

CBI MARKET SURVEY

THE OUTERWEAR MARKET IN THE EU

Publication date: April 2006

CONTENTS

REPORT SUMMARY	2
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INTRODUCTION

1 INTRODUCTION TO CBI'S MARKET INFORMATION	4
2 INTRODUCTION TO THE EU MARKET	6
3 PRODUCT CHARACTERISTICS	7

PART A: EU MARKET INFORMATION

4 CONSUMPTION	10
5 PRODUCTION	17
6 IMPORTS	21
7 EXPORTS	29
8 TRADE STRUCTURE	31
9 PRICES	36
10 MARKET ACCESS REQUIREMENTS.....	37

PART B: EXPORT MARKETING GUIDELINES: ANALYSIS AND STRATEGY

11 EXTERNAL ANALYSIS: MARKET AUDIT	45
12 INTERNAL ANALYSIS: COMPANY AUDIT	57
13 DECISION MAKING.....	65
14 EXPORT MARKETING.....	68

APPENDICES

APPENDIX A DETAILED HS CODES	72
APPENDIX B LIST OF DEVELOPING COUNTRIES	79

This survey was compiled for CBI by Fashion Research & Trends

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REPORT SUMMARY

This survey profiles the EU market for outerwear and includes knitted and woven outerwear for men, women and children as well as leather garments.

Product groups

The survey covers the product groups:

- Knitted outerwear, includes coats, outdoor jackets, suits and ensembles, indoor jackets, trousers, shirts and blouses, T-shirts, jerseys, pullovers, sweaters etc., babies' garments, sportswear and clothing accessories (like scarves, ties and gloves).
- Woven outerwear such as coats, outdoor jackets, suits and ensembles, indoor jackets, trousers, dresses, skirts, shirts and blouses, babies' garments, sportswear and clothing accessories.
- Leather garments.

Market size

- The EU market for outerwear amounted to € 231 billion in 2005, which was 84% of total clothing consumption. Consumption of outerwear grew 4.5% during the period 2002-2005, of which 1.3% in 2004-2005.
- Germany is still the most important country in clothing consumption in the EU, despite the continuing decrease. The difference between Germany and United Kingdom has become smaller again. Five countries (Germany, UK, Italy, France and Spain) account for 75% of EU outerwear consumption.
- Consumers in the UK and Austria are the biggest spenders on clothing in the EU, while per capita consumption in the new EU member states was far below the EU average of € 601.
- Experts forecast that clothing expenditure in several of the new EU member states will continue to see robust growth in the period to 2009, while expectations in the major EU countries are moderately optimistic. The number of garments purchased per head of the population will continue to rise but prices will not follow this growth rate. The societies are becoming more multi-ethnic and the average age is increasing. This will lead to new demands and consumer behaviour.

Production

- The volume of the EU clothing production declined by almost 6% in 2004, on top of a 5.8% decline in 2003. Preliminary figures for 2005 indicate that the downturn in production is increasing again.
- The declining competitive position caused by increased production costs explain why the total turnover in the EU clothing sector declined.
- Italy is the dominant clothing producer in the EU with 35% of total EU turnover in 2004, followed by France, Germany, Spain and UK. Just over 80% of the EU garment industry is concentrated in these five countries.
- Most of the EU manufacturers have developed an outsourcing policy.

Imports

- The EU imported outerwear valued € 75.5 billion in 2004, of which 46% came from developing countries.
- The average import price fell by 21% in the period 2000-2004, caused by factors like an intensified price competition among suppliers and a cheaper US dollar.
- Germany remained the leading importer despite a fall in imports of 4% in the period 2002-2004, followed by the UK, France, Italy, Spain, Belgium and The Netherlands.
- Developments in imports of outerwear varied strongly per EU country during the period 2002-2004, from booming imports (more than 20% growth) into the Czech Republic, Greece, Lithuania, Malta, Luxembourg and Spain to considerably decreasing imports (a fall of more than 20%) in Slovenia.
- China remained the leading outerwear supplier to the EU, followed by Turkey, Germany, Italy and Bangladesh. Total imports from China increased considerably: 52% in the period 2000-2004. In 2000, 9% of EU imports came from China and in 2004 almost 13%.

- The role of developing countries increased strong from 41% in 2000 to 46% in 2004. This percentage was significantly higher in products such as T-shirts, knitted and woven garments for babies, woven outdoor jackets, woven sportswear and leather garments and significantly lower for products such as woven suits/ensembles and woven indoor jackets.

Exports

- The EU exports declined less than 1% in the period 2002-2004 to € 49 billion. A declining share of 26% went to countries outside the EU, mainly Switzerland, the USA, Japan and Russia.
- The leading EU exporter of outerwear was Italy (24%), followed by Germany and France.

Trade structure

- Developments in the retail sector, like a growing concentration at retail level, expanding by internationalisation and growing competition, lead to an increased demand for fashionable products against low prices.
- The fast changing demand in the clothing market is a significant factor. Because of the higher dynamics of the clothing markets in terms of more rapidly changing consumer preferences and more seasons per year, there is a general tendency in the clothing branch to demand shorter delivery times and smaller volumes of series and orders.
- The role of importing wholesalers and importers remains relatively important but will slightly decline, while the role of clothing multiples and, to a lesser degree, buying groups or franchise formula will increase in the coming years. Parallel to the trend for suppliers to make their clothing abroad is a trend for retailers or wholesalers to bypass the local industry totally, by means of direct imports.

Opportunities for developing country exporters

- The considerable decrease of production in the major EU countries has led to a further sourcing of products in low-cost countries and, probably, of products with a higher design content. Besides the traditional lower range market segment, the largest middle range market segment may also offer good opportunities for exporters in developing countries.
- Importers in the major EU countries have built up a comparative advantage by specialising themselves in design and other functions, like preparation of samples, logistics, marketing etc., while simple production operations take place increasingly in other countries. As times goes by, even the first mentioned functions are leaving these EU countries too.
- The focus on casual and leisurewear will be continued for the coming years, but to a much smaller degree. Besides this trend, there is a tendency to use more natural fibres, mainly cotton and blends with cotton, at the expense of man-made fibres.
- Caused by economic developments, many consumers on lower incomes will continue to seek low priced clothes.
- It should be noted that the exporters in developing countries will be faced with demands for high quality and environmentally friendly products.

1 INTRODUCTION TO CBI'S MARKET INFORMATION

CBI provides a wide range of documents containing EU market information. All CBI market information is targeted at developing countries. See appendix B: List of developing countries for the definition of developing countries used in CBI market surveys.

Sector specific market information

CBI publishes market information for about 36 market sectors.

For each market sector, the following kind of information is available:

- CBI market surveys on **the EU market in general**, focusing on developments and trends in the field of market size (consumption, production and trade), distribution and prices in the EU as well as on marketing, e.g. The fresh fruit and vegetables market in the EU.
- CBI market surveys on **specific EU markets**, focusing on developments and trends in the field of market size, distribution and prices in the EU market concerned, e.g. The fresh fruit and vegetables market in Spain. On average, about 20 documents per market sector are available. Those EU markets responsible for the highest share of total EU imports from CBI target countries are discussed in documents of about 10 pages. Less relevant EU markets are discussed in fact sheets of about 2 to 3 pages.
- CBI market surveys on **a specific product(group)** within the market sector concerned, focusing on developments and trends in the field of market size, distribution and prices in the EU and a number of specific EU markets as well as on business practices, e.g. The EU market for papaya.
- Information on **market access requirements**, focusing on legislative and non-legislative requirements based on environmental, consumer health and safety and social concerns in the EU and in specific EU markets.

General trade related information

Besides information on specific market sectors, CBI also publishes more general trade related information, the so-called Export manuals. At the moment, the following Export manuals are available:

- Exporting to the European Union – trade-related information on the EU
- Export planner - how to plan your export process
- Your guide to market research - practical and low cost research methods
- Your image builder - how to present yourself on the EU market
- Your show master - selection, preparation and participation in trade fairs
- Digging for gold on the Internet - internet as a source for market information
- Website promotion - how to promote your website in the EU

These Export manuals can be downloaded from the CBI website at <http://www.cbi.nl/marketinfo>. Go to 'Search CBI publications'.

How to use the different CBI market information tools

If you are new on the EU market, you are advised to start by consulting the more general Export manuals, like *Exporting to the European Union* and *Export planner*, before consulting sector specific information. If you are a more experienced exporter, you can use these manuals as reference material while focusing on the specific information for your market sector.

Concerning the sector specific information, you are advised to start with the information on the EU market in general. After consulting this information, you should have gained a better idea on which surveys on specific EU markets are most interesting to consult. You are also advised to check if a survey on your specific product(group) is available. And you are strongly advised always to check the documents on market access for your product.

Finally it is stressed that CBI market information serves as a basis for further research, meaning that - after consulting the CBI information - you should further research your EU target markets for more detailed and specific information related to your specific situation.

The outerwear market in the EU

This CBI market survey covers the EU market for outerwear. It consists of two parts: EU Market Information (Part A), and Export Marketing Guidelines (Part B).

Part A EU Market Information

Part A surveys the EU market. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. Statistical market information on consumption, production and trade, and information on trade structure, prices and market access is provided. Opportunities and threats for developing country suppliers are highlighted and sources for more information are provided.

Part B Export Marketing Guidelines

How to get involved in the EU marketplace? Should exporting be part of a business plan? These are common concerns of manufacturers who realise the importance of international trade, but are not sure if exporting to the EU is right for them. That is what Part B is all about: to help you to evaluate whether or not to get involved in international business, and learn how to go about exporting to the EU.

The first Chapters 11, 12 and 13 deal with three out of four strategic steps in export marketing: the external analysis and internal analysis (Chapter 11 and 12), a SWOT - Strengths/Weaknesses and Opportunities/Threats - and the decision-making process whether or not to export to the EU (Chapter 13).

Subsequently, Chapter 14 provides information and sources to enable you to further investigate what would be suitable to export, to which EU markets, through which channels, and at what prices. In other words, which marketing tools can be used for building a successful business relation in the EU? The combination of Chapters 11-13 and the elements of Chapter 14 provide tools that should enable you to draw up a Market Entry Strategy and Export Marketing Plan (fourth strategic step).

Keep in mind that the export marketing process is integrated; each individual part is inter-linked.

Part B is especially interesting for more experienced exporters. If you are a starting exporter, you are advised to read this survey together with CBI's *Export planner* and to use the interactive tool *EMP document builder* on the CBI website.

CBI market surveys covering specific EU markets, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. Go to 'Search CBI database' on <http://www.cbi.nl/marketinfo> and select the market sector concerned and an EU country.

2 INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. Negotiations are in progress with a number of other candidate member states. In this survey, the EU will be referred to as the EU25, unless otherwise stated.

For general information on EU member states, reference is made to CBI's Export manual *Exporting to the European Union*. Information can also be found in the World Factbook at <http://www.cia.gov/cia/publications/factbook/>

Monetary unit: Euro

On January 1, 1999, the Euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. In 2002 circulation of Euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro/€. In this survey, the € is the basic currency unit used to indicate value.

Table 2.1 Exchange rates of EU currencies in €, 2005-2006

Country	Currency	2005	April 2006
Cyprus	CYP	1.7334	1.7402
Czech Republic	CZK	0.0336	0.0353
Denmark	DKK	0.1342	1.1341
Estonia	EEK	0.0639	0.0639
Hungary	HUF	0.0040	0.0038
Latvia	LVL	1.4364	1.4229
Lithuania	LTL	0.2896	0.2896
Malta	MTL	2.3261	2.3296
Poland	PLN	0.2486	0.2607
Slovakia	SKK	0.0259	0.0267
Slovenia	SIT	0.0034	0.0042
Sweden	SEK	0.1077	0.1072
United Kingdom	GBP	1.4624	1.4574

Sources: Eurostat and CBS Statline

Statistics

Trade figures quoted in this survey must be interpreted and used with extreme caution. In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in this survey is obtained from a variety of different sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

3 PRODUCT CHARACTERISTICS

3.1 Product groups and types of products

This survey "The outerwear market in the EU" includes knitted and woven outerwear and leather garments for men, women and children. Besides this product classification (mainly used for trade statistics), we explain differences between product groups according to clothing behaviour (used for market segmentation).

The broad definition of outerwear means that, in addition to this report, the CBI market surveys 'Bodywear' (covering underwear, nightwear, swimwear and hosiery) and Personal Protective Equipment (including workwear) facilitate a complete view of all types of clothing made of textiles.

Knitted and woven outerwear

Short descriptions of the main (textile) products under review are given below.

- **Coats and raincoats.** Coats can be described as hip-length to full-length outerwear with sleeves designed to be worn over other clothing for protection against cold/wet. Besides various lengths, there are variations in general use: fitted, straight or full (swing back) silhouette, buttoned (single- or double-breasted) or wrapped, with varying hem lengths and design details. Types of coats are overcoat or topcoat, car coats, capes, cloaks etc. Under the raincoat category come, among others: all-weather coat (waterproofed or water-repellent coat sometimes made with zip-in linings, usually of acrylic pile, to adapt to various temperatures); trench coat and rain cape. It should be noted that coat types like Burberry and London Fog are based on registered trademarks.
- **Outdoor jackets** (anoraks etc.); in statistics, in the trade and among consumers, outdoor jackets are referred to under various different names, like anoraks, wind-cheaters, wind-jackets, ski-jackets, blouson jackets, bomber jackets etc. Casual jackets generally come in two lengths: full jackets length or the shorter (waist-length) blousons or bomber jackets. Outdoor jackets come in a wide range of materials: textile fabrics as well as leather/suede (see below). Textile fabrics cover common fabrics like cotton, polyester, wool and several mixtures and high-performance fabrics and/or finishes such as Sympatex, Gore-Tex, Aquatex, Polartec, Isotex, Teflon etc.
- **Suits and ensembles** include combinations of jacket and trousers and, possibly, vests/waistcoats for men designed to be worn together, either in matching fabrics and/or colours (suits eventually with vest/waistcoat) or contrasting fabrics (ensembles). For women, the combination can be extended to jackets and/or trousers, dresses and/or jackets, jackets and/or skirts and dresses and coats.
- **Indoor jackets** are short coats worn by men and women. These can be single-breasted, double-breasted, zippered or wrapped; dressy, casual or functional depending upon design and fabrics used. Another name used for an indoor jacket is blazer.
- **Dresses** are made of lighter weight fabrics, synonymous for robe, frock or gown. Current fashions include among others: A-line, blouson, coatdress, jumper (one-piece dress without sleeves and with lower neckline), wrap, cardigan dress, shirtdress, step-in dress and the princess (classic-styled dress with vertical panels that fit the body and flare in the skirt).
- **Skirts**, current skirt styles include among others: A-line (with flare, wider at hem than at hip), straight line (fitting the waist and hip), culotte (a skirt-pant variation), wrap and circle.
- **Jeans** are defined as being a type of construction rather than a particular type of fabric and, therefore, jeans made from fabrics such as corduroy and other cotton fabrics are covered in the survey, as well as denim. Most denim is still 100% cotton, although a small volume of polyester/cotton denim is produced and traded worldwide.
- **Trousers other than jeans;** in particular the popularity of casual trousers (chinos) and leisure trousers (workers, combat trousers) is high, while corduroy represents a small part of the market. Fabrics of wool and polyester/wool are used for formal trousers for men.
- **Shirts**, traditionally the shirt market covers two main categories: conventional or dress shirts and casual or leisure shirts, the latter also referred to as sports shirts. Generally

spoken, dress shirts are worn with a tie under a suit or indoor (tailored) jacket or blazer in office locations and on more formal social occasions. This type of shirts is mostly long-sleeved of woven cotton or cotton/polyester with a collar for a tie and buttons down the front. Leisure shirts, as their name implies, are likely to be worn in less formal situations in the home, and for leisure activities. This type of shirt can be long or short sleeved.

- **Jerseys, polo- and sweatshirts etc.;** this category of knitwear can be divided into heavy (more than 600 grams per article) and lightweight products. The former covers jerseys, pullovers, cardigans and waistcoats (for winter use mainly wool or wool mixes), the latter covers fine knit roll, polo or turtle neck jumpers and pullovers, which can also be worn in combination with suits and indoor jackets.
- **T-shirts** can be used for many purposes. Functions vary from outerwear especially in summer months (plain, striped, printed), underwear (mainly plain white) especially in winter months, part of a sport-outfit (plain with logo) to nightwear (oversized). About 90% of T-shirts is made of cotton.
- **Babies' garments** include outerwear for babies (0-2 years and a body height not exceeding 86 cm) such as jackets, coats, one and two piece suits, trousers, dresses, pullovers, blouses, T-shirts, caps, sets, gloves and socks. Products like blankets, sheets, tights etc. are not covered in this report.
- **Clothing accessories** include the following main products:
Gloves, mittens and mitts, knitted or woven from wool, cotton or synthetic fibres (mainly acryl). Scarves, mufflers, mantillas, veils and the like, knitted or woven from silk, wool, synthetic fibres, artificial fibres or blends. In the higher-price segments, silk and wool are often used; acryl is mainly used in the low-priced segments. Ties, bow ties and cravats, knitted or woven from silk, man-made fibres (polyester) or blends.
- **Active sportswear** includes items, such as track suits and jogging suits, the variety in materials and styling of track suits is wide. Other items are sports dresses, sports skirts and sports trousers, for instance footless maillots/leggings, cyclist pants and special sports suits, for instance surf suits, sail suits, ski overalls, gymnastics and fitness/aerobics suits. Skiwear consists of padded, waterproof jackets and stretchable pants or salopettes. Active sportswear does not include swimwear in this survey.

