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French Tannery in Demand as Source of Top-Notch Leather - Wall Street Journal

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Eichhoffen, France

Many of the world's most prestigious handbags from Hermès and other luxury labels begin life in Alsace, in an old stone building reeking of corrosive chemicals and meat. Calf hides in damp piles drip onto the concrete floor, awaiting their transformation from raw skin to shiny, supple leather.

Until just a few years ago, the tanning business was the least glamorous cog in the designer-handbag industry. But recently Tanneries Haas and other French tanneries have found themselves the object of attention from famous luxury labels jockeying for secure sources of top-notch leather. "When they saw a certain number of tanneries disappear, they had to think about protecting their suppliers," says Jean-Christophe Muller Haas, a sixth-generation French tanner.

Tanneries' rising profile comes as luxury fashion brands rely more on leather to push their products to higher prices and boost sales. Labels such as Louis Vuitton and Gucci have sharpened their focus on crafted leather bags and cut down on less-expensive canvas styles, which are easier to source but which don't invoke exclusivity.

To justify multi-thousand-dollar price tags, brands seek out the best quality raw materials. In recent years, Hermès, [LVMH Moët Hennessy Louis Vuitton^{\[1\]} SA, MC.FR +0.68%](#) ^[2] [LVMH Moët Hennessy Louis Vuitton^{\[3\]}](#) France: Paris €140.35 +0.95 +0.68% Nov. 11, 2013 5:36 pm Volume : 375,934 P/E Ratio 21.26 Market Cap €70.77 Billion Dividend Yield 1.71% Rev. per Employee €271,110 11/04/13 [Louis Vuitton Appoints Ghesqui...^{\[4\]}](#) 10/28/13 [Strong Euro Hits Luxury-Goods ...^{\[5\]}](#) 10/27/13 [Western Retailers See Online a...^{\[6\]}](#) [More quote details and news »^{\[7\]}](#) Gucci-owner [Kering^{\[8\]}](#) SA [KER.FR -0.33%](#) ^[9] [Kering^{\[10\]}](#) France: Paris €165.10 -0.55 -0.33% Nov. 11, 2013 5:35 pm Volume : 71,375 P/E Ratio 28.04 Market Cap €20.90 Billion Dividend Yield N/A Rev. per Employee €240,085 11/06/13 [China's Slower Growth Puts a D...^{\[11\]}](#) 10/28/13 [Strong Euro Hits Luxury-Goods ...^{\[12\]}](#) 10/27/13 [Western Retailers See Online a...^{\[13\]}](#) [More quote details and news »^{\[14\]}](#) and others have snapped up leather and precious-skin tanneries in France, Belgium and Italy.

Tanneries Haas was established in 1842 and is still owned by its founding family. Mr. Muller Haas said he has turned down offers to sell.

By acquiring suppliers, luxury goods purveyors hope to get more control over raw material costs. Prices of calf hides have soared in recent years due to Europe's falling veal consumption. Calves are slaughtered primarily as a source of veal and skins are a byproduct. With fewer calves slaughtered to meet shrinking demand for veal, the supply of skins available for luxury leather goods is also diminished.

The race up the luxury supply chain isn't limited to leather. Labels have bought cashmere and lace makers and watch component manufacturers in the battle to secure sourcing.

Leather bags are the industry's cornerstone. This year, goods made from leather and other skins like snake and crocodile are expected to make up 17% of the \$293.6 billion world-wide luxury-goods market, according to a recent Bain & Co. report, with annual growth of 5% versus 2% for the industry overall.

There are fewer tanneries than ever for brands to work with to meet the growing demand for leather. French tanneries have gone through a shakeout, with some hurt by competition from cheaper leather in developing countries and others faltering after a new generation took the reins. Fewer than 20 tanneries still operate in France compared with more than 60 in the 1980s, according to France's National Leather Council.

Tanneries Haas, one of the few remaining family-owned firms, now finds it is a darling of prestigious brands, with requests from clients including Hermès, Chanel, Longchamp, Louis Vuitton and Kering's Bottega Veneta filling its order book.

In a building on the edge of a quaint Alsatian village, Mr. Muller Haas receives leather hides already salted for conservation purposes from farms in the west and southwest of France. It is the start of a painstaking production chain that will end when handbags land on boutique shelves.

Inside the tannery, the calf skins are soaked in chemicals to remove grease and hair. Though the workshop is bright and well-equipped, workers still move the slippery, wet skins mainly by hand to and from the vats, to the nonstop hum of churning water.

"It's still very physical work," Mr. Muller Haas says.

The hides are treated with a chromium-based chemical that turns them a light shade of blue, regardless of their final color. After a quality inspection, the hide is classified for use depending on its characteristics: Thick, rough hides can be used to make horse saddles while lightweight cuts become clothes.

At this point, the hides begin to look like material for handbags. They are dyed to the client's requested shade, then put through machines that give them a shiny or textured aspect. At each stage, employees check every inch for flaws or damage.

In the workshop, hides in familiar shades of pink—a Chanel favorite—and light beige—a Vuitton signature color—await inspection. Mr. Muller Haas declines to give away the identity of the hides' future buyers. "You'll be able to recognize them anyhow if you go to the store," he says.

Machines examine the effects of rubbing, rain and general wear-and-tear, to make sure future products will hold up. Having been in the tannery from five to six weeks at this point, the hides form neat stacks in rich colors and textures. Next they will be delivered to the brands' workshops, where they will be cut and sewn into bags, belts and other accessories.

Mr. Muller Haas began working at the family tannery in 1990, just as the sector was facing a crisis. French leather makers had largely supplied shoe manufacturers, but these clients were beginning to buy cheaper leather in developing countries. Soon after Mr. Muller Haas's arrival, the tannery sent off its last shipment to Adidas, ending years as the leather supplier for the brand's soccer balls and shoes.

Tanneries Haas had to find new clients. The market shift led the company to rely more heavily on high-end handbag makers, which now make up around 70% of the firm's revenue.

"Tanneries Haas produce high-quality hides because they bring a very high attention to the different steps of tanning," says Sophie Delafontaine, creative director of handbag maker Longchamp, a customer since the 1980s. "They treat the leather hides as luxury objects."

Staffing at the tannery has doubled in the past 10 years and its production output has nearly tripled to around 150,000 calf skins a year. Two years ago, the company invested some \$2 million in expansion, adding a new production line for lighter tanning colors and increasing potential production capacity from between 15% and 20% "if necessary," Mr. Muller Haas says.

Relationships with customers are more like a partnership than that of a traditional client-supplier, Mr. Muller Haas says. The tannery works with clients to devise new hues and meets ultratight deadlines for product launches. "They need us too," Mr. Muller Haas says.

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