashionfromspain.com	

PRINCIPLE DESIGNERS IN MADRID	
AGATA RUIZ DE LA PRADA	ELIO BERHANYER
ALMA AGUILAR	FELIPE VARELA
AMAYA ARZUAGA, S.L.	JAVIER LARRAINZAR
ANGEL SCHLESSER	JESUS DEL POZO
ANTONIO ALVARADO	JUANJO OLIVA
CHARO PERES	LORENZO CAPRILE
DAVID DELFIN	MIGUEL PALACIO
DEVOTA & LOMBA	ROBERTO TORRETTA
ELENA BENARROCH	SYBILA
Source: fashionfromspain.com	