Leather garments

Leather garments include mainly jackets and coats, besides other garments, like trousers, skirts, shirts, waistcoats, dresses and body warmers. Besides by type of product, the market for leather garments can be divided into combinations of criteria, such as (among others):

Leather used:	variety of origin (sheep/lamb, goat/kid, pig/piglet, cow/calf etc.)
Finishing techniques:	variety of finish (suede, split, shammy or chamois, nappa, nubuck etc.)
Functional aspects:	some categories of consumers prefer functional aspects above fashion aspects in leisure and/or profession, like for motorcycle driving (protective aspects) and for sexual activities (gay- and SM-scene).

All aspects of market information about leather garments are difficult to obtain.

Classification on clothing behaviour

Herewith the following product categories are considered:

- **Formal clothing**, besides formal gowns (like evening dress, dinner dress, wedding gowns, communion dresses, cocktail dresses etc.), this category includes coats and raincoats, suits and ensembles, indoor jackets, (other than cotton) trousers, dresses, skirts and blouses;
- **Casual wear**, like outdoor jackets, shirts, jumpers, cardigans, pullovers made of cotton, wool, fleece etc. and cotton trousers other than denim;
- **Basic leisurewear**, like T-shirts and polo shirts, tops and bodies, shorts/bermudas, jeans, jackets and sweaters;
- **Active sportswear**, like tracksuits, jogging suits, ski-suits, shorts, sports branded T-shirts etc.

3.2 Statistical Product Classification

On January 1, 1988, a unified coding system was introduced to harmonise the trading classification systems used world-wide. This system is called the Harmonised Commodity Description System (HS) and was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. More than 179 countries and economies use the system as a basis for their Customs tariffs and for the collection of international trade statistics. After the six-digit code, countries are free to use further subheadings. The trade data of Eurostat uses an eight-digit system. Most codes, however, end with two zeros, i.e. effectively only using 6 digits. In some countries even 10 digits are sometimes used.

Knitted clothing can be found in chapter 61, woven clothing in chapter 62 and leather garments in chapter 43 of the Harmonised System. Appendix A provides a detailed breakdown of the CN codes relevant to different types of outerwear within these major group headings. More information on the Combined Nomenclature is available on http://www.wcoomd.org/ie/En/Topics_Issues/topics_issues.html

Please note that the product groups falling under the HS codes presented in appendix A are not completely in line with the product groups mentioned in section 3.1.

Moreover, different statistical sources use different product groups or specifications. This places limitations on in-depth interpretation of trade figures and of the possible relationships between import and export figures on the one hand and production and consumption figures on the other hand.

In general the HS number clearly identifies a specific product and it is possible to see whether the garments concerned are for men or women and how they are made. Unfortunately, only one number is available for leather garments. Therefore no distinction can be made between the actual types of products and whether they are for men or women.

It has to be noted that in the governmental statistics, no difference is made between adults and children other than babies, or by end-use. The difference between genders has been made as far as possible in the analyses of trade statistics, while in the analyses of consumer expenditure a difference has been made in gender and clothing behaviour.

PART A: EU MARKET INFORMATION

4 CONSUMPTION

4.1 Market size

Consumption of outerwear in the EU followed a growth of 4.5% during the period 2002-2005, of which 1.3% in 2004-2005. Outerwear market size amounted to € 231 billion in 2005, which was 84% of total clothing consumption.

Germany is still the most important country in clothing consumption in the EU, despite the continuing decrease, as can be derived from table 4.1. The difference between Germany and the UK and Italy has become smaller again. Five countries (Germany, UK, Italy, France and Spain) account for 75% of EU outerwear consumption.

Clothing has not been one of the strongest performers in the last few years, for example household related sectors have done better. The big players tried to avoid price cutting activity but the abolition of trade quotas on Chinese imports could cause some deflation in 2005, especially on basic garments like T-shirts. However, the dollar exchange rate is likely to have a bigger impact on any price movements

Table 4.1 Consumer outerwear expenditure in the EU countries, 2002-2005 (in € million)

	2002	2003	2004	2005	2005	
					Total clothing	Clothing consumption per head in €
Germany	51,089	49,462	48,751	48,607	58,865	713
United Kingdom	40,028	41,829	43,925	44,833	54,671	911
Italy	33,632	34,384	34,654	34,639	42,300	724
France	25,688	26,459	26,775	26,339	31,943	528
Spain	17,411	18,226	18,784	19,250	22,385	520
The Netherlands	8,906	9,007	8,883	8,977	10,193	625
Belgium	6,653	6,573	6,721	6,910	8,304	795
Austria	5,921	5,682	5,824	6,065	6,890	840
Sweden	4,813	4,940	5,245	5,481	6,415	712
Greece	5,006	5,146	5,355	5,598	6,185	558
Portugal	4,285	4,087	4,231	4,380	5,307	504
Poland	3,628	3,717	3,866	4,062	4,958	138
Denmark	3,201	3,233	3,459	3,616	3,965	733
Ireland	2,538	2,607	2,671	2,760	3,070	747
Finland	2,363	2,420	2,522	2,643	2,917	557
Czech Republic	1,482	1,591	1,664	1,747	1,939	190
Hungary	1,338	1,435	1,477	1,654	2002	182
Slovenia	562	611	668	709	790	395
Slovakia	528	555	582	619	703	131
Lithuania	360	376	400	413	470	137
Latvia	295	315	338	365	404	175
Luxembourg	319	322	329	338	383	834
Cyprus	283	292	300	309	341	455
Estonia	208	221	220	226	257	190
Malta	142	148	150	156	174	432
EU	220,679	223,638	227,794	230,696	275,831	601

Sources: Euromonitor, Retail Intelligence and several national statistics

Consumers in the UK and Austria are the biggest spenders on clothing in the EU. Looking at the other major EU countries, Belgian consumption per capita was the highest followed by Italy and Germany. French and Spanish consumption was less than the EU average consumption of clothing. Per capita consumption in the ten new (since May 2004) EU member states is in the range of € 131 (Slovakia) to € 455 (Cyprus). In terms of future potential, it is clear that the

new EU member states, in particular Czech Republic, Hungary, Slovenia and Poland, offer greater scope for market growth as incomes and spending patterns approach European norms, although this may still be some years away. Also of interest are Portugal, Greece, Finland, Spain and France, which have surprisingly low levels of clothing spending per capita. Despite rapid modernisation, Portugal and Greece are economically poorer than the other countries of the old fifteen EU member states.

Women's outerwear is the leading sector of the clothing market in all markets surveyed. In 2005, the share of the total value of women's outerwear sales in the major EU countries ranged from 50% in France to 56% in Germany. Women are considered to be more sensitive to fashion and buy more impulsively than men. In many EU countries the demand for traditional wear is declining in favour of casual and leisurewear, which implies higher increasing sales in terms of volume rather than in terms of value.

Forecasts

Private spending and clothing spending are expected to grow in present (2006) and next year. Forecasts of consumer expenditure on outerwear are:

2006: € 234.4 billion (+1.6%)

2007: € 240.1 billion (+2.4%)

A more robust growth is expected for 2008 and 2009 for several new EU members, while expectations for other EU countries (including the major countries) are moderately optimistic. These forecasts are based on historic data, and therefore must be viewed as no more than an indication of a broad trend.

4.2 Market segmentation

The general criteria for market segmentation of outerwear are:

- by age – babies' and children's wear and adults (15+), the latter often being divided into age groups in several ways, for instance 15-24, 25-49, 50-64 and 65+
- by gender - women/girls and men/boys
- by type of product and type of activity resulting in specific clothing behaviour, like formal, casual, leisure and active sports dress
- by attitude towards fashion and life style; and,
- by product/quality ratio.

Other criteria are based on special events (weddings, parties, communion etc. in which cases dress can be considered as formal wear) or other circumstances, like maternity wear.

Segmentation by demographic factors

The size and age structure of the population is one of the basic determinants of how much will be spent on clothing. The composition by age groups of the population in the EU countries will be discussed in the market surveys on outerwear for specific EU countries. Although this may appear to be a rough method for categorising the market, it is interesting because:

- generally speaking, different age categories have different clothing behaviour, and
- developments within the various age categories can be followed, by comparing results with projections.

The EU population has a declining birth rate and an ageing population. The category below 25 years has decreased while the category 50 and older has increased substantially. In 2005, almost 35% of the total population was older than 50.

Population growth is expected to slow down in the EU: 458.5 million in 2005; 470.1 million in 2025 and almost 450 million in 2050.

Another important demographic development is the increase of one- and two-person households. The persons in such households do not have many household or family obligations, so they have a lot of leisure time. Besides that they have rather high incomes. Both factors are stimulating clothing consumption.

Clothing buying process by age groups

Children (0-15)

The buyer of children's wear, certainly for the younger age groups, is an adult, mostly the mother. Her fashion consciousness and general buying behaviour have a long-lasting dominating influence on the purchase of clothes for the child. The social position of the child's family also plays a role in these decisions. The trend towards there being more working women, smaller family sizes and older parenthood mean that, in many households, there is a higher level of per capita spending on children than in any previous period. This segment is helped by indulgent gift buying, especially for newborn babies, as clothes are a popular gift. As they grow up, boys and girls increasingly raise their voices as to how they want to be dressed. This development takes place in phases, with varying influences from the outside. Fashion awareness of clothing is increasing among the younger children. Almost all designers and top fashion retailers launch their own children's couture. The main buying force comes from 9-14 year-olds, who are more financially independent (i.e. they have a clothing allowance) and fashion conscious, and are heavily influenced by pop celebrities and their favourite sport icons.

Men (15+)

In terms of consumer targeting, the market for men (15+) can be divided into two broad groups: younger buyers, who tend to be more concerned with image and fashion, and older buyers, who are concerned more with quality, value, practicality and durability. However, the dividing line between these two groups in terms of age is not easy to draw. Fashion is important to many consumers in their 30 to 40s and quality has become an increasingly important criterion for younger consumers.

Women (15+)

The women's clothing market is generally fast moving and volatile, particularly so amongst the crucial younger age groups for whom fashion is the key driver. However, unlike men's expenditure, spending by women on clothing increases to the age around 60. This is probably the result of women's sustained purchasing of higher-priced and better quality clothing in middle life, which boosts value rather than volume growth in the market. The women's wear market is not only much larger than the men's wear market, but is also more dynamic and enjoys growth in most of the EU countries. Fundamentally, women spend far more on clothes than men do and they spend more consistently throughout their lives.

Segmentation by type of product and type of activity

The outerwear market can be divided into several segments based on type of product combined with type of activity, resulting in a specific clothing behaviour. As mentioned in chapter 3, the following categories can be distinguished: formal clothing, casual wear, basic leisurewear and active sportswear.

The active sports segment in the EU will continue to expand its influence on the leisure and casual segments. 'Smart casual' will be further influenced by the workplace. This can be illustrated by the success of cotton trousers including the renewed popularity of jeans. Increased demand for knitted products like T-shirts, sweaters, jumpers, pullovers, vests etc. illustrates the popularity of casual wear, too.

The children's clothing market is in some ways as much influenced by fashion as is the market for adult clothing. For boys and girls, there had been a switch over the past several years towards purchasing sport and sport leisure type wear as casual clothing, with the majority of children's wear classed as casual.

Segmentation by attitude towards fashion and life style

Elements of fashion are: colour, design, exclusivity and style. The present consumer in Western Europe wants to be seen as an individual with an own life style. Especially in the higher priced fashion segment, clothing products have an individualising function. Therefore the demand by the consumer has become more specific. Another new trend is that people buy different clothes for different activities and occasions.

Consumer behaviour is unpredictable and influenced by short term demands. The consequence of the above is that the consumer expects retailers to have a clear image. In order to meet these consumer demands, many clothing stores are going in for upgrading and many suppliers are likely to broaden their non-clothing product ranges, in particular by adding accessories, shoes, sunglasses and similar products, either directly or via licensing, on the other side, value retailers and clothing discounters start or maintain their operating on low-price level. This will be discussed in more detail in chapter 7 'Trade structure'.

Segmentation by price/quality ratio

Quality is an essential requirement for the higher segments of the clothing market. There are several aspects to it: quality must be reliable and is closely connected with service. Quality requirements are also that the clothing fits well and is comfortable to wear, for example the choice of the yarns or fabrics used.

The demand for higher quality and more expensive products has increased in recent years, besides an even more important change in demand: the price-conscious consumer looking for fashionable trends as well as good quality materials. Value for money is still the most important purchase criterion for most consumers.

The major purchase criteria as based on several segmentation criteria, like segmentation by attitude towards fashion and by price/quality ratio as well as the consequences for the store choices, are given in the diagrammes below.

The middle price segment, with a market share of 40%, continues to dominate. This and more information about the retail and other distribution channels will be discussed in more detail in chapter 7 'Trade structure'.

	PRODUCT CRITERIA	BRAND NAMES	FASHION CRITERIA
High price luxury segment Market share 5%	Limited collections, made with special care; sometimes handmade, high quality materials Designer/ brand name stands for exclusivity and fashionable clothes	Dolce & Gabbana, Prada, Giorgio Armani, Donna Karan	High fashionable collections. Exclusively designed materials and artworks Trend-setting in fashion
Upper middle price segment Market share 15%	Collections are produced after pre-sale; extra attention to fitting and accessories Brand-name goods; good quality materials; broad range in design	Max Mara, Hugo Boss, Blumarine, Marni, Strenesse, Marc Cain	Large variety of styles and of materials Styling and fitting are vitally important Product in line with the latest fashion trends
Middle price segment Market share 30%	Collections are produced after pre-sale; good to medium quality materials Trend-following or classical assortment; brand-name goods	French Connection, In-wear, Benetton, S. Oliver, Esprit, Mexx, Jackpot	Good fitting is important Recognisable by brand-name visible on outside
Low to middle price segment Market share 40%	Produced in larger quantities to lower the price; basic styles, less changes to patterns, basic fitting Medium quality materials/lower fashionable Produced in large quantities to lower the price; less attention to fitting and patterns Basic quality/high fashionable	Private labels, like C&A, Promod, WE, Marks & Spencer, Hema, Etam, Vögele Private labels, like Hennes & Mauritz, Zara, Mango, Topshop	Collections with a view to current fashions High fashionable, close to trends

Low or very low price segment Market share 10%	Basic or low quality Special sales/ offers Inexpensive products Produced in large quantities	No brands	Standard products without particular fashion requirements
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	STORE CHOICES	PROMOTIONS	PRICE CRITERIA
High price luxury segment	Designer stores Special departments in department stores Exclusive retail stores	Promotion by catwalk shows and fashion magazines	Price less, or not, important
Upper middle price segment	Independent speciality shops Manufacturer's direct stores Department stores	Advertising in fashion magazines	Acceptance of price for fashionable collections and consumer brands
Middle price segment	Independent speciality shops Department stores Home shopping companies	Advertising in lifestyle and fashion magazines	Price thresholds must be observed
Low to middle price segment	Clothing multiples Variety stores Clothing multiples Variety stores Value retailers	Advertising in lifestyle magazines, RTV, newspapers, billboards and door-to-door leaflets Advertising in lifestyle magazines, billboards	Price important Price important
Low or very low price segment	Discounters Super- and hyper-markets Street markets	Advertising in newspapers and door-to-door leaflets	Special (low) prices

More information about price levels and price structures will be discussed in the chapters 8 and 9.

4.3 Consumption patterns and trends

Demand for clothing is determined by factors like demographics and life styles, as discussed above. Other factors are: income and spending power, priorities in consumer choices, developments in fashion, brands and climate.

Brands

In a world of change and insecurity, brands provide a basis for identity. All humans face a fundamental conflict between wanting to be different and needing to belong. Belonging to a group or a community of some kind provides us with an identity that says something about how we perceive ourselves and how others should perceive us. Brands are important because:

- In the purchase decision, they give consumers confidence about the product that goes beyond pure quality assurance. Consumers know they will not be disappointed and that they can be sure of a product's durability and workmanship.

- Only some brand attributes are related to the product. Consumers feel it is important that a brand should not only guarantee quality but should also project the image that relates to their life style.
- In Europe, the majority of consumers clearly look to well known brands for better quality and claim that they will pay more for a brand that they like and which fits their image and life style, which also will be underlined by advertising and marketing.
- Consumers do not distinguish between supplier and retailer brands. Either can reach the consumer with a branded proposition. Suppliers are opening their own stores (such as Nike, Levi's, Mexx, Boss etc.); retailers are offering their own products (such as Zara, C&A, H&M etc.).
- A polarisation of brand leadership also appears likely in Europe. Retailers in Germany, UK, France and other EU countries are clearly aiming to replace manufacturer brands with their own identities in the middle market, leaving the upper market to designer brands.

