

LYNKA Q&A

A COUPLE OF YEARS AGO, IMAGES INTERVIEWED **JOHN LYNCH** AND **ANNE KALIN** OF LYNKA TO GET AN INSIDERS' VIEW ON HOW THE GARMENT DECORATION INDUSTRY WAS SHAPING UP IN CENTRAL AND EASTERN EUROPE. WE USED OUR RECENT VISIT TO THE NEW LYNKA FACTORY TO CATCH UP ON ALL THE LATEST DEVELOPMENTS IN THESE FAST EMERGING MARKETS...

IMAGES: Can you estimate the current market size for decorated leisurewear in Central and Eastern Europe?

John Lynch (JL): A very difficult question! But for the record, we consider ourselves to be a Central European company. We are, after all, only one country across from Germany. Eastern Europe, we consider to be Russia, Ukraine, Bulgaria. We are much closer, culturally to Western Europe.

For the majority of manufacturers and suppliers, Central/Eastern Europe is just a blip on the scale. We're selling a lot of their garments in England, Germany and France.

Our suppliers in some measure have a perception problem when it comes to Poland. Unfortunately, it is still seen as a poor country, whose people are short on food and clothing, but as you have seen during your time here, it just isn't so any longer. So how do we manage to sell such quantities of sportswear? Our growth rate of sales is one of the highest for all our suppliers and that isn't off a small base; we are becoming a pretty major customer for our suppliers - we and they are now aware of the potential in this part of the world.

The good thing for us is that most of our competitors don't understand that it isn't all about price. It is no longer about just having a cheap T-shirt - we've pretty much given away that market. The people who import 'one dollar Ts' from China and do millions of them... we no longer look at that market - we look at quality product these days.

So, Central Europe is generally as the US was 20 years ago or the UK 10 or 12 years ago, where you couldn't find a branded shirt and there were different labels every day. Despite some difficult business practices over the years, we have managed to grow and become a leader in our field while still maintaining a highly ethical stance.

IMAGES: Is it a dynamic, competitive market or one dominated by just a few companies? Are you seeing a large number new start ups appearing?

JL: There are quite a few new start-ups. Interestingly, our major competitors of three, four or five years ago are no longer in the business, largely because they thought it was all about large quantities of cheap shirts. They were happily producing thousands of shirts at tiny, tiny margins and, inevitably, if one customer is late in paying or doesn't pay, they are out of business pretty quick.

We apply a formal competitive analysis to our business every year and it shows that the players are changing pretty rapidly. The screen printing business doesn't have high entry barriers. With US\$5,000 you can buy a manual press and a little dryer and set up shop.



The 'T-shirt couple'; John Lynch and Anne Kalin.



Lynka has won international recognition for its award-winning work, which is on a par with the best in the UK, in terms of quality, according to John Lynch.

IMAGES: Is there a growing sophistication in terms of customer demands and the quality of work being produced?

Anne Kalin (AK): Absolutely! And this is a big plus for Lynka. Poles in general are very sophisticated and demanding clients. They want to touch, see and feel the garment. Probably 70 per cent of the jobs we print have sample runs of 100 - 500 shirts. Customers will not accept a paper proof or a scrap of cloth - they want to see the finished article and make sure that the design, or whatever is in the exact spot required. If they want it moved a couple of centimetres for whatever reason, then they want another sample run! My colleagues in the US are sometimes shocked at the amount of sampling we do here.

IMAGES: Is there a Perceived Quality Gap between Central/Eastern European Printers/Embroiderers and their Western counterparts?

JL: We have visited many of the most sophisticated printing and embroidery plants in the US and Europe and we have had them visit us. We said in the beginning that the majority of our employees were completely unaware of the processes and business of textile decoration; we took them as raw recruits - 'from the streets', as it were. But now, the majority of the visitors who come through here shake their heads in envy! We have a stable workforce who are totally committed and work hard to do the thing right. I think that we can now hold our workforce up to anyone.

Elsewhere in this part of Europe, the people are highly educated - this is not a Third World country. They are being trained; the suppliers are hiring locally and teaching and training staff in marketing skills; they are being given budgets for

INDUSTRY ISSUES

translation services and so on, and exhibitions such as Mini-FESPA's all help.

There is a gap, but it is a rapidly shrinking gap.

IMAGES: Is there potential for Central European printers and decorators to move into direct competition with Western printers?

JL: I remember that you asked me this question a few years ago and I think the answer is still pretty much the same. The screen printing business, generally, is still a local business. Your customer wants to know you. They have a sales relationship; your account manager and customer services rep knows the customer intimately. Most customers want to order from someone they know. They're not going to order from three or five countries away to save a few coppers.

The UK is recognised over here as the tops in Europe and, fortunately, our quality is on a par with the best in the UK. So I don't see most of the business in this part of the world as having the potential, except maybe some contract business. I know that some of the big sportswear companies have some printing done in Central Europe - sometimes for cost reasons, sometimes it's for the local market - and they, logically, want to be close to the local market. Probably, being close to the market is a better reason than saving a few pence a shirt.

IMAGES: In which areas/sectors/geographical regions will Lynka's next phase of growth occur?

AK: Probably Russia and the Ukraine. Russia, with its 200 million people, is really hungry; there is a huge shortage of product and everybody is scared to death of doing business there. We've had seven years of learning what it takes to do business in a relatively inefficient market, where there is not the sophistication yet in place in banking, transport, telecoms, product supply and so on. Most Western business people would find it incredibly frustrating to try to do business in other parts of Eastern Europe. So I suppose that we are in pole (sic) position when trading conditions with Russia and its satellites are deemed to be more favourable.

IMAGES: Are there opportunities for Western, Central and Eastern European producers to forge trade partnership agreements (with skills and contacts allied to low cost production)?

JL: Very much so. There is a massive skill gap in the East. There are few good printers and virtually no decent ink and even the work ethic is, shall we say, different. There is probably room for us to set up a strategic partnership with a company in, say, Kiev if we took an equity stake in the business there and sent our people to train them. Whether the cost savings exist are a matter for conjecture. As I said earlier, screen printing can't be done too many countries away, except for the massive contracts, which anyway are a small part of the business.

AK: The successful people will be true business people, who have a passion for the industry; who can add a special touch - whether it's in the way employees are managed, the way client relationships and customer services are handled or any combination of several factors. It has got to be run as a business.

This is not a hobby - hobbies don't grow, hobbies aren't profitable and hobbies don't employ a workforce. Everything you see in this new building was negotiated tough, it was never intended to be a monument to Anne and John - it is a functional and efficient business place.

© Lynka: (Poland) +48 12 293 8000.

Fax: (Poland) +48 12 293 8001. E-mail: sales@lynka.com.pl.

Web: www.lynka.com.pl.