CARPETS (TUFTED)
Belgium South-West Flanders Kortrijk and Sint-Niklaas
Cluster Description and Evaluation

	Scale	Evaluation	Estim.	Comments, Explanations
CLUSTER (Name)	n/a			**Carpets (Tufted)**
BIOGR. INFO (Primary Citations:)	Text			Vanhaverbeke, W. The Tufted Carpets Industry in Belgium. Case, IESE-Barcelona (1992), In: Praktijkvoorbeelden Van Strategisch Management, Rijksuniversiteit Limburg, Maastricht 1993
Number of data points (quant. & qual.)	No.	127		
Number of data points (quant. only)	No.	86		
Done	1 Yes 0 No	1		
Data entry by	Text			Holger Schiele, Claas van der Linde
Last change (date)	yy/mm/dd	00/11/23		
Issues raised in study which are not in template	Text			Many interesting suggestions in BelgianCarpets.xls
DESCRIPTIVE INFO	n/a			
Extractive / Natural Resource Industry	1 Yes 0 No	0		
Generic Cluster (Primary Association)	1 Materials 2 Forest/Paper 3 Petroleum 4 Semiconductor 5 Multipurpose 6 Transport 7 Power 8 Office 9 Telecom 10 Defense 11 Food 12 Textiles 13 Housing 14 Health 15 Personal 16 Leisure	12		
Generic Vertical Stage (Primary Association)	1 Primary Goods 2 Primary Serv. 3 Machinery 4 Inputs 5 Support Serv. 6 Multiple	1		
Number of Vertical Stages in Cluster and Product / Service Description	1 1 Stage 2 2 Stages 3 3 Stages 4 4 Stages 5 5 Stages	1		
Number of Companies in Cluster	No.	140		In late 1980s, early 1990s (Vanhaverbeke, p. 12)
LOCATION (Nation)	Text	Belgium		
Region	Text	South-West Flanders		
City	Text	Kortrijk and Sint-Niklaas		
GEOGRAPHIC BOUNDS	3 city 2 metropolitan area 1 part of state 0 state -1 across state borders -2 nation -3 across nat'l borders	**1**		Almost all firms are located in a 20km wide and 100km long stretch from Kortrijk in the West to ST. Niklaas in the East close to Antweerp. The largest density is in an area around Kortrijk which has a diameter of about 7km.
Size of Country	sq. km	30518		
Cluster Area Size	sq km	175		
REGIONAL ECO. DEV'T	n/a			
National Per Capita GDP	U.S. $ (1993/90)	25300		
Cluster in OECD Area	1 Yes 0 No	1		
COMPETITIVENESS	3 world's strongest cluster 2 among world's top 3 1 among world's top 10 0 known internationally -1 known nationally -2 rather weak -3 uncompetitive	**3**		43.9% world export share in 1989 of tufted carpets (up from 41.3% in 1978), followed by the Netherlands with 17.3% (up from 13.0% in 1978) and Germany with 13.3% (down from 13.8% in 1978); Dalton, Georgia is the world's largest producer but apparently focused primarily on the American market