Climate

Generally spoken, weather has an impact on the timing of expenditure, which tends to be highly seasonal. Unexpected weather changes influence consumers in their purchasing decisions. Consumers in warm, dry climates tend to purchase less durable, cheaper clothing, which influences the share of clothing expenditure. Because of the warmer climate in Southern Europe the difference in seasons is limited.

Owing to its cold and wet winters, a comparatively high proportion in value is spent on heavy garments such as winter coats and jackets in Scandinavian countries (like Sweden and Finland), Germany and Austria. Companies intending to export clothes to these countries ought to be aware of the temperate climate, which requires casual garments that are comfortable, robust and preferably wind- and waterproof.

Trends

- Women's wear follows the broad trend toward more casual and sporty garments. Several fashion forecasts announced that collections will be more feminine and will have less casual details.
- Younger people are more and more interested in brand name clothing, especially in casual and leisure wear (street wear). Influence by media such as Internet and Fashion TV inspires youth to follow fashion trends and they are willing to spend more for (mainly) European brands. Consumers also combine a high-priced luxury product with a cheap private label product to lower the costs.
- The children's wear market is increasingly driven by fashion, with children becoming 'older younger' and with older girls tending to buy young adult designer wear. Several women's brands offer the same garments in smaller sizes for girls.
- Babies' wear is still classic and follows the trends of adult clothing to a lesser degree. Newborn collections are mainly plain or have childlike decorations and are less influenced by the casual trends as in adult fashion.
- A stronger fashionability across the retail section will be growth among others by a wider distribution and appeal of designer labels and exclusive collections.
- In most of the major EU countries, people have become larger in length and width, which is valid for men and women and in the younger age groups, too.

For current and detailed fashion information on colours and styles, we refer to CBI Fashion Forecasts.

Opportunities and threats

It should be noted that for many statements, classified under opportunities and threats, it is a case of: an opportunity if you can respond, a threat if you can't!

- Expectations for consumer expenditure on outerwear for the period 2006-2009 are moderately optimistic in the major EU countries:
 - the number of garments purchased per head of population will continue to rise but prices will not follow this growth rate;

- a continuing interest in more fashionable outerwear;
- demographic developments, the society became more multi-ethnic and the average age is increasing. This will lead to new demands and consumer behaviour. The birth rate will decrease, which will moderate the growth of the babywear market.
- Experts forecast that clothing expenditure in several of the new EU member states will continue to see robust growth in the period to 2009:
 - boosted by the entry of more foreign, particularly European, fascias into the market;
 - consumers will become more aspiring and 'western' in their outlook as prosperity increases and foreign investment in the country grows;
 - popularity of second-hand clothing declined in favour of buying clothing at hyper- and supermarkets and from mail-order companies.
- The focus on casual and leisurewear will be continued for the coming years, but to a much smaller degree. Besides this trend, there is a tendency to more natural fibres, mainly cotton and blends with cotton at the expense of man-made fibres.
- The fast changing demand in the clothing market is a significant factor. Because of the higher dynamics of the clothing markets in terms of more rapidly changing consumer preferences and more seasons per year, there is a general tendency in the clothing branch to demand shorter delivery times and smaller volumes of series and orders.
- Caused by economic developments, many consumers on lower incomes will continue to seek low priced clothes. On the other hand, the size of the market and the polarisation in incomes offer huge markets for quality and convenience, designer labels, (global) sports brands etc.
- It should be noted that the exporters in developing countries will be faced with demands for high quality and environmentally friendly products.

4.4 Useful sources

- Apparel Retailing in Western Europe, report published by Retail Forward (<http://www.retailforward.com>);
- Clothing Retailing in Europe, report published by Retail Intelligence/Mintel
- European Retail Handbook 2005/6, published by Mintel (<http://www.mintel.com>);
- Euromonitor publications (<http://www.euromonitor.com>);
- <http://www.fashion.about.com/cs/tipsadvice/a/allaboutfit>
- National statistics and
- Websites of organisations mentioned in this survey.

5 PRODUCTION

5.1 Size of production

The EU turnover in clothing production declined by 3.0% in 2004. The number of employees in the apparel sector fell by 7.2% in 2004 to 1.1 million, of which around a third is active in the knitting sector. The number of enterprises decreased, too. The EU clothing industry is dominated by a large number of small and medium-sized enterprises; the average company had 10.5 employees in 2004, the same number as in the previous year.

Table 5.1 EU clothing production structure, 2003-2004

	2003	2004	% change 2004-03
Total employment ('000)	1,219	1,131	- 7.2
Number of companies	114,692	108,125	- 5.7
Investment (€ million)	981	960	- 2.1
Turnover (€ million)	73,175	70,959	- 3.0
Turnover/employee	60,050	62,731	4.5
Investment/turnover	1.3%	1.5%	:
Employee/company	10.6	10.5	:

Source: Euratex, 2005

The volume of the EU clothing production declined by 5.9% in 2004 on top of a 5.8% decline in 2003. Preliminary figures for 2005 indicate that production is decreasing again.

The declining competitive position caused by increased production costs explain why the total turnover in the EU clothing sector declined. The biggest falls were in Finland, Denmark and Slovakia, while Ireland, Latvia and especially Slovenia managed to cope with the situation. All major EU countries recorded setbacks.

Table 5.2 Indices of clothing production in the EU countries, 2002-2004 (2000=100)

	2002	2003	2004	% change 2004/03	Share in EU turnover in %	
					2002	2004
Italy	94.9	92.6	90.7	- 2.0	33.4	35.2
France	68.3	54.9	47.5	- 13.5	12.6	15.4
Germany	79.9	70.8	66.9	- 5.5	14.2	13.0
Spain	73.5	70.3	68.4	- 2.7	8.8	8.9
United Kingdom	79.8	76.0	67.9	- 10.6	11.9	8.4
Portugal	94.2	89.9	81.8	- 9.0	4.3	4.2
Denmark	83.6	73.7	61.3	- 16.9	2.9	3.2
Belgium	75.2	63.0	56.4	- 10.4	2.5	2.5
Poland	93.4	88.6	83.2	- 6.0	1.7	1.5
Greece	87.8	87.3	82.7	- 5.2	1.2	1.3
The Netherlands	87.5	80.2	78.7	- 2.0	1.1	1.2
Austria	86.6	87.2	80.7	- 7.5	1.1	1.1
Hungary	108.6	104.6	96.6	- 7.7	0.9	1.0
Lithuania	106.1	118.5	106.9	- 9.8	0.7	0.7
Finland	99.4	84.9	60.3	- 29.0	0.7	0.5
Czech Republic	95.5	90.9	92.4	1.6	0.6	0.5
Slovakia	109.5	96.2	94.7	- 1.6	0.3	0.4
Slovenia	82.9	76.6	72.9	- 4.8	0.4	0.3
Latvia	98.6	96.5	102.2	5.9	0.1	0.2
Estonia	113.4	113.7	102.5	- 9.8	0.2	0.2
Sweden	72.3	81.2	82.0	1.0	0.2	0.2
Ireland	65.0	60.1	55.0	- 8.5	0.2	0.1
EU	85.0	79.9	75.2	- 5.9	100.0	100.0

Source: Euratex, 2005

Italy is the dominant clothing producer in the EU with 35% of total EU turnover in 2004, followed by France, Germany, Spain and UK. Just over 80% of the EU garment industry is concentrated in these five countries.

Clothing manufacturers in the EU can be divided into:

- Manufacturers which have access to the end consumer using own retail structures (vertically integrated companies),
- Manufacturers which are developing own design/brands and
- Manufacturers which are working only as subcontractors (mostly on CMT basis).

Most EU manufacturers have developed an outsourcing policy and may include:

- small, rush-orders in their own factory using modern technologies;
- specialist products and products with a reasonable profit margin are subcontracted at short distance;
- series of bulk products are sub-contracted in low-wage countries.

Some small apparel sectors will remain in Western Europe to guarantee speed and flexibility.

In some sub-sectors, which should be capable of automatisisation or production of a relative high value added, there is room for production capacity. So the West European clothing sector will further specialise in market segments with a high value added.

The leading companies in the clothing industry are given in table 4.2. It should be noted that the turnover can be influenced by an increasingly marked involvement in distribution: growing participation or concentrated distribution structure.

Table 5.3 Share of the main companies in turnover of EU clothing industry, 2003-2004

	Company	Country	Product-groups	2003 € million	2004 € million	% change 2003/2004
1	Adidas-Salomon AG	Germany	Sportswear	2,288	2,222	- 2.9%
2	Benetton-Group	Italy	Family wear	1,991	1,859	- 7.1%
3	LVMH-Group	France	Fashion/ leather goods	1,610	1,680	4.3%
4	Gruppo Marzattotto	Italy	Men's & women's wear	1,487	1,470	- 1.1%
5	Esprit Europe	Germany	Family wear & accessories	1,113	1,360	22.2%
6	Giorgio Armani	Italy	Men's & women's wear	1,300	1,250	- 3.8%
7	Max Mara Fashion	Italy	Women's wear & underwear	1,111	1,130	1.7%
8	Hugo Boss	Germany	Men's wear	1,029	1,009	- 1.9%
9	Nike Europe	Netherlands	Sportswear	1,034	1,002	- 3.2%
10	Levi Strauss Europe	Belgium	Jeans wear	1,034	931	-10.0%
11	Multiline Textil	Germany	Shirts and bodywear	803	871	8.5%
12	VF Europe	Belgium	Family wear & sportswear	693	770	11.1%
13	Diesel SpA	Italy	Jeans & street wear	683	750	9.8%
14	S. Oliver Group	Germany	Family wear & accessories	655	700	6.9%
15	Bestseller Wholesale	Denmark	Men's & women's wear	635	670	5.5%
16	IT Holding	Italy	Women's wear	655	668	2.0%
17	Mexx Holding	Netherlands	Family wear & accessories	539	634	17.6%
18	Escada-Gruppe	Germany	Women's wear & accessories	773	621	- 19.7%
19	Sixty	Italy	Jeans and street wear	570	620	8.8%
20	Ermengildo Zegna	Italy	Men's and sportswear	633	712	+12.4%

Source: Textil Wirtschaft Nr. 47-2005

Many of the leading concerns are active in the luxury fashion sector, like Louis Vuitton/Moët/Hennessy (LVMH), Marzattotto, Armani and Max Mara.

The most important producer of children's wear was Groupe Zannier, at distance followed by Children Worldwide Fashion or CWF, both from France.

Leading jeans wear (most of them including street wear) companies were, besides Levi's Europe, Diesel and Sixty (both from Italy), the Swiss Big Star and the German Mustang.

Important active sportswear companies, besides Adidas and Nike, are Quicksilver Europe (France), Pentland Group (UK), Puma (Germany), Basicnet and Fila Sport (both from Italy) and Lafuma (France).

5.2 Trends in production

- The restructuring policy of many manufacturing companies in the EU during the last two decades led to relocation of the clothing production, mainly based on labour cost comparisons. However, cost may play an important role in defining the ideal location, although it is only one of the elements to take into account. For example: a well-organised, highly productive factory in country A can offer better prices than a poorly organised, low-efficient factory in country B, despite lower labour costs in country B.
The foreign policy of clothing companies takes many forms:
 - Forms of ownership: most of the largest companies entered joint ventures in low-cost countries or have established their own factories abroad.
 - Forms of subcontracting: like Cut, Make and Trim (CMT) or Free on Board (FOB). In the case of CMT, the whole manual production has been relocated, though the material (fabric + trims) purchase is held on to for efficiency and quality reasons. The quality control has been relocated too and is typically managed by travelling controllers. In the case of FOB, the supplying manufacturers abroad receive complete specifications for the design, quality of the fabric, accessories and other materials etc. Subsequently, the suppliers manage the purchase of the materials themselves, so the whole supply process, including purchasing of fabric and trims and production, as well as quality control, is the supplier's responsibility. FOB with a direct relationship between buyer and supplier is called full package. It is most usual to importers/wholesalers and importing retail organisations, but only to a minority of the manufacturing companies. In the latter case, this often concerns additional products (accessories) or basic products like shirts, jeans, T-shirts etc. to complete the manufacturer's product range. Another form of full package is to use a sourcing office or a local agency (in the supplier's country). The form of CMT is employed in an estimated 75% of clothing companies in Western Europe, while FOB accounts for about 25%.
 - Sourcing abroad, mainly for additional products to their own product range.
- The 2005 forecasts remained very depressed during the first half year of 2005. Several member states registered a two-digit decrease in production, sometimes from already very low production levels.
- For whole 2005 and following years, the activity of the EU clothing sector will decrease furthermore by:
 - the growing penetration rate of Asian imports linked to changes in the EU quota policy;
 - the exchange rate of the Euro, which is unfavourable to exporters.
- Price competition among suppliers has intensified, resulting in a very slow growth in production prices. This is causing concern among EU producers, who are finding it increasingly difficult to match low import prices.
- Increasing internationalisation; EU clothing companies expand their activities intensively and their products are available in many European countries.
- High degree of integration in the value chain; several producers opened their own chain(s) and many suppliers started a close and long-term co-operation with distribution channels, which increases the entry barriers for new suppliers.
- Increasing concentration; the number of suppliers decreased and many suppliers have merged or have taken over other suppliers.

Opportunities and threats

To satisfy the requirements of importing companies in the EU, exporters in developing countries will be faced with increased demands for higher quality and requirements concerning environment and sociability;

- The further sourcing of products in low-cost countries has led to the considerable decrease in production in the major EU countries including products with a higher design content. Besides the traditional lower range market segment, the largest middle range market segment may also offer good opportunities for exporters in developing countries;
- Importers in the major EU countries have built up a comparative advantage by specialising themselves in design and other functions, like preparation of samples, logistics, marketing

etc., while simple production operations take place increasingly in other countries. As times goes by, even the first mentioned functions are leaving these EU countries too.

- Advantages of the new EU states in terms of lower wages and shorter routes will largely disappear, due to the alignment of the wage structure and the fact that the clothing industry will no longer be competitive there. This already happened in the regions of the 'old' EU states. An entire sector will disappear in Eastern Europe and only niche suppliers or quality producers will be able to survive.

5.3 Useful sources

- General websites are Euratex (<http://www.euratex.org>) including links to national trade associations and Eurostat (<http://epp.eurostat.cec.eu.int>).
- Euratex Bulletins and several trade magazines, like:
Textil Wirtschaft (<http://www.twnetwork.de>),
Textiles Outlook International (<http://www.textilesintelligence.com>) and
Journal du Textile (http://www.journaldutextile.com/intro_en.htm)
- Central and Eastern Europe Textile Business Review
(<http://www.textilemedia.com/25701.html>)

6 IMPORTS

Before we take a look at the import figures for outerwear into the EU, it should be noted that all data presented in this chapter are official trade figures provided by Eurostat. These official statistics are not always all embracing and they should be interpreted with care.

6.1 Total imports

The EU member states imported 4.6 million tonnes outerwear with a value of € 75.5 billion in 2004, of which 46% came from developing countries. Total imports of outerwear increased, while production for the EU market decreased, which indicates that the import share in the slightly increasing consumer market grew.

The average import price fell by 21% in the period 2000-2004 (7% in 2003-2004), caused by factors like an intensified price competition among suppliers and a cheaper US dollar.

Germany remained the leading importer despite a fall in imports of 4.3% in the period 2002-2004, with an import share of 22% in terms of value, followed by the UK (17%), France (14%), Italy (10%), Spain (7%) and Belgium (6%). The Netherlands (6%) ranked sixth, followed by Austria (4%) and Denmark (3%).

