



EMCC case studies

Industrial change in the textiles and leather sector: Randers Handskefabrik I/S

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Company facts

Established in 1811, today Randers Handskefabrik I/S is the sole remaining glove manufacturing factory in northern Europe. The company is also a wholesaler of other clothing accessories such as mittens and scarves. Its customers are mainly retail shops selling leather manufactured goods, ladies fashion articles, and men's clothing and accessories. In addition to this, Randers Handskefabrik carries out commissions for institutions such as the Danish police and military, and is a specialist in gloves for activities like riding and golf. Approximately 15%-20% of the articles are exported to western Europe and overseas. Randers Handskefabrik gloves are still produced according to the traditional glove-making method known as French glove-making or table-cutting.

Randers Handskefabrik is a partnership owned by the Vejrum family. The executive directors are brothers Arne and Erik Vejrum. There are two retail shops in Denmark, one in Randers and one in Copenhagen. The factory and the shops have a total of 30 employees. The shops are seen as an important way of compensating for seasonal production surges: production for the next season can be started before orders from retail customers have been placed.

Randers was the centre of Danish glove-making in the beginning of the 18th century. The Randers glove was regarded as a quality product all over Europe. After its establishment in 1811, production grew steadily and by 1900 the factory was employing 150 people. When Ejnar Vejrum took over the factory in 1927, there were only ten employees, due to a steep decline in production during the first quarter of the twentieth century. Despite problems getting raw materials during the Second World War, production was once again on an upward curve in the following decades.

In the 1950s, Randers Handskefabrik started using new machinery and increased the import of gloves for wholesale. In the 1960s, a tannery and dye-works were built so that the company could be more independent. The glove trade in Europe came under increasing pressure at this time due to changes in fashion and consumer behaviour together with a growing glove import trade. By the mid-1970s, Randers Handskefabrik was the sole remaining glove factory in Denmark.

Market dynamics and company changes

Randers Handskefabrik is currently facing a 'generation change', and its ownership structure is changing with the addition of external partners. The company has been preparing for this change for several years. However, the production structure has not changed, and there are at present no plans to change it. The factory still maintains all functions for glove-making, selling, and administration in-house. It receives raw materials as intermediate goods, which are then prepared in the tannery and dye-works. Afterwards, these are sent on to the glove-making facility for sorting, cutting, sewing, finishing by calendaring, checking and packing. In addition, the company handles sales, marketing, budgeting and administration.

Many of the production and organisational processes and functions have not changed in years. Nevertheless, the factory has managed to adapt to market changes and is still today among the world's leading glove factories - and the only one in northern Europe.

One of the turning points for the company occurred after World War II, when there was a shift in consumer attitudes regarding quality and cost, and the arrival of more widespread competition. Some factories reacted to the changes by relying solely on their own production, thus remaining vulnerable in the market. Randers Handskefabrik decided instead to supplement its own production with the purchase of manufactured gloves for wholesale distribution.

Glove-making has always been an industry with a very proud tradition, with manufacturers making their own gloves and marketing them under their own brand. Buying and selling gloves from competitors was not welcome in the 1940s and 1950s: it was seen as a compromise on quality and tradition. Because of the high wages in the Scandinavian countries, Randers Handskefabrik viewed the wholesale strategy as necessary for the company's survival.

In the 1950s, competition grew as wages in western Europe became much higher than in eastern Europe. Randers Handskefabrik immediately took advantage of the opportunity to buy manufactured and intermediate goods at a lower price. During this period, the motto at Randers Handskefabrik was: 'If we can't make a product just as good and just as price-wise, we won't waste our time on it'.

The main way of dealing with change has come about as a result of a flexible market strategy developed since the 1960s. As a result of this, the factory has operated in many niches related to design and functionality. Whenever a new and aggressive competitor appeared in a market segment, Randers Handskefabrik moved out of the segment and on to the next potential market. The company feels that the strategy of always being prepared to find a new market segment and being able to modify its products has led to the survival of the factory.

The dual strategy of selling and buying has also led to an associated changeover to a compound product line. Today, approximately 20% of turnover comes from fashion items made in the factory in Randers. The remaining 80% of turnover comes from trading: buying manufactured goods or semi-manufactured leather goods and raw materials and then sending them to external suppliers to be finished, either as contract work or in joint ventures.

The manufacture of gloves is partly determined by changing fashions. There is no trendspotting or design position at Randers Handskefabrik. Therefore, the person responsible for the new inspiration and for discovering the trend varies: it could be one of the glove sewers, one of the salespersons, or a supplier. Randers Handskefabrik acknowledges that this structure leaves the company fragile in terms of product development, but for the time being the system seems to work.

Organisation and market

The company anticipates that production methods and locations for the manufacture of gloves will not change in the very near future. The sales structure, however, is expected to change as the purchasing departments of supermarket chains and department stores get larger and thereby gain bargaining power, the role of wholesale dealers is now less important. As a response to this development, Randers Handskefabrik has taken an active part in the establishment of the European Glove Association (EGA): through this, it is possible to pool orders into large quantities in order to keep prices down.