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INDICATORS OF COMPETITIVENESS (Change in Competitive Position)	3 rapidly gaining 2 modestly gaining 1 gaining compet. position 0 holding compet. position -1 losing compet. position -2 modestly losing -3 rapidly losing	**3**		Annual production in Belgium has increased faster than in any of the other leading competing countries
Cluster's National Share of Production or Exports (against competing clusters in the nation)	3 predominant (>50%) 2 dominant (<50%) 1 major (<20%) 0 significant (<10%) -1 visible (<5%) -2 insignificant (<1%) -3 invisible (<0.1%)	3		South West Flanders produces 55% of the Belgian output in the carpet sector (http://www.euro-met.com/us/page_15.htm, November 23, 2000)
Annual Cluster Growth	3 rapid (>+10%) 2 fair (<+10% p.a.) 1 slightly (<+5%) 0 neutral (+/- 2%) -1 slightly (<-5%) -2 fair (<-10% p.a.) -3 rapid (>-10%)	1		8.0% p.a. growth in production from 1963-1989 (Exh. 4, Vanhaverbeke)
Annual Export Growth	3 rapid (>+10%) 2 fair (<+10% p.a.) 1 slightly (<+5%) 0 neutral (+/- 2%) -1 slightly (<-5%) -2 fair (<-10% p.a.) -3 rapid (>-10%)	1		6.1% p.a. (1985-1990)
World Export Share of Core Industry in Cluster	3 > 85% 2 > 70% 1 > 55% 0 45-55% -1 < 45% -2 < 30% -3 <15%	-1		43.9% world export SITC 65951 (tufted carpets) in 1989, from 1978 to 1989 always between 41% and 44%
Local Firms Have own Foreign Marketing Organizations (vs OEM)	3 almost always 2 vast majority 1 majority 0 50% have -1 minority -2 small minority -3 almost never	0	estim.	There are local design agencies in the target countries. Smaller companies can use the support of a common carpet board.
Local Firms Sell Primarily under own Brand (vs. Unbranded Commodities)	3 almost always own brands 2 often have own brands 1 sometimes have own brands 0 don't have own brands -1 market under foreign brands -2 often sell commodities -3 almost always commodities	1		"Only a few firms … had established their own brand name." (P. 11, Vanhaverbeke)
Local Firms Pioneer New Products or Processes (vs. Imitate)	3 usually pioneer 2 often pioneer 1 somet. pioneer 0 pioneer&imitate -1 somet. imitate -2 often imitate -3 usually imitate	2	estim.	Many process improvements have been pioneered in Belgium, even though the original inventions have been made elsewhere, e.g. chemical materials came from the US, but were first used in Belgium.
Local Firms Compete Primarily within the Cluster's Industry (vs. Unrelated Diversification)	3 almost always 2 vast majority 1 majority 0 50% do -1 freq. related diversific. -2 freq. unrelated diversific. -3 frequently highly diversif.	2	estim.	(See also Exh. 28 Vanhaverbeke)
Local Firms Compete Primarily on …	3 factors oth. than diff'n/cost 2 diff'n, cost is insignificant 1 differentiation, less on cost 0 differentiation and on cost -1 cost, less on differentiation -2 low cost due to innovation -3 inherited low input costs	2		One success factor of Belgian carpets was their ability to quickly adapt to different fashions.
Foreign Direct Investment by Local Firms (% who do)	3 > 85% 2 > 70% 1 > 55% 0 45-55% -1 < 45% -2 < 30% -3 <15%	-2		Large firms have started to expand internationally.

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DIAMOND Primary reason behind competitiveness (+ order of importance)	1 FC 2 DC 3 R&S 4 FSR 5 Other	**3**		3,4,1,5,2
FACTOR CONDITIONS	3 strong adv. 2 advantage 1 weak adv. 0 no effect -1 weak disadv. -2 disadvantage -3 decis. disadv.	**2**		
General Factors	3 strong adv. 2 advantage 1 weak adv. 0 no effect -1 weak disadv. -2 disadvantage -3 decis. disadv.	0		
Geographic Location	3 strong adv. 2 advantage 1 weak adv. 0 no effect -1 weak disadv. -2 disadvantage -3 decis. disadv.	1		Central European location small advantage given transportation costs
Cost of Production Inputs (Wages, etc.)	3 among world's lowest 2 very low 1 below average 0 world average -1 above average -2 very high -3 among world's highest	-1		High labor costs, but these account for only <10% of the costs of sale
General Physical Infrastructure (Roads, Ports, Airports, Telecom)	3 world's best 2 among world's best 1 above world average 0 world average -1 below world average -2 among world's worst -3 inexistant	2		
Local Stock Markets Open to New and Medium-Sized Firms	3 strong adv. 2 advantage 1 weak adv. 0 no effect -1 weak disadv. -2 disadvantage -3 decis. disadv.	-2	estim.	
Government: Macro-Economic Conditions such as Exchange Rates (effect on costs, prices)	3 strongly positive 2 moderately positive 1 slightly positive 0 no effect -1 slightly negative -2 moderately negative -3 strongly negative	1		
Specialized Factors	3 strong adv. 2 advantage 1 weak adv. 0 no effect -1 weak disadv. -2 disadvantage -3 decis. disadv.	3		
Cluster-Specific Human Resources (Skilled Labor)	3 among world's best 2 highly specific skills 1 some specific skills 0 general skills -1 primarily unskilled -2 among world's worst -3 impossible to obtain	3		
Cluster- Specific Knowl.- Transfer Resources (Vocat., Univ. Training)	3 among world's best 2 highly specific 1 some specific 0 general purpose -1 poor general purpose -2 among world's worst -3 none available	3		Specialized professional education available