Table 6.1 Imports of outerwear by EU member countries, 2000-2004, € million/1,000 tonnes

	2000		2002		2004		% change in value	
	Value	Volume	Value	Volume	Value	Volume	2004-00	2004-02
Total EU	69,275	3,258	72,820	3,623	75,518	4,575	9.4	4.1
Intra-EU	27,637	1,087	29,865	959	31,546	1,517	15.1	6.7
Extra-EU	41,638	2,171	42,955	2,664	43,972	3,058	5.6	2.4
Developing countries	28,026	1,575	30,692	2,065	33,982	2,608	21.3	10.7
Imports by EU countries:								
Germany	18,205	777	17,593	763	16,556	881	- 9.1	- 4.3
United Kingdom	11,209	634	12,925	646	12,758	839	13.8	- 1.3
France	9,918	446	10,675	494	11,020	547	12.7	3.2
Italy	5,398	269	6,584	382	7,339	430	35.3	11.5
Spain	3,468	142	4,359	184	5,294	304	53.2	21.4
Belgium	4,289	177	4,591	195	4,731	243	10.3	3.0
The Netherlands	4,828	312	4,644	380	4,447	463	- 7.0	- 4.2
Austria	2,327	62	2,434	67	2,640	90	13.5	8.5
Denmark	1,953	85	1,958	88	2,014	97	3.1	2.9
Sweden	1,801	76	1,698	77	1,716	85	- 4.7	1.1
Ireland	1,077	20	1,148	23	1,069	23	- 0.7	- 7.0
Greece	981	47	708	43	1,049	57	6.9	48.2
Portugal	875	17	1,011	19	1,056	21	20.7	4.4
Finland	712	28	740	30	776	33	9.0	4.7
Czech Republic	344	28	463	50	701	83	103.8	51.4
Poland	428	44	629	63	674	78	57.5	7.2
Hungary	335	37	465	62	495	49	47.8	6.5
Luxembourg	276	10	239	8	233	11	- 15.6	- 2.5
Slovakia	118	12	186	22	213	25	80.5	14.5
Slovenia	312	12	297	11	211	9	- 32.4	- 29.0
Cyprus	151	0	173	1	175	6	15.9	1.2
Lithuania	66	8	72	5	100	6	51.5	38.9
Estonia	74	4	88	5	92	8	18.9	4.5
Latvia	73	4	83	5	86	4	17.8	3.6
Malta	57	0	57	0	73	3	28.1	28.1

Source: Eurostat, 2005

Developments in imports of outerwear vary strongly per EU country. This depends on several factors like size and structure of domestic production of outerwear, the possibilities and volume of re-exports, developments in demand as described in Chapter 4. EU countries can be divided, by developments in value of imports during the period 2002-2004, into:

- Booming imports (more than 20%) in the Czech Republic, Greece, Lithuania, Malta, Luxembourg and Spain;
- Considerably growing imports (between 10 and 20%) in Italy and Slovakia;
- Strongly growing imports (between 4 and 10%) in Austria, Poland, Hungary, Finland, Estonia and Portugal;
- Slowly growing imports (between 0 and 4%) in France, Latvia, Belgium, Cyprus and Sweden;
- Slowly decreasing imports (between 0 and 4%) in United Kingdom and Denmark;
- Strongly decreasing imports (between 4 and 10%) in Germany, The Netherlands and Ireland;
- Considerably decreasing imports (more than 20%) in Slovenia.

China remained the leading outerwear supplier to the EU, before Turkey, Germany, Italy and Bangladesh. Total imports from China increased considerably: 52% in the period 2000-2004 and 25% in the period 2002-2004. In 2000, 9% of EU imports came from China; in 2002: 11% and in 2004: almost 13%.

As will be described in chapter 10.4, all quota in the clothing sector were eliminated as from 01-01-2005. However, developments during the first months of 2005 in EU imports from China led to a new deal, in which a limitation has been placed on the growth of Chinese textile exports to the EU until 2008. This agreement between the EU and China (10-06-05) covers several outerwear product groups, like T-shirts, sweaters, pullovers etc., trousers, blouses and dresses. The fact that quota for several product groups were utilised in 2005, created opportunities for other developing countries. An overview of the quota and the quantitative levels reached can be found at <http://sigl.cec.eu.int>

The continuing appreciation of the Euro against the US dollar, made exporting to the EU relatively more profitable for foreign suppliers, especially those in Asia. The full impact of the appreciation of the Euro has probably not yet been felt, because it takes time for many buyers to adjust their sourcing patterns or to negotiate new deals because they are bound by contracts. Likewise, it takes time for exporters to find new customers.

6.2 EU imports per product group

EU imports of **knitted outerwear** increased much more in volume (+ 27%) in the period 2002-2004 than in value (+ 10%), which indicated that average import prices of knitted outerwear fell by 13%. EU imports of knitwear came for 48% from developing countries and for 42% from other EU countries.

EU imports of **woven outerwear** increased in volume (18%) and in value (10%) during 2002-2004: a decrease of average import prices of 12%. Developing countries accounted for 44% of total EU imports of woven outerwear.

Total EU imports of **leather garments** accounted for € 1.5 billion in 2004 and fell 21% in 2002-2004. Developing countries play a dominating role in EU imports of leather garments. In terms of value, 64% of total imports came from these countries.

An analysis of imported leather garments, such as by actual types of product, materials used and whether the garments are for men or women, is not possible, because only one statistical number is available for leather garments.

Table 6.2 EU imports of outerwear and DC share by products, 2000-2004 in € million

	2000 value	DC share in %	2002 value	DC share in %	2004 value	DC share in %
Total outerwear	68,944	41	72,520	43	75,518	46
Knitted outerwear						
- overcoats/outdoor jackets	509	37	656	43	768	45
- suits/jackets/trousers	3,536	42	3,119	46	3,382	49
- shirts/blouses	2,331	45	2,319	45	2,336	45
- T-shirts	6,918	46	7,867	48	9,855	51
- jerseys/pullovers	11,032	39	11,373	40	11,245	43

- babies' garments	1,350	56	1,388	60	1,394	65
- sportswear	1,047	44	973	45	1,314	48
- accessories	687	44	700	47	1,058	46
Total knitted outerwear	27,410	43	28,395	45	31,352	48
Woven outerwear						
- overcoats/outdoor jackets	5,391	40	5,557	47	5,989	52
- suits/ensembles	2,168	30	2,205	30	2,203	34
- indoor jackets	3,495	23	3,853	20	4,188	20
- trousers	12,942	39	14,711	41	15,486	43
- dresses	1,463	40	1,237	43	1,207	44
- skirts	1,781	40	1,978	46	2,241	47
- shirts/blouses	6,122	44	6,696	44	6,041	46
- babies' garments	583	57	678	63	708	65
- sportswear	1,415	47	1,479	45	1,282	51
- accessories	1,145	44	1,020	46	1,040	47
- other	3,200	42	2,785	42	2,059	44
Total woven outerwear	39,705	39	42,199	41	42,444	44
Leather garments	1,829	70	1,926	65	1,522	64

Source: Eurostat, 2005

The role of developing countries increased strongly in the period 2000-2004 from 41% in 2000 to 46% in 2004.

Imports from developing countries rose by 11% in the period 2002-2004 and intra-EU trade by 7%, while imports from countries outside the EU (excluding developing countries) fell dramatically by 25% during the same period, mainly caused by Far East countries like Hong Kong, South Korea and Taiwan.

Table 6.3 Leading suppliers to the EU in 2004, share in % of value

Total outerwear	
Intra-EU : Germany (8%); Italy (7%); Belgium (4%); France (4%); The Netherlands (3%).	41%
Extra-EU excl DCs* : Romania (5%); Hong Kong(1%); Bulgaria (1%); Switzerland (1%); South Korea (1%).	13%
DCs* : China (13%); Turkey (9%); Bangladesh (5%); India (3%); Morocco (3%); Tunisia (3%); Indonesia (2%); Pakistan (1%); Thailand (1%); Sri Lanka(1%).	46%
Knitted outerwear	
Intra-EU : Germany (7%); Italy (7%); Belgium (4%); France (4%); Portugal (4%).	42%
Extra-EU excl DCs* : Hong Kong (2%); Romania (2%); South Korea (1%); Bulgaria (1%); Taiwan (1%).	10%
DCs* : Turkey (12%); China (10%); Bangladesh (7%); India (3%); Indonesia (2%); Morocco (2%); Tunisia (2%); Thailand (1%); Mauritius (1%); Cambodia(1%).	48%
Woven outerwear	
Intra-EU : Germany (8%); Italy (7%); Belgium (5%); France (4%); The Netherlands (3%).	40%
Extra-EU excl DCs* : Romania (7%); Hong Kong (3%); Bulgaria (2%); Switzerland (1%); Ukraine (1%).	16%
DCs* : China (15%); Turkey (7%); Morocco (4%); Bangladesh (4%); Tunisia (4%); India (3%); Indonesia (1%); Vietnam (1%); Pakistan (1%); Sri Lanka(1%).	44%
Leather garments	
Intra-EU : Germany (8%); Italy (7%); France (3%); The Netherlands (2%); Belgium (2%).	30%
Extra-EU excl DCs* : Switzerland (2%); Romania (2%); Ukraine (1%); other countries such as Hong Kong, USA and South Korea less than 1%.	6%
DCs* : China (24%); India (17%); Turkey (12%); Pakistan (9%); Morocco (1%) and other DCs such as Croatia, Uruguay, Tunisia and Sri Lanka less than 1% .	64%

*developing countries

Source: Eurostat, 2005

Knitted outerwear

Imports of three product groups: jerseys, sweaters, polo shirts etc., T-shirts and knitted shirts and blouses formed 75% of total EU imports of knitted outerwear. These product groups will be discussed in more detail. Imports of the product group 'suits, jackets and trousers' were

higher than imports of the product group 'shirts and blouses'. But the product group 'suits, jackets and trousers' included several product types unlike the product group 'shirts and blouses'.

Jerseys, pullovers, sweaters, polo shirts etc. were imported for much lower prices in 2004 than in previous years. Average import prices were € 7.85 in 2002, € 7.20 in 2003 and € 6.86 in 2004. Total imports of this product group rose as from 2002 in volume by 13% to 1,640 million units in 2004. Imports of jerseys etc., made of all materials, increased. Imports of lightweight articles like fine knit roll, polo or turtleneck jumpers and pullovers made of cotton increased during 2002-2004 24% to 36 million units and those made of man-made fibres increased 28% to 21 million units (average prices respectively € 4.49 and € 4.72). Developments in imports and average import prices of other materials can be derived from the following table.

Table 6.4 Analysis of imported knitted jerseys, pullovers, sweaters etc. by materials used, 2002-2004

	Volume (million units)			Value (€ million)		
	2002	2003	2004	2002	2003	2004
Total	1,448	1,531	1,640	11,373	11,022	11,245
of which in %						
- wool and hair	9.7	8.5	9.7	17.1	15.8	15.4
- cotton	38.6	40.3	41.0	37.0	39.3	40.8
- man-made fibres	48.8	47.8	45.2	42.1	41.0	39.7
- flax	0.9	1.2	1.1	0.8	1.1	0.9
- other	2.0	2.2	3.0	3.0	2.8	3.2

Source: derived from Eurostat 2005

EU imports from developing countries accounted for 43% of total imports in 2004 (40% in 2002). Intra-EU imports came, besides from the leading supplier Italy (10% of total value of EU imports), from Germany, Belgium, France, The Netherlands and Portugal. Imports from the EU countries mentioned decreased strongly except imports from Germany. It has to be noted that a considerable share of imports from EU countries like Germany, Belgium and The Netherlands and to a lesser degree France include re-exports. However, it is not possible to quantify the amount of the re-exports from the available statistics.

In total, however, imports from developing countries increased in favour of intra-EU trade. Important suppliers to the EU were Bangladesh (+ 46% during 2002-2004), Turkey (- 12%), China (+ 23%), Indonesia (+ 10%), Cambodia (+ 24%), Thailand - 2%), Tunisia(-9%) and India(+ 10%).

In 2005, the EU imposed quota safeguards for jerseys, sweaters, pullovers etc., following huge increases in China's share of the market. Bangladesh was a significant loser in the first half year of 2005.

EU imports of **knitted T-shirts** rose 41% in volume and 25% in value in the period 2002-2004. Average import prices during this period decreased from € 3.36 in 2002 to € 3.19 in 2003 and to € 2.99 in 2004.

In 2004, cotton T-shirts retained its popularity and accounted for 85% of total imports. Developments in imports of T-shirts are illustrated in the following table.

Table 6.5 Analysis of imported T-shirts by materials used, 2002-2004

	Volume (million units)			Value (€ million)		
	2002	2003	2004	2002	2003	2004
Total	2,343	2,680	3,300	7,867	8,548	9,855
of which in %						
- cotton	81.3	84.9	85.0	73.6	76.5	77.6
- wool	0.2	0.2	0.2	0.5	0.5	0.4
- man-made fibres	17.4	13.9	13.6	24.1	21.4	20.4
- other	1.1	1.0	1.2	1.8	1.6	1.6

Source: Eurostat, 2005

In terms of value, 61% of total imported cotton T-shirts came from outside the EU, of which almost 90% from developing countries (51% of total imports) in 2004.

In terms of value, Turkey remained the leading supplier of T-shirts to the EU with 20% of total imports and an average price of € 3.37. Bangladesh ranked 2nd (11% of total imports and an average price of € 1.24). Other important suppliers were (ranked in size of imports): India, China, Mauritius, Morocco, Tunisia, Sri Lanka, Egypt, Pakistan, Indonesia and Thailand.

Inside the EU, Germany, Portugal, Belgium, Italy, France, The Netherlands and Greece were the leading exporting countries of cotton T-shirts. The same remarks can be made about re-exports as discussed above. Imports from all these countries, except Belgium, increased during the period under review. Major EU exporters from outside the EU (other than DCs) of cotton T-shirts were Hong Kong and Romania.

Investigations by the European Commission in 2005 revealed that imports of T-shirts from China were causing market disruption and that the conditions for introducing safeguards had been met. Import volumes from China in January to April 2005 were up by 187%, compared with the same period in 2004. At the same time average prices of T-shirts fell by 36%.

Imports of knitted **shirts and blouses** increased less than 1% during 2002-2004 (in terms of value). Imports of knitted blouses and shirts for women increased by 10% in the period reviewed, while imports of men's shirts decreased by 8%.

Cotton remained the most popular fabric type for men's shirts and for women's shirts and blouses. Cotton shirts had a growing share of 79% in total imports of men's shirts, while the import share of cotton blouses and shirts for women increased from 57% in 2002 to 60% in 2004, to the detriment of blouses of man-made fibres.

The leading supplier of knitted shirts and blouses to the EU remained Turkey; 13% of total imported value came from this country. It was followed by Bangladesh (6%) and the EU countries Germany, Italy, France and Greece. The same remarks can be made about re-exports as discussed above.

Total imports from developing countries stabilized in the period 2002-2004 and varied strongly per country: Turkey (+13%), Bangladesh (+17%), China (-15%), India (-4%), Pakistan (+58%) and Thailand (+3%).

Woven outerwear

Imports of two product groups: "trousers, shorts etc." and "shirts and blouses" are the most important in the woven sector, namely 52% of total imports of woven outerwear.

Imports of **woven anoraks, ski jackets etc.** increased from 300 million units in 2002 to 386 million in 2004. Average import prices fell from € 11.62 in 2002 to € 10.27 in 2004, mainly caused by lower import prices of cotton jackets. Around 75% of imported woven anoraks was made of man-made fibres and 22% made of cotton.

Imports from developing countries grew considerably: from 169 million in 2002 to 299 million jackets in 2004, respectively 56 and 77% of total imports and was dominated by China.

Export volume in this product group by China boomed in 2003 (+97% to 204 million jackets), and rose another 25% in 2004 to 254 million jackets. Average import prices from China were 28% lower in 2004 than in 2002, respectively € 9.91 and € 7.17. Intra-EU trade decreased in volume but against much higher prices. Important suppliers, like Vietnam, Romania, Indonesia, Turkey and Bangladesh, were confronted with much lower exports to the EU.

EU imports of **woven trousers** for men and women increased in volume to 1,879 million units in 2004 with an average import price of € 8.24. The important products within the product group woven trousers for both sexes are cotton trousers other than denim, synthetic fibre trousers and jeans.

EU imports of cotton trousers (other than denim), including casual trousers like chinos, workers, cargos etc. increased considerably from 612 million units in 2000 to 810 million in 2004. Imports of jeans increased to 401 million units, of which 59% for men. Average import prices for men's jeans amounted to € 10.25 in 2004 (€ 11.94 in 2002) and for women's jeans € 9.73 (€ 10.64 in 2002).

Imports of the total product group (trousers, shorts, bib & braces) concerned 43% men's and 57% women's in 2004; this relation was 48/52 in 2000. The role of cotton trousers remained quite important: 64% of total imports was cotton made.

Table 6.6 Analysis of EU imports of woven trousers, shorts, bib & braces, 2000-2004

	Volume (in million units)				
	2000	2002	2004	of which for:	
				men	women
Trousers	1223	1379	1662	733	929
Shorts	163	171	196	72	124
Bib & braces	25	17	21	12	9
Total	1411	1567	1879	817	1062
of which:					
- wool	35	32	29	18	11
- cotton denim	337	350	401	235	166
- other cotton	612	653	810	385	425
- synthetics	327	389	449	137	312
- artificial	63	50	50	6	44
- other	37	93	140	36	104

Source: Eurostat, 2005

The import share (in value) for jeans from other EU countries increased slightly to 50% (48% in 2002) and imports from developing countries increased from 37 to 39%.

The leading exporting countries in 2004 were: Italy (13% of total EU imports in value), Turkey (12%), Belgium (11%), Germany (7%), Tunisia (7%), Bangladesh (6%), Morocco and Pakistan (each 4%). Almost all supplying countries, including the leading suppliers in developing countries, gained from the renewed popularity of jeans, but imports from Belgium, Tunisia and The Netherlands decreased compared with 2002. Fast-growing imports came from Bangladesh, Romania, France, United Kingdom and Denmark.

EU imports of cotton trousers (other than denim) increased considerably in the period 2002-2004 in volume (+25% to 665 million units) and in value (+15% to € 5.8 billion), of which a limited part came from other EU countries, namely 23% in volume and 35% in value.

Leading suppliers were Bangladesh (119 million units at € 3.91), Turkey (67 million at € 9.16) and Tunisia (40 million at € 11.18), followed by Morocco, Germany, Hong Kong, Romania, China and Pakistan. Imports from the countries mentioned increased, during the reviewed period, except Tunisia, Hong Kong and Pakistan.

