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Strategic positioning study of the floor tiles branch

FOREWORD

This study is concerned with the tiles industry, covering principally mosaic and ceramic floor tiles.

NATIONAL SITUATION

The branch is composed of 71 mosaic tiles enterprises and 5 ceramic floor tiles enterprises. In 1998, Tunisian tiles exports were valued at 20 MTND compared with just 10 MTND in 1994. Ceramic tiles constitute 92% of branch exports. Imports of mosaic tiles are relatively low, while imports of ceramic tiles and ceramic biscuits are around 4 MTND / yr.

The number of enterprises producing both types of tiles is in constant decline. The number of mosaic tiles enterprises diminished from 80 in 1993 to 71 in 1997 and ceramic tiles enterprises have decreased from 29 to 18 during the same period.

Employment has diminished within the mosaic tiles branch and has increased within the ceramic tiles branch where production capacity extensions have been realized.

Average annual production of mosaic tile is around 14.5 million m²/year of a total available production capacity of 30 million m²/year, while average annual ceramic tile production is 14 million m²/year, of a total available production capacity of 20 million m²/year.
The production value for mosaic floor tiles is 85 MTND and 100 MTND for ceramic floor tiles.

The mosaic floor tile market has evolved slowly, growing just 3% per annum during the period 1994-98 while globally the market for floor tiles has grown substantially (9% per year). This growth is due essentially to an increase in marble tile production (15% per year) and ceramic floor tiles (17% per year).

INTERNATIONAL SITUATION

In Europe, the market for floor tiles is lead by ceramic floor tiles. Production of ceramic floor tiles in Europe is around 1,250 million m² versus just 62 million m² for mosaic tiles, which has been in a downslide in Europe, where over the past 30 years the market share has dropped from 90% to 5%.
European exports of ceramic tiles are rather important at around 350 million m². But this type of product is facing increasing and strong competition from sandstone tiles due to overcapacity in world production and the dramatic drop in prices for sandstone tiles.

INTERNATIONAL COMPARISON

A benchmarking study of 22 criteria compared the situation of the branch in Tunisia with four reference countries: France, Spain, Portugal and China. Complementary information was furnished for the countries of Italy, Turkey and Brazil. The study has revealed that:
- customs fees on imported inputs, notably on cement, ceramic biscuits, and glazes constitute a handicap for the development of the floor tiles industry in Tunisia;
- prices of locally made mosaic floor tiles are more competitive that those of the European countries (2.7 TND/m² versus 7 TND/m²), and are expected to become increasingly more competitive by the year 2008 (6.2 TND/m² versus 40 TND/m²) :
- the prices of locally made ceramic floor tiles are less competitive than those of the other countries of the reference group;
- the Tunisian consumer, whose purchasing power has greatly increased, is more and more inclined toward the utilization of sandstone ceramic tiles to the detriment of mosaic tiles. Moreover, during the period 1994-98, average consumption of mosaic tiles has risen just 1.3% per annum contra 15% for ceramic tiles;
- the size of ceramic floor tiles production units in Tunisia is inferior to critical size and the level of technology is relatively low.
- marketing efforts are generally limited to the local market, yet exporting potential still exists to the markets of neighboring countries.

A diagnosis effected on certain mosaic manufacturing enterprises, has resulted in the identification of the following strengths and weaknesses:

Principal strengths
Mosaic tiles :

- mosaic tiles is a product protected by its weight which limits the possibility for importing of similar products;
- raw materials used for the manufacture of mosaic floor tiles exists on the local market;
- the price of this type of floor tile is affordable for the majority of Tunisians;
- the local market will remain profitable for some years to come;
- the possibility to convert from double layer to single layer manufacturing methods;

Ceramic tiles :
- ceramic tiles holds its place as a decorative mode and valued for its design and motifs;
- the sales price is affordable for certain social levels in Tunisia.

Principal weaknesses

Mosaic tiles :
- product is very heavy, cost of transport is high and exporting is very difficult;
- no new technology integrated for a number of years;
- lack of promotional actions;
- equipment in the majority of production units is decrepit ;
- the quality of the products of the majority of production units is average.

Ceramic tiles :

- total absence of quality raw materials;
- production equipment very expensive;
- important lack of technical competence;
- technology not very well mastered;
- conversion difficult ;
- net cost for Tunisian product is not very competitive.

Impact of tariff dismantlement

The dismantlement of tariffs will favor on the Tunisian market the emergence of imported sandstone tiles at a price range of between 6 to 10 TND/m², approaching the price of local mosaic tiles which will be between 3 to 7 TND/m². This small difference in price is sufficient to encourage consumers to opt for the purchase of the imported product and constitutes a real threat for locally manufactured mosaic and ceramic floor tiles. Ceramic tiles, even after the total dismantlement of tariffs, will not be competitive due to the fact that the raw materials inputs are imported and are very expensive (45 % of net cost). In addition energy costs for manufacturing are as well elevated (25 % of net cost). While, to the contrary, the price of imported ceramic tiles will decline by at least 20%.

OBJECTIVES 2006

- maintain the market share of mosaic tiles in Tunisia and within traditional export markets;
- progressive introduction of single layer tiles in Tunisia.

LUCRATIVE NICHES AND MARKETS

The profitable niches and markets for mosaic floor tiles include:
a) – Low and middle grade quality mosaic floor tiles
b) – Mosaic slabs
c) – Anti-slip slabs
d) – Single layer tiles and slabs
e) – Exports to the Maghreb countries.

ACTIONS TO UNDERTAKE

Actions within the enterprises

- A modernization and upgrading program for the branch concerning 36 enterprises, estimated at 9.24 MTND, of which, 8.4 MTND is for material investment and 0.84 MTND is for immaterial investment I (training, technical assistance, etc.).

Institutional measures

- Aid in the regrouping of the ceramics industry within the framework of a ceramics pole taking into account the particularities of Tunisian enterprises
- Support the creation of a technical liaison committee in order to multiply and to bring to fruition exchanges between industrialists.

Promotional actions

- participation at specialized national and international trade fairs and exhibitions

Enterprise creation and Partnership

- The study has resulted in the identification of a project files for the manufacture of single layer mosaic tiles and the establishment of a list of potential European partners.