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Cluster-Specific Scientific Infrastruct. (Research Institutes & Univ., Testing Labs)	3 among world's best 2 highly specific 1 possibly specific 0 general purpose -1 possibly gen. purpose -2 poor general purpose -3 among world's worst	3		
Cluster-Specific Capital Resources (Venture Cap., Knowledgable Lenders)	3 among world's best 2 highly specific 1 possibly specific 0 general purpose -1 possibly gen. purpose -2 poor general purpose -3 among world's worst	2		Support through specialized SME-banks
Cluster-Specific Physical Infrastructure (Specialized Facilities, Labs., etc.)	3 among world's best 2 highly specific 1 possibly specific 0 general purpose -1 possibly gen. purpose -2 poor general purpose -3 among world's worst	3		
Cluster-Specific Administr. Infrastruct. (Legal System, Business Regulation)	3 among world's best 2 highly specific 1 possibly specific 0 general purpose -1 possibly gen. purpose -2 poor general purpose -3 among world's worst	1		
Cluster-Specific Info (Bus. Info, Corp. Disclos., Internet Access)	3 easily available 2 available 1 above world average 0 world average -1 below world average -2 hard to access -3 does not exist	3		Dense personal networks let information flow, detailed financial information is available from the Belgian central bank
Prestige, Tradition, or Pride Allow Attraction of Best People in Cluster Area	3 most celebrated 2 prestigious 1 above average 0 national average -1 below average -2 low prestige -3 disdained	1		Most businesses are family owned, so that a certain automatic allocation to the industry may take place
Government: Subsidies	3 usually 2 often 1 sometimes 0 world cluster ave. -1 seldom -2 very seldom -3 never	1		Mostly indirect support
Government: Impact from Spillovers (e.g. Military)	3 very high positive 2 high positive impact 1 some positive impact 0 none or no impact -1 some negative impact -2 high negative impact -3 very high negative	0		
DEMAND CONDITIONS	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	**2**		The lack of a large home market induced an early internationalization and required flexible specialization, one of the cluster's strengths
Local Demand Size	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	3		Small market forced internationalization
Domestic Per Capita Consumption	3 among world's top 10 2 very high 1 > neighbor countries 0 world average -1 < neighbor countries -2 very low -3 among world's lowest	-1		See p. 7 Vanhaverbeke

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Domestic Private Sector Demand (% of Cluster Sales)	3 > 85% 2 > 70% 1 > 55% 0 45-55% -1 < 45% -2 < 30% -3 <15%	-3		
Local Demand Qualities	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	0		
Soph. / Demanding / Knowledg. Local Customers / Distrib. Channels	3 world's most soph. 2 sophisticated 1 above world ave. 0 world average -1 below world ave. -2 unsophisticated -3 world's least soph.	0		
Timing of Local Demand (Trend Setting vs. Trend Adoption)	3 pioneers trends 2 adopts trends easily 1 earlier than average 0 world average -1 later than average -2 adopts trends late -3 lags behind most	0		
Disproportionate Local Demand in Specialized Segments	3 leads world trends 2 fosters innovation 1 attracts attention 0 no impact -1 diverts attention -2 retards innovation -3 opposes world trends	0		Local demand in Belgium accounts for only 8% of total demand and therefore seems to have little influence on the companies positioning, some producers actually consider the whole of the EU as their homemarket
Government: Stringent Regulatory Standards (Product, Energy, Safety, Enviro.)	3 triggers innovation 2 stringent 1 above world ave. 0 world average -1 below world average -2 lax -3 retards innovation	0	estim.	
Government: Consumer Information Laws and Consumer Recourse Laws	3 world's strongest 2 strong 1 above world ave. 0 world average -1 below world average -2 weak -3 inexistant	0	estim.	
Government: Demanding / Sophisticated Public Procurement	3 among world's most 2 demanding 1 above world ave. 0 world average -1 below world average -2 undemanding -3 among world's least	0	estim.	
RELATED & SUPPORTING INDUSTRIES	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	**3**		
Suppliers	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	2		Only the machine industry is missing
Degree of Local Sourcing	3 > 85% 2 > 70% 1 > 55% 0 45-55% -1 < 45% -2 < 30% -3 <15%	2		