EU imports of synthetic trousers came from Romania (11% of total imports in volume, average price € 7.46), Bangladesh (11% at € 3.38) and Turkey (8% at € 7.14). Other EU countries supplied 24% in volume (mainly Germany, Belgium and The Netherlands). Other important EU suppliers were: Morocco, China, Tunisia, Bulgaria and Cambodia.

Imports of woven **shirts and blouses** decreased in volume (- 7%) and in value (-10%) in the period 2002-2004. This fall was mainly caused by decreased imports of men's shirts of cotton and man-made fibres and women's shirts and blouses made of man-made fibres. 71% of men's shirts imported in 2004 was made of cotton and 23% of man-made fibres, while in 2002 these percentages were respectively 72 and 21.

Imports of women's blouses were for 42% made of man-made fibres in 2004, 39% of cotton and 8% of linen. Imports of cotton blouses and shirts increased to the detriment of blouses and shirts of man-made fibres.

Developing countries played a more important role in imports of woven shirts for men than for shirts and blouses for women. In total 46% (in terms of value) came from these countries into the EU in 2004. Leading supplier was Romania (8% of total EU imports), followed by Germany (8%), India (8%), China (8%), Turkey (7%) and Bangladesh (6%) in 2004.

Imports of **leather garments** from the four leading suppliers decreased: China by 24% to € 365 million, India by 20% to € 254 million, Turkey by 26% to € 177 million and Pakistan by 10% to € 140 million. These countries were followed by several EU countries, such as Germany, Italy, France and The Netherlands, however, including re-exports.

6.3 The role of developing countries in EU imports

As described above, growth in imports from developing countries can mainly be ascribed to low-price suppliers from Asia and to a lesser degree from the Mediterranean Rim.

Table 6.7 EU imports of outerwear from developing countries by area of origin in € million, 2002-2004

	2002	2004	Leading suppliers in 2004: (between brackets, share in total of their area of origin, in %)
Total	30,692	33,982	China (28), Turkey (20), Bangladesh (11), India (7), Morocco (6), Tunisia (6), Indonesia (3), Pakistan (3), Thailand (2).
Of which from:			
Asia	17,774	20,968	China (45), Bangladesh (17), India (11), Indonesia (5), Pakistan (4)
Mediterranean Rim	11,735	11,913	Turkey (56), Morocco (18), Tunisia (16), Croatia (3), Egypt (2)
ACP	888	766	Mauritius (64), Madagascar (18), Jamaica (8), Botswana (1)
Centr & Sth America	202	230	Brazil (26), Peru (26), Mexico (16), Honduras (10), Argentina (6)
CEECs	91	100	Moldova (75), Kyrgyzstan (9), Tajikistan (7), Turkmenistan (4)
Other	2	5	Northern Marinas Islands (79)

Source: Eurostat, 2005

Total EU imports from developing countries increased in terms of volume (+26%) and value (+ 11%) in the period 2002-2004, which indicates that average import prices fell by 12%. The different areas showed varied patterns:

- Growing imports (+ 15% in value terms) came from Asian developing countries, like China (+ 27%), Bangladesh (+ 38%), Cambodia (+23%) and Pakistan (14%). To a lesser degree from India (+2%), Sri Lanka (+ 7%) and Thailand (+ 0.4%) and despite falling imports from countries like Indonesia (- 8%) and Vietnam (- 9%). These imports accounted for an increasing 62% of total imports from developing countries.
China continued its sharp rise in shipments to the EU, in products like woven outdoor jackets for both sexes, woven sportswear, T-shirts, babies' garments and leather garments.
- Imports from Mediterranean countries, like Turkey, Morocco and Tunisia increased by a limited 1% in 2002-2004. It should be noticed that Turkish exports to the EU grew strongly (11% during 2002-2004), while exports by Morocco and Tunisia decreased respectively 6 and 13% during the same period. Mediterranean countries accounted for a decreasing 35% of total imports from developing countries. Other significant exporting countries from the Mediterranean Basin were: Croatia, Egypt, Macedonia, Albania, Bosnia & Herzegovina, Serbia Montenegro and Syria.
- Imports of outerwear from ACP countries fell by 19% in 2002, 11% in 2003 and another 3% in 2004 and valued € 766 million in 2004. 64% of ACP exports came from leading country Mauritius, despite falling exports by this country to the EU (- 25% in 2002-2004). France and the UK were the leading destinations of Mauritius. Madagascar ranked second with 18% of ACP exports to the EU in 2004 (mainly to France and Germany), followed by Jamaica (8%), of which Spain, Germany and The Netherlands were the most important destinations. Other countries with (substantial) exports to the EU were Botswana (mainly to United Kingdom), Zimbabwe (mainly to Germany), Dominican Republic (to The Netherlands and Italy), Tanzania (to United Kingdom) and Cape Verde (to Portugal).

Opportunities and threats

- An increasing share of 46% outerwear imports into the EU came from developing countries in 2004. This percentage was significantly higher in the following product groups: T-shirts (51%) and knitted and woven babies' garments (each 65%), woven outdoor coats and jackets (52%), woven sportswear (51%) and leather garments (64%) and significantly lower for the product groups: woven suits and ensembles (34%) and woven indoor jackets (20%).
- Imports of clothing increased considerably in the first half of 2005. Imports from China rose by 16.5% in value terms and 48% in volume terms, from India by 18% in volume, from Turkey by 9% in volume. In contrast, the volume of clothing imports from Tunisia and Morocco dropped by 9% and 7% respectively.

- The agreement between the EU and China (10-06-05) to limit Chinese exports to the EU of, among others, sweaters, jumpers etc., T-shirts, men's trousers blouses and dresses will provide opportunities for other developing countries, because Chinese quota are already utilised or will be utilised soon (see chapter 10.4.2).
- Imports from developing countries will grow faster than total imports in the coming years, mainly to the detriment of other (EU and non-EU) countries.
- Import prices will be under pressure and the decrease in average import prices will put further pressure on EU producers. In particular, the effect on the elimination of quotas has led to a fall in prices.
- To satisfy the requirements of importing European companies, exporters in developing countries will be faced with increased demands for higher quality and environmentally friendly products. More information concerning environmental aspects can be found in CBI's website. With the right strategy and a carefully thought out development plan, there is no reason why these challenges cannot be met.

6.4 Useful sources

- EU Expanding Exports Helpdesk → <http://export-help.cec.eu.int/> → go to: trade statistics
- Eurostat – official statistical office of the EU → <http://epp.eurostat.cec.eu.int> → go to 'themes' on the left side of the home page → go to 'external trade' → go to 'data – full view' → go to 'external trade - detailed data'
- Euratex Bulletins (<http://www.euratex.org>); Central and Eastern Europe Textile Business Review (<http://www.textilemedia.com/25701.html>); Textile Outlook International (<http://www.textilesintelligence.com>)

7 EXPORTS

Before we take a look at the export figures for outerwear to the EU, it should be noted that all data presented in this chapter are official trade figures provided by Eurostat. These official statistics are not always all-embracing and they should be interpreted with care.

The EU member states exported 1.75 million tonnes outerwear with a value of € 49.4 billion in 2004, representing a decline in value of 0.7% in 2002-2004. A declining share of 26% went to countries outside the European Union. Export activities by the EU countries vary strongly. The leading EU exporter of outerwear was Italy (24% of total EU exported value), followed by Germany (16%) and France (10%).

As described in the previous chapters, EU exporters suffered, just like in 2002, from the appreciation of the Euro against the US dollar.

An overview of exports of outerwear by the EU countries (in volume and value) is given in the table below.

Table 7.1 Exports of outerwear by EU member countries, 2000-2004, € million/1,000 tonnes

	2000		2002		2004		Average % change	
	value	volume	value	volume	Value	volume	in value	
							2000-04	2002-04
Total EU	46,549	1,201	49,789	1,571	49,376	1,750	6.2	- 0.7
Intra-EU	33,669	851	35,441	1,210	36,360	1,308	8.1	2.7
Extra-EU	12,880	350	14,348	361	13,016	442	1.1	- 9.3
Developing countries	2,224	106	2,524	108	2,346	133	0.5	- 7.1
Exports by EU countries:								
Italy	12,180	238	12,984	244	12,073	222	- 0.9	- 7.0
Germany	6,739	148	7,490	165	7,724	217	14.6	3.1
France	4,722	106	5,001	109	5,137	115	8.8	2.7
Belgium	3,448	86	4,008	103	4,093	126	18.7	2.1
United Kingdom	3,521	151	3,351	141	3,289	185	- 6.6	- 1.9
The Netherlands	2,440	57	2,981	226	2,739	404	12.3	- 8.1
Spain	1,915	41	2,461	44	2,596	61	35.6	5.5
Portugal	2,568	39	2,484	34	2,341	28	- 8.8	- 5.8
Denmark	1,595	34	1,717	36	1,775	37	11.3	3.4
Poland	1,258	50	1,245	48	1,452	54	15.4	16.6
Greece	1,307	73	1,103	235	1,093	131	- 16.4	- 0.9
Austria	714	16	688	17	981	27	37.4	42.6
Hungary	948	39	996	45	859	28	- 9.4	- 13.8
Czech Republic	470	19	454	18	595	18	26.6	31.1
Sweden	435	14	460	14	521	16	19.8	13.3
Lithuania	470	24	539	26	503	19	7.0	- 6.7
Slovakia	445	20	517	21	480	17	7.9	- 7.2
Ireland	263	15	262	18	220	15	- 16.3	- 16.0
Slovenia	320	7	257	5	199	4	- 37.8	- 22.6
Finland	182	3	180	3	174	3	- 2.7	- 3.3
Estonia	169	7	193	8	164	6	- 3.0	- 15.0
Latvia	132	8	132	7	146	5	10.6	10.6
Malta	148	0	166	0	106	6	- 28.4	- 36.1
Luxembourg	122	6	91	4	99	5	- 18.9	8.8
Cyprus	38	0	29	0	17	1	- 55.3	-41.4

Source: Eurostat, 2005

The main destinations outside the EU were Switzerland (5% of total EU exports and 17% of non-EU exports), the USA (15% of non-EU exports), Japan (10%), Russia (8%), Romania (5%), Norway (4%) and Hong Kong (4%). Exports to Romania covered mainly parts of garments as part of outward processing trade (OPT).

Woven outerwear accounted for 59% of EU exports (in terms of value), knitted outerwear for 39% and leather garments for 2% in 2004.

Leading export product groups in the outerwear sector were: woven trousers and shorts (18% of total EU outerwear exports in 2004), knitted jerseys, sweaters, pullovers etc. (14%), T-shirts (11%), woven suits and ensembles (6%), woven (7%) and knitted (4%) shirts and blouses; woven (4%) and knitted (2%) clothing accessories; woven skirts (3%) and dresses (2%); woven outdoor jackets (4%) and woven sportswear (3%).

EU exports of leather garments decreased by 20% during 2002-2004 to € 868 million, of which two thirds went to other EU countries. The most important destination outside the EU of this product group remained Switzerland (8% of total exports in 2004) followed by the USA (7%).

Re-exports

Exports by major EU countries as described above include the so-called re-exports: imported products, which are exported to other (mainly other EU) countries. The volume of re-exports can be calculated when national production statistics are available and destination of production can be divided into domestic sales and exports by industry. For instance: available production figures in The Netherlands are rather limited and include production abroad by manufacturers. For that reason, re-exports by The Netherlands cannot be determined, however, it can be assumed that about 40% of Netherlands outerwear imports is re-exported or that almost 80% of exports of outerwear consists of re-exports. Besides The Netherlands, re-exports by Germany and Denmark are important, while re-exports in the other major EU countries are more limited but growing strongly.

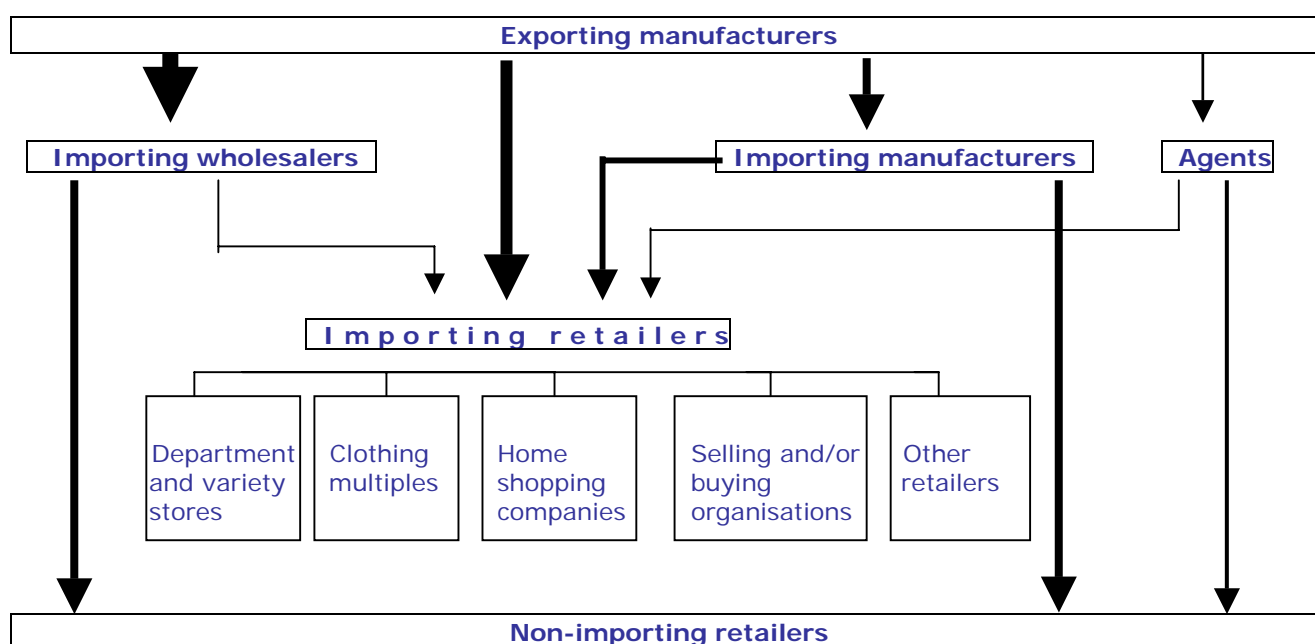
8 TRADE STRUCTURE

8.1 Distribution channels

Figure 8.1 shows the basic trade channels (exporting manufacturers and traders, agents, importing manufacturers, wholesalers and retailers). Depending on its position in the market, the functions of a particular channel will be linked with up- or downstream channels with the same kind of specialisation. It is also possible for a given channel to take over (some of) the functions of the latter, in order to improve competitiveness (vertical integration). For instance, manufacturers, agents and retailers may also function as importers, while wholesalers may also be manufacturers (vertical integration). Each of these groups has a different approach to business and the market, with its own specific interpretation of the marketing mix.

Theoretically, importing is a function which can be done by manufacturers, wholesalers or retailers as given in figure 8.1. However, in some countries and/or branches a distinction is made between importing wholesalers and importers. In that case, the importer purchases at own risk, handles Customs clearance and sells mainly to retail organisations, like multiples, department stores and buying organisations and other wholesalers, while wholesalers purchase at own risk from local or EU manufacturers and from importers.

Figure 8.1 Trade and distribution channels for outerwear in the EU



Trade channels

Different sales intermediaries have their place between industry and retail, for instance:

Importing wholesalers: by buying on his own account, the importer/wholesaler takes title to the goods and is responsible for their further sale and distribution in his country and/or in other EU markets. He is familiar with local markets and can supply considerable information and guidance to the exporter, in addition to the primary business of buying and selling, such as administration of import/export procedures and holding of stock. The development of a successful working relationship between exporting manufacturers in developing countries and importing/wholesaler or importer can lead to a high level of co-operation with regard to appropriate designs for the market, new trends, use of materials and quality requirements.

Most outerwear and/or sportswear wholesalers cater both to the specialist shops and to the department stores and multiple chains. Contrary to the agent, the wholesaler purchases from manufacturers and holds his stocks at own risk. The mark-up of wholesaler is approximately 20-30%. An increasing number of importers/wholesalers today act as agents. The fact that many independent retailers, as well as purchasing combinations and multiple stores, are becoming more cautious about pre-ordering, preferring to sell from stock, is reinforcing the position of the wholesaler. On the other side, large retail companies are increasingly purchasing abroad, thereby passing the intermediaries. In the case of importers, as mentioned above, the mark-up is approximately 40-50%.

Importing manufacturers: the many forms of production strategy of EU manufacturers are discussed in chapter 5 of this survey. Retailers are increasingly taking part in stages before them in the sector (vertical integration) and have their own designers to give their own collections a more unique look. Clothing manufacturers penetrate the retail business by operating through own shops or through franchising. This gives them control over their output and margins. Producers can also try to compete through a greater emphasis on their own product development. They can then offer exclusivity to the retailers, which gives them a competitive advantage.

Agents: the sales agent is an independent intermediary between the (foreign) manufacturer and the retailer or retail organisation, receiving a commission from the former.

The agent (or sales representative) covers a limited geographical area. The level of the commission depends on a number of factors, including the turnover rate of the product concerned, but it averages an estimated 8-12% of turnover.