In general in the industry, delocalising production to countries outside the EU is expected to continue following EU enlargement and a tightening of EU environmental legislation. It is estimated that only a few tanneries are prepared for these new demands. The company nevertheless expects it will still be able to compete due to its high quality and known brand.

Quality is still the benchmark that sells the gloves from Randers Handskefabrik. These gloves are produced according to traditional methods, in contrast to the methods used in Asia which target industrial production. The traditional European method is based on top craftsmanship and the desire to produce a product that literally 'fits like a glove'.

Over the past ten years, many of the specialists and their skills have been moved from Europe to the Asian glove production, since the glove-making process is very labour intensive. It is expected that the French glove-making system

will be established as a standard in Asia within the next ten years and that European-manufactured gloves will probably be quite a rarity within 20 years.

Supplier relations

Raw hides are sourced from suppliers located in a belt centred on the equator and extending 500 kilometres to the north and 500 kilometres to the south. Generally the type of glove determines where to buy the leather.

The number of suppliers of raw materials has declined over the past 25 years, and only a few are left today. This is in part due to environmental legislation in force in Europe. When the EU was founded, Community law was very uniform and restrictive towards tanneries and dye-works. This resulted in this line of business being eliminated in a great number of EU Member States. Some tanning and dyeing companies closed down, some moved production to eastern Europe and Asia, and some were purchased by Asian tanneries which moved both production and specialists to Asia.

Workforce and the market

The composition of employees is as traditional as the process of glove-making: men work in the tannery and women do the sewing. Employees are trained in the factory, as there is no longer an apprentice education for glove-makers. Most of the employees have worked in the company for many years. The company perceives this as one of its strengths, because the process of glove-making is labour-intensive and relies heavily on skilled qualifications that take time to acquire.

Salary

The salary system is mainly based on hourly wages. When possible, a piecework salary structure is employed.

The company has a bonus system in the retail shops.

Labour relations

The majority of employees at Randers Handskefabrik are organised in the Danish General Workers' Union, SID. The company has an equal rights policy, not in writing but in practice. The company culture is characterised by collaboration, influenced by the fact that most employees have worked in the factory for many years. Though most employees are unionised, the union does not play an active role in the day-to-day business of the factory.

Education and training

There is no formal education for tanners in Denmark. Randers Handskefabrik trains its tanners at the factory. The company typically hires a young man, trains him in all the processes, and expects him to stay in the company until retirement.

Previously, there was a formal vocational training as glove-maker and glove-sewer, but this has since ceased. At this time Randers Handskefabrik was the only glove factory left in Denmark, and was thus the only enterprise that could employ qualified graduates. The owners were asked to teach the trade at the vocational school because nobody else was qualified. Since the closure of the vocation training, the company has used on-the-job training.

Research and development

The division of heavy and light leather manufacturing is seen as the combined result of tradition, environmental legislation, and research and development. Today, research into tanning is mainly carried out by the large suppliers of chemicals and dyeing and tanning materials such as Bayer, BASF, and Clariant.

Research is viewed as important because some of the dyes used today are not as good as the old ones, yet the old ones are illegal today due to environmental considerations. This issue has resulted in Randers Handskefabrik receiving complaints about declining product quality.

Randers Handskefabrik does not itself participate in research activities. Instead, it uses product development as a means of improving knowledge and perfecting utilisation of materials. Product development is linked to actual customer demands: the gloves have to be waterproof, colourfast, dirt and oil repelling, etc.

Virtualisation of the workplace

Part of the glove-making process – the tanning and dyeing – is very technologically advanced, while the cutting and sewing is still done manually.

Within the last two years, Randers Handskefabrik has implemented information and communication technologies (ICT) in some of its operations: for example, by July 2003 all bookkeeping and stock control had converted to a new ICT-based system. One of the main drivers for updating the system was that some of the customers – public institutions – had made contractual demands for the electronic information transfer of orders and invoices.

ICT has changed the way Randers Handskefabrik communicates with external partners and it makes many processes easier, but it is not seen solely as an improvement. One of the reservations about ICT concerns a lack of time for reflection: although the response time by email is much faster than by letter, this sometimes leads to pressure for an answer and thereby less time for considering that answer. The telephone is still regarded as a more effective tool for business purposes than email. Management sees email as making it easier to build up and maintain business communication and contacts, but at the same time leading to much more extensive and sometimes unnecessary communication. For the time being, therefore, the company has decided not to be a leader in the field of ICT, but rather to take ICT on board whenever there is a formulated demand from the market, such as for bookkeeping and stock control, or when there is sufficient evidence from other companies that a particular application of ICT can benefit the company.

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Source list

This case is based on a personal interview with Mr Arne Vejrum, Executive Director, Randers Handskefabrik, in February 2004, and on the following sources:

- History: <http://www.khm.dk/handskefabrik.html>
- European Glove Association (EGA): www.glovestory.com
- Købmandsstandens Oplysningsbureau: www.kob.dk