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Local Components or Materials Suppliers	3 2&assist developm. 2 int'ly competitive 1 nat'ly competitive 0 many present -1 some present -2 uncompetitive -3 not locally present	1		Closeness to chemical industry in Antwerp probably pays off
Local Process Equipment (Machinery) Suppliers	3 2&assist developm. 2 int'ly competitive 1 nat'ly competitive 0 many present -1 some present -2 uncompetitive -3 not locally present	-2		Machinery usually has to be imported
Local Services Suppliers	3 2&assist developm. 2 int'ly competitive 1 nat'ly competitive 0 many present -1 some present -2 uncompetitive -3 not locally present	1		
Government: Economy is Open to Importing Supplies	3 very open, much choice 2 open, limited choice 1 possible to import 0 neutral -1 difficult to import -2 almost impos. to import -3 closed, no choice	2		
Related Industries	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	3		Between 1970 and 1980 synthetic fibers increased their share of raw materials from 34% to 82%; the closeness to the Belgian chemical industry seems to have been a central success factor for the easiness Belgian manufacturers found to switch to the new materials. This adaptation may be at the heart of their success.
Competitive Related Industries That Share Common Inputs/ Skills / Technologies	3 very advantageous 2 strong links 1 exist, but few links 0 exist -1 absent, but no harm -2 absence is harmful -3 decis. disadv.	3		Chemicals, textiles
Compet. Complementary Related Industries (Services, Reputation, Channels)	3 very advantageous 2 strong links 1 exist, but few links 0 exist -1 absent, but no harm -2 absence is harmful -3 decis. disadv.	3		Other "floor covering industries" are strong in Belgium, share channels
FIRM STRATEGY & RIVALRY	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	**2**		
Rivalry	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	3		
Vigorous Competition among Local Companies	3 drives innovation 2 strong, multidimensional 1 same as against foreign 0 primarily on price -1 sometimes lacking -2 collusive behavior? -3 cartel or monopoly	3		
Government: Strong Antitrust Laws	3 among world's strictest 2 well enforced 1 above OECD average 0 around OECD average -1 below OECD average -2 seldom enforced -3 among world's laxest	0		

	Scale	Evaluation	Estim.	Comments, Explanations
Government: Cluster's Economy is Open to Import Competition/ Foreign Direct Investments (FDI)	3 open imports, open FDI 2 economy almost open 1 decreasing restrictions 0 considerable restrictions -1 increasing restrictions -2 economy almost closed -3 no imports, no FDI	3		
Cooperation	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	0	estim.	
Cooperation among Local Companies	3 joint labor / infrastr. upgrading 2 joint research in outside labs 1 vertical subcontracting 0 no cooperation -1 help each other in emergencies -2 horizontal subcontracting -3 outright collusion	0		
Local Industry Association (in Core Industry)	3 builds capacity 2 is trying to upgrade 1 gets execs together 0 exists -1 no impact/no assoc. -2 lobbies for subsidies -3 discour. competition	2		
Relationship Among Cluster Participants who Know Each Other	3 strong social/family ties 2 sense of trust 1 promote cluster 0 compete and talk -1 cluster awareness -2 some cluster awaren. -3 distrust	3		Cluster participants know one another well, but there is no evidence that the same social background of the actors improves trust etc.; there may still be a lack in research in this area
Local Investment Context	3 strongly encourages any investments 2 encour. inv. in intangible/risky forms 1 encourages inv. in physical assets 0 neutral (world average) -1 discour. inv. in intangible/risky forms -2 discourages inv. in physical assets -3 strongly discourages any investm.			
Economic Stability	3 lowers hurdle rates 2 encourages invest. 1 above average 0 OECD average -1 below average -2 increases hurdle rates -3 discourages invest.	2		
Corporate Governance (Accountability to Shareholders)	3 mgt accountable 2 usually accountable 1 increasingly account. 0 OECD average -1 decreasingly account. -2 almost unaccountable -3 mgt not accountable	2		Better accessibility of financial statements than in other countries, e.g. Germany, but this item does not seem to be very relevant for this industry, because it is strongly family owned
OTHER ADVANTAGES	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	**2**		
Chance	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	2		Technology switch from natural to synthetic fibers benefited Belgian companies
Early Mover Advantages	3 strong adv. 2 advantage 1 weak adv. 0 neutral -1 weak disadv. -2 disadvantage -3 decis. disadv.	2		Early investment in flexible specialization due to limited domestic market
EVOLUTION	n/a			

				Scale		Evaluation	Estim.	Comments, Explanations
			Evolutionary stage of cluster	3 among world's top 3 2 highly developed 1 critical mass present 0 partly developed cluster -1 critical mass lacking -2 rudimentary -3 unclear if even a cluster		3		
	BIRTH			n/a				
			Primary reason behind cluster birth (+ sequence of events)	1 FC 2 DC 3 RSI 4 FSR 5 Other		3		3,1
			Birth of Cluster (Year)	Year		1950		Developed after WWII in an area that had a century old flax and textile industry
		1	Birth due to Unique Factor Conditions	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		1		
		2	Birth due to Unique Domestic Demand Conditions	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		-3		
		3	Birth due to Related Industry or Suppliers	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		2		
		4	Birth due to Firm Strategies, Structure or Rivalry	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		-1		
		5	Government: Birth due to Initiative or Policy Shift	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		-3		
		5	Birth due to Isolated Company or Plant (i.e. Chance)	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		-3		
		5	Birth due to Other Reasons (Chance, Isol. Innov./Entrepreneurism)	3 sole factor 2 main factor 1 major factor 0 contrib. factor -1 minor factor -2 minusc. factor -3 no factor		-3		