Most agents represent more than one manufacturer, although competition is avoided. More and more agents are starting to sell from stock, to meet their clients' short-term demands. Stock forming is often on a consignment basis. If the agent builds up his own stock, he is in fact functioning as an importer/wholesaler. The role of agent as described above is often indicated as selling agent. Another type of agency is the so-called buying agent. The buying agent is located in the supplying country and settles business on the instructions of his principals, which are mainly retail organisations, and works on commission basis, too. The development described above - an increasing number of importer/wholesalers acting as agent - is also true in reverse: many agents today act as importers/wholesalers.

Capital requirements are limited because this cooperation is based upon commission; however, agents mainly work with brand names and are therefore less interesting for most exporters in developing countries.

Importing retailers: the bigger retail organisations (multiples with more than 20 outlets, department and variety stores, buying organisations, home shopping companies) import through their own buyers. These buyers at clothing multiples, home shopping companies and variety stores, which have mainly or exclusively private labels in their assortment, divide their budgets between the purchase of finished products via direct imports (sourcing ready-made products) from low-wage countries and sourcing from own design.

Home shopping companies are keener than other retail distributors about re-order facility. They will want to start with small orders to test the market and make a firm, but not final, bulk commitment a few months later. If an item sells, they expect subsequent supply of maybe three times that number at short notice, simply because the catalogue cannot on any account disappoint the customer by saying 'sold out'.

Many major retail organisations use buying agents or set up their own buying organisations in low labour-cost countries. This means that retailers are able to bypass domestic wholesalers and/or manufacturers and can reduce costs.

A difference has to be made in the segments distinguished: super- and hypermarket chains, textile and other discounters operate mainly at the lower end of the market, so the lowest purchasing prices are the main buying criteria.

Generally spoken, variety stores and clothing multiples are interested in more criteria than price, like service by the producer, technological capacity, quick response etc.

Contacts with sales intermediaries can be made in several ways, like consulting trade representatives' associations, chambers of commerce, fashion centres, trade publications, trade directories etc. In this survey and in the surveys on specific EU countries, websites of potential trading partners are mentioned otherwise websites of associations etc. including links to manufacturers, retailers and wholesalers.

Retail trade

Retailers constitute the final stage before products reach the consumer. In this survey, a distinction is made between department stores, clothing multiple stores, textile supermarkets or discount stores, value retailers, home shopping companies and independent (clothing specialty) retailers. Other categories are grocery supermarkets, street markets etc..

A detailed overview of the retail structure and market shares of retailers with clothing in their assortment are discussed in the surveys on specific EU countries.

Distribution channels differ greatly across the EU member states. Some characteristics are:

- The UK has a high concentration of distribution, which is reflected in the relatively low market share of independent retailers.
- The southern and eastern EU member states have high market shares for independent retailers. These retailers buy mainly from manufacturers and wholesalers/importers.
- In Germany, The Netherlands and Scandinavian countries, many independent retailers are members of buying co-operations.
- In southern and eastern EU countries franchise formula are more popular.

Unorganised independent retailers, with decreasing but still important market shares in most of the EU countries, buy directly from local or near-by manufacturers or agents representing these manufacturers, as well as from wholesalers/importers. These retailers do not import by themselves and are therefore not interesting for developing country exporters. Many independent retailers are organised via franchise, selling formula or buying groups. These organisations, including their buying policy, can be considered as multiple stores or chains. The original function of the buying groups was reduction in costs by centralising of buying and logistics. More and more selling formula for the members have been developed and the successful ones have been exploited as franchising activities. The website of the European Association of National Organisations of textile retailers (AEDT): <http://www.aedt.org> gives information about independent retailers and links to national organisations.

Trends in retail trade

- General developments in retail are the diminishing market shares of independent retailers to the favour of specialised clothing chains and non-specialists such as super- and hypermarkets.
- Other important developments are the increasing integration in the value chain, increasing concentration and growing internationalisation or cross-border activities, of which the main (besides many others) examples are Hennes & Mauritz (Sweden; <http://hm.com>), Inditex (Spain; <http://www.inditex.com>) and C&A (Netherlands/Germany; <http://www.c-and-a.com>). H&M has 1,196 stores spread across 22 countries, turnover of € 7,868 million in 2005 (+14%); vertically integrated Inditex operates world-wide with 2,732 outlets in 56 countries and a global turnover of € 6,741 million in 2005 (+11%). Zara is Inditex's most important chain with 876 stores world-wide, but mainly in Europe. C&A is exploiting 800 stores in 13 European countries, turnover about € 5,000 million, besides global activities.
- Recent tough market conditions have favoured those retailers who can respond to consumer demand more quickly and at lower cost. A handful of specialty retailers, such as H&M and Zara, continues to defy the global economic downturn. These companies are particularly adept at understanding what consumers buy - and want to buy - in real time and responding quickly to sales trends and customer feedback. The explosive growth of these chains is, besides international expansion, also driven by diversification. As a growth strategy, they are capitalising on the heightened interest in their brands by extending them into new product areas, new customer segments, and new formats.

- These strategies, mentioned above, have consequences for manufacturers, through the concentration in buying activities. The powerful groups of chains reduce their number of supplying manufacturers in general; have a stronger position in negotiations about price, delivery conditions etc. and in some cases organisations take over the functions of suppliers in order to improve competitiveness (vertical integration). The increasing integration in the value chain decreases the number of suppliers on the market and forces them into a close and long-term cooperation with the distribution channels. Mergers and take-overs in clothing production in many EU countries should therefore be seen against the background of grasping more market power, as well as a strong position compared to the retail organisations.
- Margins are under continuous pressure in the major EU countries. Consumer expectations with regard to lower prices, in particular, as well as tough competition, have resulted in the retailer's needs for lower inventories, less out of stock and lower markdowns. Consequences for the buying policy are:
 - fewer pre-seasonal orders;
 - more collections per season;
 - investment in seasonal planning and control;
 - co-operation with suppliers (quick response/EDI), and
 - fewer suppliers.
- Successful formulas are based upon permanent replenishment and fast-moving goods. H&M and Zara are examples of the competitive advantages and benefits of greater speed to market. The secret of their success is the ability to provide the latest fashion trends to their customers. Zara, seen to be more at the cutting edge of fashion than H&M, has maintained a lead in its ability to respond rapidly to fashion trends. It puts fashion ranges together in 7-30 days and can replenish bestsellers in the stores in five days, while H&M can respond in 30-60 days. This compares to as much as 40-50 weeks from design to delivery for a typical clothing retailer.
- All opportunities enabling reduced costs are eagerly pursued. Buyers of clothing importing companies are looking for lower purchase prices abroad, thereby minimising costs in the buyer's home country. The necessity to reduce costs has provided the main driving force behind the development of foreign garment sourcing for the markets of importing countries. As a result, production has migrated to a growing number of developing countries, as buyers have sought and are still seeking ever lower-cost locations. In practice, it is not a question of looking for the lowest wages but looking for manufacturers with the lowest overall manufacturing costs.
- Minimising purchasing costs implies that many buyers try to limit the number of supplying countries and the number of individual manufacturers they deal with.
- Sourcing policies are made on two levels, country level and company level. On country level aspects like quota, duty rates, ethical aspects, wage structure, distance, local infrastructure, economic and political stability play a role. Other aspects like fast reaction, speed to market, logistics management, quality, production facilities, design capacity, availability of raw materials, are not country-specific. They may vary considerably within individual countries and will be discussed in chapter 11.

Opportunities and threats

The opportunities for developing country exporters to choose their distribution channels depends on external (demand and requirements of importers/buyers) and internal factors. The latter will be discussed in part B of this survey. The foreign strategies of EU manufacturers are discussed in chapter 5.

- For starting and/or SME exporters, selling to wholesalers and importers has the most advantages. Disadvantages are the missing of direct contacts with retail organisations and the lower margins.
- Importers in the major EU countries have built up a comparative advantage by specialising themselves in design and other functions, like preparation of samples, logistics, marketing etc., while simple production operations take place increasingly in other countries. As time goes on, even the first mentioned functions, are leaving these EU countries too.

- Because of the spreading of buying of clothes over the whole year and because of increasing product differentiation, there is a growing shift in power positions to the retail chains. These developments include opportunities for the group of 'privileged/short distance' supplying countries and tough competition for other countries.
- As mentioned above, exporters of outerwear are confronted with many aspects like quality, sizing, packaging, environmental aspects, resulting in a lot of technical requirements, added to which are aspects of design, fashionability, market developments etc. For that reason, co-operation in a variety of forms between importer and exporter can be necessary, of which the more further-reaching forms of potential co-operation are joint ventures and co-makership agreements.
- The EU apparel market is complex and sophisticated. Major apparel brands from EU countries (Italy, Germany, France, UK) compete in the high-price segments (including premiere collections and more affordable brands) with famous American names. Cheap, mass-produced items from low-cost regions such as China, South Asia, North Africa and East European countries compete in the low-price segments. The movement away from cheap products (with low relation to fashion and comfort) to mid-price segments, including products of higher quality and more individual clothes, offer interesting opportunities to exporters. In this segment, European as well as foreign retailers (clothing chains, buying and selling organisations, mail-order companies, department stores) operate with their own private labels, sometimes combined with branded products (for an increasing part sourced outside the EU) as well as with non-branded or fancy branded items. A polarisation of brand leadership also appears likely in Europe. Retailers in Germany, UK, France and other EU countries are clearly aiming to replace manufacturer brands with their own identities in the middle market, leaving the upper market to designer brands.

8.2 Useful sources

- Euromonitor publications (<http://www.euromonitor.com>);
- Clothing Retailing in Europe, report published by Retail Intelligence/Mintel
- European Retail Handbook 2005/6, published by Mintel (<http://www.mintel.com>);
- Apparel Retailing in Western Europe, report published by Retail Forward
<http://www.retailforward.com>);
- Euratex bulletins (<http://www.euratex.org>).

9 PRICES

9.1 Prices

Price is an important selling factor, especially in the lower segments of the clothing market, whereas in the higher segments (higher added value) factors like quality and fashion are more important than price. In the lower segments of the clothing market, retailers have little room to manipulate prices because competition is very fierce and margins are low. The market is intensively competitive and prices vary widely according to the product and type of outlet. A rough indication of differences in price levels by types of outlets has been given in chapter 4. Another factor of influence is the variety in VAT tariffs in the EU countries.

Eurostat publishes price level indices (PLI), calculated as the ratio between purchasing power parities and exchange rates for each EU country, in relation to the EU average. For example the PLI for clothing goods is 12% above the EU average in Italy and 10% below the EU average in the United Kingdom. Clothing goods are, therefore, in Italy about 24% more expensive than in the UK ($112/90=1.244$).

Table 9.1 Comparative price level indices for clothing in 2003, EU=100

	Clothing	Women's wear	Men's wear	Children's wear
Germany	106	105	107	109
United Kingdom	90	91	91	86
Italy	112	112	111	119
France	94	95	89	99
Spain	100	100	94	117
The Netherlands	85	84	86	88
Belgium	107	105	107	116
Poland	76	74	82	73
Czech Republic	104	105	112	101
Hungary	85	89	83	86

Source: Eurostat Statistics in focus 13/2005

The publications of Eurostat Statistics in focus can be found at:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL

9.2 Useful sources

A good way to obtain information about prices and price levels in the EU is by visiting one of the major trade fairs or trade centres. Window-shopping in the prospective market place, at several retail shops is another good way of obtaining information about prices at retail or consumer level, but also about fashion, colours and qualities.

Prices charged by competitors can be found by browsing their Internet sites or looking for general sites like <http://www.globalsources.com> or <http://www.alibaba.com>

Alternatively, an impression of average prices in EU countries can be formed by browsing through the catalogues of home shopping companies on Internet (for addresses see country surveys). Comparisons can also be found in the prices given in catalogues from large department stores or from company web sites.

10 MARKET ACCESS REQUIREMENTS

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety, and social concerns.

10.1 Legislative requirements

European legislation is applicable to all products traded within the EU. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are compulsory for your products. For information on legislation for outerwear, go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select your market sector and the EU in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation.

10.2 Non-legislative requirements

Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers in the form of labels, codes of conduct and management systems.

There is no EU quality standard for outerwear, sportswear and clothing accessories. Most of the importers (manufacturers, wholesalers, retail organisations etc.) work with certain minimum requirements. In this respect they have formulated and stipulated minimum quality requirements, relating to both materials and make. The technical committee of the European Clothing Association (ECLA) published an example of recommendations concerning characteristics and faults in woven and knitted fabrics to be used for clothing, in which a distinction is made between:

- recommendations limited to the characteristics of fabrics, which are detectable, by an experienced person with or without the aid of instruments in general use. A fault is considered if the irregularity is evident in the fabrics as delivered or is detrimental to the final garment;
- recommendations limited to the characteristics of fabrics, which can only be detected with the aid of suitable equipment. Each characteristic described comprises: definition, method of testing and minimum quality standards and as far it occurs: possible allowable tolerances compared with the values of the sample and eventual commercial implications.

Methods of testing fabrics and/or garments are mainly based on ISO standards and otherwise on European norms (EN) or national standards (DIN, NEN or BS, respectively for Germany, The Netherlands and UK), like:

- care labelling (ISO 3758);
- dimensional stability aspects, like steaming (DIN 53894), fusing (DIN 54311), washing/tumbling (ISO 3759, 5077 and 6330), dry cleaning (ISO 3175);
- mechanical and physical properties like tensile strength strip (ISO 5081), tensile strength grab (ISO 5082), tear strength (ISO 9290), seam slippage (BS 3320), abrasion resistance (EN 22313), crease tendency/recovery (ISO 9867), pilling tendency (BS 5811), fibre penetration (SIS 650047), spray test (EN 24920) etc.;
- colour fastness to several aspects like washing, light, water etc. (ISO 105).

Despite EU harmonisation, which enables free trade between EU member states, individual markets have different requirements regarding garment types, sizes, colours etc.

For more information on non-legislative requirements applicable to outerwear go to the CBI website at <http://www.cbi.nl/marketinfo>, select your market sector and the EU in the category

search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned.

10.3 Packaging, size marking and labelling

You can download information on requirements on packaging and labelling in specific EU markets from the CBI website. Go to <http://www.cbi.nl/marketinfo>, select your market sector and the EU country of your interest, click on the search button and click on 'market surveys' for an overview of documents on the country of your interest.

Size marking

The following body measurements are used in the EU: body length, chest, waist and hip size. These four basic measurements determine the fitting of the garments. The measurements in the tables below are an indication and averages of the size tables used by home shopping companies and internationally clothing chains.

The following sizes are generally used in the EU (note that for all sizes the body length of women is 168 cm and for men 176 cm):

Table 10.1 Size table for women's outerwear (body sizes) in cm

character sizes	XS	S	M		L		XL		XXL
figure sizes	34	36	38	40	42	44	46	48	50
chest width	80	84	88	92	96	100	104	110	116
waist size	61	64	68	72	76	81	86	91	97
hip girth	86	90	94	98	102	106	110	114	118

Table 10.2 Size table for men's outerwear (body sizes) in cm, except trousers/jeans

character sizes	XS	S		M		L		XL		XXL
figure sizes	42	44	46	48	50	52	54	56	58	60
chest width	84	88	92	96	100	104	108	112	116	120

Table 10.3 Size table for men's trousers (garment sizes) in cm:

figure sizes	40	41	42	43	44	45	46	47	48	49
waistband width	68	68	72	72	76	76	80	80	84	84
side length	100	108	102	110	104	111	104	112	106	112

figure sizes	50	51	52	53	54	55	56	58	60	62
waistband width	88	88	92	92	97	97	102	108	114	120
side length	106	113	108	114	108	114	111	111	111	111

In the major EU countries, except the UK, the same figure sizes are used, although the actual sizes are not equal. For instance: for a woman with a bust of about 88 cm, a waist of about 68 cm and hips of about 94 cm, her dress size at the moment is 38 in Germany, Denmark and The Netherlands, C38 in Sweden and Finland, 40 in Belgium and France, 44 in Italy, 44/46 in Spain and Portugal. As mentioned above, the UK uses a different system: figure size 36 in the continental EU countries is indicated in the UK and Ireland as 12.

Because of e-commerce and internationalisation of retail shops (for instance: H&M), one can say that the above size table is used as a standard in all EU countries. In some cases a garment will have an indication for all different countries with their own size, as mentioned above.

Jeans sizes

Jeans are sold internationally in inch-sizes. They are read as follows: the first number refers to the girth of the waist and the second to the inside leg seam (inseam). Both are expressed in inches.

Table 10.4 Conversion table for women's sizes:

Inches	26	27	28	29	30	31	32	33	34	35	36
Sizes	34	-	36	38	-	40	42	-	44	-	46

In the table below, jeans sizes are compared with the usual size marking for outerwear. WW (horizontal) means: waistband width in **inches** and SL (vertically) means: side length (in-seam) in **inches**.

Table 10.5 Conversion table for men's sizes:

WW	27	28	29	30	31	32	33	34	35	36	38	40	42
SL: 32	-	-	-	-	-	-	-	24	-	25	26	-	-
34	84	86	88	44	-	46	48	50	-	52	54	56	58
36	-	-	-	-	90	94	-	98	-	102	106	-	-

Size marking for babies' and children's wear

The following groups are those mainly distinguished:

years	groups
0 - 2	babies
2 - 6	toddlers
6 - 12	middle group/school
12 - 14	preteens
14 - 16	teenagers

For the purposes of the sizing of clothes, children are best grouped into infants (younger than 7 years), boys and girls. Infants also constitute a group of their own, because their garments are usually not 'fit-critical'.

Infants' wear (body sizes)

The Swedish 'Centilong' system based on height values is used in The Netherlands, just as in some other European countries. The size range varies from 50-104 cm with an intersize of 6 cm. There is one standard for all these sizes and they can be ranked as follows:

Table 10.6 Infants' wear (body sizes) in cm

Height (in cm)	50	56	62	68	74	80	86	92	98	104
Chest	40	42	44	46	48	50	52	54	55	56
Waist	40	42	44	46	48	49	50	51	52	53
Hips	41	43	45	47	49	51	53	55	57	59
Arm length	18	20	22	24	26	28	30	32.3	34.6	36.9
Inside leg length	16	19	22	25	28	31	34	37	40.6	44.2

Depending on the garment concerned, the following dimensions are used for boys' and girls' wear:

Table 10.7 Boys' wear (body sizes) in cm.

Height	110	116	122	128	134	140	146	152	158	164	170	176	182	188	194
Chest	58.0	59.0	60.0	62.0	64.0	67.0	70.0	73.0	77.0	81.0	85.0	88.0	91.0	94.0	97.0
Waist	54.0	55.0	56.0	57.0	59.0	61.0	63.0	65.0	68.0	71.0	74.0	77.0	80.0	83.0	86.0
Hips	59.0	61.0	63.0	65.0	68.0	71.0	74.0	77.0	81.0	85.0	89.0	92.0	95.0	98.0	101.0
Arm length	39.1	41.4	43.7	46.0	48.3	50.6	52.5	55.3	57.5	60.0	62.5	65.0	67.0	69.0	71.0
Inside leg length	47.5	51.0	54.5	58.0	61.5	65.0	68.0	71.0	74.0	77.0	80.0	83.0	86.0	89.0	92.0
Neck girth	28.0	28.5	29.5	30.5	31.5	32.5	33.5	34.5	35.5	36.5	37.5	38.0	38.5	39.0	39.5

Table 10.8 Girls' wear (body sizes) in cm.

Height	110	116	122	128	134	140	146	152	158	164	170	176	182	188
Chest	58.0	59.0	60.0	62.0	64.0	67.0	71.0	75.0	79.0	83.0	86.0	89.0	92.0	95.0
Waist	54.0	55.0	56.0	57.0	59.0	61.0	63.0	65.0	67.0	69.0	71.0	73.0	75.0	77.0
Hips	61.0	63.0	65.0	67.0	70.0	73.0	77.0	81.0	85.0	89.0	93.0	96.0	99.0	102.0
Arm length	39.1	41.4	43.7	46.0	48.3	50.6	52.8	55.0	57.3	59.5	61.5	63.5	65.5	67.5
Inside leg length	47.5	51.0	55.0	59.0	63.0	67.0	70.0	72.5	75.0	77.5	80.0	82.5	85.0	87.5
Neck girth	28.0	28.5	29.0	29.5	30.0	30.7	31.5	32.2	33.3	33.7	34.5	35.5	36.5	37.5

Shirts and blouses

Sizes for men's shirts are based on neck girth in cm or inches . They vary respectively from 37-48 and from 15-19 and can be extended with other measurements, of which arm length is the most important. The sizes XS-XXL are also used for leisure or sport shirts, whether or not in combination with the usual shirt size. For women and children's wear, the standard outerwear sizes are used.

Gloves

Gloves are the only clothing item for which there has been a reasonably consistent sizing system, applicable internationally, the so-called French sizing system. Normal sizes for women's gloves are in inches.

Table 10.9 Women's gloves sizes in inches

6	6¼	6½	6¾	7	7¼	7½	7¾	8	for leather
6		6½		7		7½	7¾	8	for cotton and nylon

The introduction of stretch nylon yarns has resulted in one-sized gloves that fit any hand from size 6 to size 8. Popular sizes for men have been 7½ - 11½ and for women 6-8½, both with ½-inch steps between sizes.

In all cases, suppliers are advised to contact importers on all aspects of the sizing preferred in the country of import.

Labelling

There are two kinds of requirements in the EU: mandatory and voluntary. The mandatory requirement for all EU countries is the fibre content or the composition of the textiles used. With regard to fibre content: the indication 100% or pure can be used within a margin of 2 percent of the weight of the final product. Other fibres with a weight of less than 10 percent of the weight of the final products can be mentioned. In that case all (eventual) other fibres have to be mentioned. The official language of the country has to be used on the labels.

Optional requirements are:

- care-labelling/washing instructions. An international care-labelling programme, patterned after similar programmes, is in use in many countries including countries outside the EU. The programme makes use of five basic symbols that are colour-coded; the symbols relate to the properties of colour fastness, dimensional stability, effect of retained chlorine (bleach), maximum safe ironing temperatures and certain other properties. In the EU symbols as published by Ginetex are obligatory (<http://www.ginetex.org>).
- origin marking, the name of the country of origin should be mentioned. It is not allowed to mention the name of a country other than the country of origin.
- Other possibilities are: size, brand or product name and other consumer information. There is an increasing awareness of the need to keep the consumer informed about his/her prospective and current purchases.

For Austria and Italy, care-labelling/washing instructions are mandatory requirements, while in Spain the complete address of the exporter (otherwise the importing company) has to be mentioned on a label. Countries with mandatory requirements other than mentioned above are discussed in the relevant survey.

The place of the label in garments varies (mostly neck or side-seam) and can be part of the importer's requirements.

10.4 Tariffs and quota

The impediments to international trade include:

- Tariffs
- Quota restrictions
- Anti-dumping measures
- Anti-fraud investigations and actions

10.4.1 Tariffs

All EU countries apply common Customs tariffs to imports from outside the Union. If there is no special trade agreement in force, the general import tariff applies. Some kind of preferential trade agreement in the field of tariffs, or reductions of EU duty levels, may apply to many developing countries, according to the commitments in the Uruguay Round, until 2005. Most of the developing countries have been granted special trade preferences; these countries usually benefit from zero duties through preferential treatment under the Renewed Generalised System of Preferences (RGSP) or the Cotonou Agreement for the African, Caribbean and Pacific (ACP) countries. For more information we refer to the CBI's Export manual *Exporting to the European Union*

The EU common external import tariffs for outerwear (as percentage of CIF value, without duties and VAT) are given in table 10.10

Table 10.10 Import tariffs for outerwear, as percentage of CIF value, without duties and VAT

HS code	Description	Tariff in %	
		General	RGSP 1)
61.01-61.09	Knitted outerwear: Coats, jackets, trousers, suits, dresses, skirts, shirts, blouses and T-shirts.	12.0	9.6
61.10.1110	Pullovers etc. of wool	10.5	8.4
61.10.1113-61.11.2090	Pullovers etc. of materials other than wool	12.0	9.6
61.11.3010	Gloves for babies	8.9	7.1
61.11.3090-61.11.9000	Other knitted wear for babies	12.0	9.6
61.12	Training- and ski-suits	12.0	9.6
61.16	Gloves excl. coated etc. with rubber	8.9	7.1
61.17	Scarves and ties	12.0	9.6
62.01-62.06	Woven outerwear: Coats, jackets, trousers, suits, dresses, skirts, shirts, blouses etc.	12.0	9.6
62.09	Babies' wear	10.5	8.4
62.11	Sportswear (training- and ski-suits)	12.0	9.6
62.14	Scarves	8.0	6.4
62.15	Ties	6.3	5.0
62.16	Gloves	7.6	6.0
42.03.10	Leather garments	4.0	0.0

1) Preferences are not valid for China and Myanmar.

For some countries specific tariffs (lower than RGSP tariffs) are valid in several product categories.

Source: Netherlands Customs (Belastingdienst Douane), April 2006

Information on the up-to-date status of the management of actual tariffs is available at the EU Expanding Exports helpdesk <http://export-help.cec.eu.int/>

10.4.2 Quota restrictions

For many years, quota restrictions were the most important form of non-tariff barriers regarding clothing, until 1995 through the Multi Fibre Arrangement (MFA) and from 1995 onwards by the WTO Agreement on Textiles and Clothing (ATC).

As per 01-01-2005, all quota in the clothing sector were eliminated. The effect of the elimination was booming imports from China against much lower prices in the first months of 2005 and objections from the side of South and East European clothing producing countries. In June 2005, the EU and China agreed a deal that will manage the growth of Chinese textile exports to the EU until 2008. This agreement will cover 10 of the 35 categories of Chinese imports liberalised on 1 January 2005: pullovers, men's trousers, blouses, T-shirts, dresses, bras, flax yarn, cotton fabrics, bed linen, table and kitchen linen. It covers the categories of serious concern, including most of the categories identified by the European Textile Association Euratex and the two categories for which the EU had already launched formal WTO consultations with the Chinese: T-shirts and flax yarn.

The agreed limits on clothing products discussed in this survey for the EU are illustrated in table 10.11.

Table 10.11 Quota for EU imports from China, 2005-2007 (in '000 units)

EU Category	2004 actual	Y/E Sep 05	2006 Quota	2007 Quota
4- T-shirts	124,254	491,095	540,204	594,225
5- pullovers	39,418	181,549	199,704	219,674
6- men's trousers	40,321	316,430	348,072	382,880
7- blouses	17,559	73,176	80,493	88,543
26- dresses	6,604	24,547	27,001	29,701

The agreement limits the rate of imports while allowing fair and reasonable growth for Chinese exports. By finding a wide and balanced agreement, the EU and China ensure a period of adjustment for textile industries in the EU and developing countries, provide greater predictability for importers and retailers, and preserve the prize of market liberalisation for China. The EU retains significant restrictions against North Korea and Belarus. There are no other significant apparel quotas.

More information can be found on <http://sigl.cec.eu.int> or <http://export-help.cec.eu.int/index.html>

10.4.3 Other barriers

Examples of barriers other than tariffs and quota are anti-dumping and anti-fraud measures. Many clothing items are already quota-free, but WTO rules allow importer countries to impose anti-dumping duties if there is evidence that markets are being disrupted by selling below costs.

Anti-dumping measures

Anti-dumping implies that, under WTO regulations, exporters are expected to sell their products at fair market value, at a price above cost and without imposing higher domestic prices for the same product that would in effect subsidize their lower export prices. In the event of predatory pricing by a particular company or country, the importing country is allowed to impose a duty surcharge on the imported product, to bring the final price up to fair market value.

Anti-fraud investigations and actions

Besides anti-dumping measures, the EU is stepping up anti-fraud investigations and actions against fraud which is designed to:

- circumvent trade policy measures, such as anti-dumping measures;
- benefit illegally from preferential treatment such as that under RGSP;
- cheat consumers (claiming EU origin for products produced elsewhere);
- combat counterfeiting and piracy (copying exclusive designs and models without permission of the owner).

You can download information on requirements on tariffs and quota in specific EU markets from the CBI website. Go to <http://www.cbi.nl/marketinfo>, select your market sector and a the EU country of your interest, click on the search button and click on 'market surveys' for an overview of documents on the country of your interest.

PART B: EXPORT MARKETING GUIDELINES: ANALYSIS AND STRATEGY

The purpose of Part B is twofold: the Chapters 11, 12 and 13 aim at assisting in the decision-making process whether or not to export. Chapter 14 informs on the export marketing actions to undertake so as to successfully penetrate the EU market for this sector.

For general export marketing information, we refer to CBI's *Export planner*. Another interesting source of information is the *EMP document builder* an interactive tool on the CBI website which guides exporters step-by-step in preparing an export marketing plan. For general information on conducting market research, we refer to CBI's *Your guide to market research*.

Types of outerwear exporting companies

Outerwear producers can be classified in several ways, for instance as manufacturers of standardised mass-product varieties and of fashion-sensitive, high-quality products. Another classification used for producers, besides producing own branded products is: low, medium and high-service factories. These factories operate as contractor or sub-contractor. Characteristics of these types of clothing producers can be described as follows:

- CMT producers
- FOB producers
- Producers of private labels
- Producer of own design, mainly using brand trademarks

A short description of these various producer types is given below. Another classification used for producers, besides producing own branded products is: full service, normal service and O-service factories. Full service can be compared more or less with the private label supplier; the normal service factory with the FOB producer, while the O-service factory is most likely working on a CM or CMT basis.

CMT producers

Characteristics of the CMT factory are that it is often unable to produce more than a limited number of orders at one time (averages five or fewer styles per month). The capacity is filled by a limited number of customers, which supplies fabric and trim. Efficiency is high when producing a basic product, however, there is no flexibility with changes in order (colour or size assortment) or design modifications. Little investment is made in capital equipment and the factory operates using semi-skilled or unskilled workers. Situated at a long distance from the EU, the factory enjoys a direct-cost advantage due only to low labour cost.

FOB producers

These factories are able to operate with short lead times and operate best when specialising in simple products such as casual pants, shirts and blouses. These factories are capable of producing a decent sample after the first or second attempt. Depending on the relative abilities of buyer and factory and the style's degree of difficulty, the buyer provides either a sample with pattern or a detailed sketch with a spec sheet (giving size measurements) and tech sheet (giving seam types, allowances etc.). As a rule, better-organised importers will provide patterns to less sophisticated factories, unless the orders involve staple goods.

Private label producers

The private label producer needs thorough technological expertise, production experience and the ability to access special trim or machinery, also grading of fabrics. The greatest scheduling advantage offered by this type of factory is flexibility: in lead times, in production (modular teams), in minimum orders (for important customers). The customer can make changes not only in size assortments, but even from one style to another, up to the moment the fabric has physically been spread on the cutting table.

The number of orders produced is limited only by the size of the operation. A large factory is capable of producing 50-400 styles per month.

Producers of own design (brand trademarks)

Brand trademarks are an important sales argument in higher segments or selected parts of the clothing market. Branding promises a special design, quality and exclusivity and it appeals to the consumer's personal style. Branding can also help differentiate products, establish consumer loyalty and secure a price premium for products. Producers who want to work with their own brand have to fulfil several requirements. They need a technological knowledge of designing, pattern-making, grading of fabrics, distribution, and should be able to produce constantly high-quality clothing. It may be appropriate for producers to employ designers; sometimes they may work with free-lance designers. They need to be up-to-date on fashion developments. A high level of marketing expertise is necessary and acquiring this expertise is essential for building and maintaining brands successfully.

The following chapters will distinguish between the several types of exporting manufacturers in developing countries as classified above. Eventually, based on the internal analysis (Chapter 12) exporters can recognize which type they represent. Unless otherwise mentioned, the information in the following chapters is valid for all kinds of manufacturers in sustaining their export activities. Of course, gathering information and knowledge is required for companies intending to develop themselves, for instance from CMT to FOB producer or from FOB to private label producer, etc.

11 EXTERNAL ANALYSIS: MARKET AUDIT

Europe is a continent and not one market, but a patchwork of markets with different characteristics. For that reason a selection has to be made. The general way is to choose for a few countries: primary and secondary target countries. Regarding outerwear, a comparison has to be made based on the following factors:

- Economic stability: developments in gross domestic product, trade, labour force and unemployment, wages, income, exchange rates etc.
- Cultural and political climate, including language
- Geographical factors and climate
- Demographic developments (total, by age groups, by gender, number of households etc.)
- Size and developments of the market for outerwear, if possible divided into segments or product groups
- Development in total imports per country, per product or product group, and area of origin
- Production developments
- Import penetration of total market size
- Expenditure and characteristics of demand
- Local distribution and trade
- Customer needs and desires
- Type and extent of the competition, competitive offerings
- Market access, limitations on trade
- Fashion developments and trends

The market information described in part A of this market survey is very useful as a starting point for your export market research. Where applicable, the sources for this market information are also mentioned in the specific chapters. For more information we refer to the surveys on specific EU countries.

For more general information, the website of the EU statistics bureau Eurostat can be used: <http://www.europa.eu.int/comm/eurostat> Other sites for general information are among many others: <http://www.cia.gov/cia/publications/factbook> and <http://www.worldchambers.com> For a list of the European national trade statistics bureaus, please refer to the Eurostat site.

For more information about the outerwear market in the EU, refer to websites mentioned in the following paragraphs and appendices.

11.1 Market developments and opportunities

The size of the market is generally measured on consumer level (retail prices including VAT) and on production level. An overview of clothing consumption in the EU countries, is given in chapter 4 of this survey. These figures have been derived from national statistics as far as available and from databanks supplied by research institutes like Gfk, active in several EU countries (<http://www.gfk.com>), Mintel (<http://www.mintel.co.uk>), Verdict (<http://www.verdict.co.uk>) and Key Note (<http://www.keynote.co.uk>) and publishers like Textiles Intelligence (<http://www.textilesintelligence.com>), Retail Intelligence (<http://www.retailintelligence.ie>), Textil Wirtschaft (<http://www.twnetwork.de>) and Journal de Textile (http://www.journaldutextile.com/intro_en.htm)

These statistics and publications are rather expensive; availability and costs can be found on the referred sites. It should be noted that official trade statistics can vary considerably in products or product groups, in volume denominators (weight and/or units), or absence of figures (secrecy) for competitive reasons.

Another means to obtain insight into a market is measuring on production level. The local market situation (apparent consumption) in a country is equal to production (at invoice value) plus imports minus exports and eventually plus or minus changes in stocks. The availability of production figures concerning products or product groups is very limited and varies considerably per country.

Another vital piece of information, besides knowing the size of the market, is the projected market development for the coming years. In general, it is logical that expanding markets offer more possibilities and decreasing markets offer a limited profit potential. Much of the initial information about market size and developments can further be gathered by using websites of:

- Trade fair organisers, in particular the site of the German CPD: <http://www.cpd.de>, for other sites see the country surveys.
- Trade press; to gather information about fashion shows, fabrics, designs etc. and to obtain inspiration, in particular from designers.
- Trade organisations.
- Some providers of general information also have specific descriptions of outerwear markets in some EU countries, like <http://www.intracen.org> ; <http://www.marketsearch-dir.com> ; <https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/splash>
- Finally, limited but essential information gathered from world-wide publications is delivered free by <http://www.just-style.com> and <http://bharattextile.com>, while paid membership gives even more information.

Aspects to be considered for exporters of outerwear to an EU country are:

1. Selecting a target country is primarily based on factors as mentioned above, of which special attention has to be given to differences in total population, area, language, business practices etc.
2. Size of the clothing market and developments in the sectors per country or region. In general, it can be said that women's outerwear is the largest sector. Also, the women's outerwear market has been subject to the severest price competition as the mass middle market becomes overcrowded. The growth will be modest for the coming five years.
3. Sizing systems vary per country or clusters of countries. Sizes in Germany, The Netherlands, UK and the Scandinavian countries are more or less homogeneous, just like in the Latin European countries (Spain, Italy, France, Portugal). Internationally operating countries mention different sizes valid for different countries on a label and eventually on packaging.
4. In all major EU countries, the market can be divided into high, middle and low market segments with their own specific distribution channels. However, environmental, health and safety aspects, just like other requirements for market access, are valid for all segments.
5. New developments in fabrics resulting in the introduction of new finishes, fabric types and fabric weights in many sectors of the market, like high-fashion, outdoor clothing and sportswear.

Some of these items are not relevant (3 and 4) or are partly relevant (2 and 5) for CMT producers.

After desk research, like studying all CBI and other information on the subject, field research can be planned in the form of an orientation visit to Europe. This visit will have to include a leading trade fair, fashion trade centres, shopping centres, and a number of appropriate prospective buyers (with whom specific appointments should be made in advance). Examples of Opportunities & Threats are given in part A of this survey at the end of the relevant chapters and in the country surveys. Of course, it is the task of the exporter to make his own conclusions.

For more and general information, we refer to Chapter 3.1 and 3.2 of CBI's *Export planner*, Chapter 3 of CBI's *EMP document builder* and Chapter 3.1.1 to 3.1.6 of CBI's *Your guide to market research*.

11.2 Competitor analysis

Opportunities for all types of exporters in developing countries still remain, in particular as long as increased attention is given to quality and reliability in deliveries. Effective competitive capability by developing countries requires knowledge of the legal, technical, quality and

fashion requirements. In addition, they must make resources available, not only to monitor and understand developments in the target countries, but also to use test laboratories to ensure that quality requirements are strictly met.

In general, it can be said those companies, which are continually adapting new technologies and have the advantage of low production costs, have definite advantages. Another advantage applies to exporters in economically and politically stable developing countries.

The following aspects have to be considered, to learn more about your competitive environment.

1: Prepare a list of your key competitors

Prepare a list of all the competition and then highlight who your main competitors are. To learn more about competition, you can do secondary research study of your industry and ask customers and suppliers for their opinions. Detailed information can be found at CBI's '*Your guide to market research*'.

2: Analyse the main competitors

Ask customers about your competitors. If possible, visit competitors' companies to learn how products are priced and distributed. You can prepare a list of your main competitors' strengths and weaknesses.

3: Assess whether new competition is likely to enter your market

Despite the enormous competition, the clothing industry is open to new entrants encouraged by the low threshold caused by relatively low investments and quick-to-learn skills. Constantly check with customers, suppliers and your competition to see if they have heard of any new businesses, which represent competition.

4: Discover where and how the competition is selling their products

You need to find out which trade channels are used by your competitors, and why.

5: Observe activities in the outerwear branch

Trade fairs, trade centres, fashion shows, congresses, seminars etc. can be helpful to get in contact with new customers and learn about market developments. They can however also be used to find out more about competition. If you sell outerwear, take the time to attend specific trade fairs to see what your competition is offering.

All five points above can be considered, varying from brief (for CMT producers) to extended (for own brand producers). However, information about competition on country level (as discussed in chapters 4, 5 and 9) as well as on company level (own research) is important for all types of companies.

The best value is not necessarily created in countries where labour costs are lowest. Instead, it tends to be generated in factories where the management is best able to manage costs and productivity and where technology is used cost-effectively. In other words, the skill and circumstances which contribute to achieving the best value are factory-specific rather than country-specific.

For general information, we refer to Chapter 2.5.4 and 3.3. of CBI's *Export planner*, Chapter 3 of CBI's *EMP document builder* and Chapter 3.1.7 of CBI's *Your guide to market research*.

11.3 Distribution channel assessment

Having assessed the prospective markets and market segments, it is now also important to understand the trade structure and supply chains supplying these market segments. After the assessment of his capabilities, the exporter is able to determine the most suitable sales channel.

Questions that an exporter should answer:

- Which potential sales channel exists for your products in the target market?
- What is the common practice in your line of business regarding exporting?
- What are the most important requirements of the sales channels identified (quality, packaging, etc.)?
- Which sales channel appears to be most suitable for your company?
- Are you financially and organisationally strong enough to export on your own or not?

Foreign market entry strategies can be divided into production and marketing entry strategies. The various forms of production entry strategies are described in chapter 5 of this survey. Marketing-based entry strategies can be divided into contacts with foreign distributors, whether or not via agents and looking for co-operation with trade partners or organisations in your home country. Trade channels in the target country are discussed in chapter 8 of this survey, while the type of exporting manufacturers is described in the introduction of this part B.

The choice by an importer for a specific supplier depends on:

- purchase price;
- technological capacity;
- distribution costs;
- reliability regarding just-in-time deliveries;
- service by the producer;
- quick response.

The matrix below shows a selection of the most common choices of trading partners for each kind of (potential) exporting company:

Possible trading partner: Exporting company:	Manufacturer	Import trading company	Retail organisation	Agent
CMT producer	X	-	-	-
FOB producer	X	X	X	-
Private label producer	-	X	X	-
Own design producer	-	-	X	X

Exporters in the outerwear sector are confronted with many aspects like sizing, packaging, environmental aspects, resulting in a lot of technical requirements, added to which are aspects of design, fashion, market developments etc. For that reason, co-operation in a variety of forms between importer and exporter can be necessary. The most important determining factors for exporters operating on this basis are the combination of price, product quality and reliability of deliveries and delivery times. More further-reaching forms of potential co-operation are joint ventures and co-makership agreements.

Small, inexperienced exporters, who merely manufacture as their core business, may prefer to deal with a domestic partner for their exporting or to join other exporters. In any case, the advantages (e.g. lower risks, export experience) and disadvantages (e.g. dependency, lower profits) have to be considered carefully.

The role of e-commerce is limited on consumer level to home-shopping activities and is replacing mail-order activities, but very slowly. On the business-to-business level, several websites are active as intermediaries between supply and demand, such as discussed in chapter 9.2. However, it can be assumed that results are limited.

For general information, we refer to Chapter 4.6 and 4.7 of CBI's *Export planner*, Chapter 3 and Chapter 7.7 of CBI's *EMP document builder* and Chapter 3.3.3 of CBI's *Your guide to market research*.

11.4 Logistics

The logistic concepts aim at having the right goods at the right time, in the right volumes at the right place and all that at a minimum of costs. Particularly for fashion-sensitive articles,

that is of the utmost importance, just like regularity in deliveries and, never forget: delays are not tolerated.

Important questions that need to be answered in this context are:

- How often do the different sales channels require delivery?
- What size of supply does the different sales channels demand?
- Which formalities do the different sales channels require from the exporter?

Retailers are confronted with variation in consumer behaviour, with changing trends in fashion and capital bound in stocks. Therefore retailers demand short delivery times from the producers. In general, the retailers in the branch try to shift the risks of market fluctuations to the producers, by ordering small series. Because of the tendency to order smaller series, the order frequency is increasing and retailers tend to use more than one supplier. The retailers also tend to have a greater influence on production and transport and mostly have their own designers. The number of rush orders is also increasing.

Delivery terms also play an important role in the logistic system of an exporter. When FOB (Free on Board) terms are agreed, the exporter's responsibility is to deliver the goods at the agreed time at the port of loading in his/her country and to have the required export documents available before shipping. The exporter is not involved in securing shipping space, because he negotiates shipping terms with freight forwarders. On the other hand, when CIF (Cost, Insurance, Freight) terms are agreed, the exporter also has to take care of securing shipping space at the agreed time of delivery of the goods in the port of loading. For details on delivery terms please check appendix 2 of CBI's *Export planner*.

Any developing country manufacturer entering the export market must not only estimate costs accurately before entering into a contract, but also ensure that the shipping facilities at his disposal can guarantee delivery within contractual time requirements. This tends to pose few problems for countries with access to ports, which have well-established shipping channels to the EU. However, it is a problem for many exporters in Africa, for example, who, in addition to needing to move goods overland to a port, must deal with shipping services that are often unreliable and infrequent. A reliable shipping agent is essential for these exporters.

11.5 Price structure

As a rule, importers who import from developing countries are looking for low-priced merchandise. The margins at the various different levels of distribution are influenced by six factors and are different for each product/market combination. These factors are:

- degree of risk (new fashion/design or 'me-too' product, new or known source etc.);
- volume of business;
- functions or marketing services rendered;
- general economic conditions (booming or depressed business);
- existence/availability of competitive products; and,
- exclusiveness of the product.

High-risk, low-volume, service-intensive products require different margins to low-risk, high-volume standard products. It is impossible to draw up a schedule of actual margins for each and every product/market combination. Even within the same type of combination, different importers employ different margins, due to variation in economic conditions.

The effect of low, medium and high margins on consumer end price, based on one CFR (cost and freight) price for three different products, will be shown in table 11.1. A multiplier of between 2.3 and 2.8 on the manufacturer's or importer's price should be used to calculate an appropriate final consumer price. Caused by factors like increasing competition at all levels in the distribution column, further concentration and integration, the factor has decreased in the last decade. Elimination of the wholesaler, for instance, can lead to a lower multiplier used by clothing multiples, department and variety stores and home shopping companies.

Table 11.1 Calculation schedule: margins

	Low	Medium	High
CIF Rotterdam/Amsterdam	100	100	100
Import duties	*	*	*
Charges on CIF basis:			
- handling charges, transport/ insurance, banking services	7	7	7
	107	107	107
Wholesaler's margin (20/25/30%)	21	27	32
	128	134	139
Retailer's margin (45/55/65%)	64	80	97
- net selling price	192	214	236
Value Added Tax: 19% of net selling price **)	36	41	45
- gross selling or consumer price	228	255	281
RATIO CIF/CONSUMER PRICE:	2.3	2.6	2.8

*) import tariffs vary from 0 up to 12.0% of CFR value (see table 10.10)

**) In practice, retailers calculate a 80-110% mark-up, incl. VAT. A large part of the assortment has been reduced in price. In this calculation, the VAT tariff valid for The Netherlands is used, but note that this tariff varies per EU country (see country surveys).

This means that exporters' CFR prices should be in the range of 30-39% of the final consumer price including import duties. In absolute terms, it is more attractive for an exporter to operate in the medium and high market.

Although levels of wholesaler and retailer costs often shock suppliers, these intermediaries do not generate excessive profits. While purchase costs have fallen since manufacturing in low cost countries started to gather pace, other costs have risen and increasing competitive pressures have kept profitability down. Bargain sales are growing in importance in all segments of the clothing market and in all major EU countries. Bargain sales generally threaten margins but are considered as inevitable because of the growing dynamics of the clothing market. Rapidly changing fashion makes clothing assortments "out-fashioned". Bargain sales are then the only means to recover a part of the purchase price, even if they are sold below the usual retail price.

Although price is not the only marketing tool to export outerwear to EU markets, it is certainly a very important one. Concentration of buying power, increasing supply and global sourcing of clothing put pressure on processes and margins throughout the value chain. Some markets in the EU have decreased, while most others are growing at a slower pace. This development has placed pressure on price levels. Due to the diversity in products, it is not possible to focus on prices for individual products.

Increasing costs and, at best, stable selling prices, cause margins to decrease. Exporters should therefore have:

A clear insight into their cost prices for exports to EU markets in order to set a minimum selling price. At least all variable costs and part of the fixed costs should be covered by the selling price. When the market price is lower than the minimum selling price, a loss situation can easily occur. Although this could be acceptable for individual orders in order to prevent larger losses (stock losses), in the longer term this situation will undermine the financial stability of the company.

Try to obtain efficiencies in operations in order to decrease cost prices, for example reduction of stocks, more efficient production runs, negotiate lower purchase prices for raw materials and packing materials, etc.

Prices are determined by market conditions; individual exporters cannot influence the price levels. Margins for the exporter depend on his price setting on one side and his cost price on the other side. Part of his costs depends on the payment and delivery conditions, which the exporter agrees with his trading partner in the EU.

Exporters who want to supply EU markets will invariably be faced with long payment terms. Usually, trade partners will wait with payment until they have inspected the goods upon arrival in their warehouse against the (approved) samples they received earlier. Depending on the shipping period, the exporter can easily face a period of 6-12 weeks (or sometimes longer)

after production of the goods before he receives payment of the invoice. The interest he loses should be calculated into his cost price. This is especially important for countries with high interest rates.

Price developments and sources of price information are mentioned in chapter 9 and in the surveys on specific EU countries. For general information we refer to chapter 3.1.4 of CBI's *Your guide to market research*.

11.6 Product profiles

The profiles of a limited selection of products highly relevant for exporters in developing countries are elaborated in this section. The products concerned are blue jeans, T-shirts, and leather flight jackets also known as bombers.

The product profiles summarise the main issues of interest to a (potential) exporter of the respective product. Besides the product requirements, the market structure and the main supplying countries are also briefly described. Moreover, the product profiles offer ideas on how to improve the quality of the product. These profiles are examples of how to set up a profile for a specific product and can be expanded by the exporter himself.

PRODUCT PROFILE: BLUE JEANS

1. Product name

Ankle length pants traditionally made in faded blue or indigo denim. Originally worn by farmers and workmen, pants were styled with topstitching, two patch pockets, two swing pockets, a V-shaped yoke in back, and rivets reinforcing points of strain. In the 1960s adapted as a general fashion with flared legs in same cut but made of many fabrics including denim, bleached denim, printed fabrics, corduroy and even velvet. The introduction of the watch-pocket (on the right side in front) added to carry money led to the classical five pocket jeans.

2. Market requirements

Quality standards

As for other outerwear articles, there are no general (EU) standards for blue jeans. Most of the importers work with certain minimum requirements relating to materials and manufacturing. The minimum standard and the test method are described for fabrics and yarns. For example: a tolerance of +/- 5% in weight (according to ISO 6348), or a max. shrinkage of 3% and max. elongation of 3% for 100% cotton (ISO 3759, 5077 and 3175).

For example, a description of manufacturing requirements can include among others: minimum seam allowances for pressed open seams (1.0 cm), for closed seams (0.7 cm) and for waistbands (1.0 cm), leg seat and yoke seams must be sewn with a lapped seam which is sewn with two needles producing double chain stitch, or a safety stitch which may be stitched flat with a double chain stitch. Criteria for sewing of fastenings, pockets, waistbands, usage of yarns (monofilament is not allowed) are part of the requirements.

Sizes

Jeans sizes are indicated in inches (25.4 mm) and are usually given in two figures, namely the waistband girth in inches and the outer-side length in inches. Jeans sizes are compared with usual sizes for outerwear in the chapter 'size marking' of this survey. These sizes are seldom used because the fitting of jeans is very important. For example: the difference between waistband girth size 29 and 30 inch is 2.5 cm and in the usual outerwear women's sizes 38 and 40 the difference in waist is 4 cm.

Labelling

Labelling indicating care instructions has to be affixed according to the international Ginetex symbols. Maximum washing temperature in °C., do not use chlorine-based bleach, ironing at desired soleplate temperature, dry cleaning circle and tumble drying have to be mentioned on a label, besides size and fibre content.

Wash and care instructions are required and care labelling are mandatory for Austria and Italy. Most claims arise from the incorrect appliance of the wash care instructions. It is advisable to indicate on your care label only 40 °C for washing and wash inside out (to avoid bleeding), both instructions serving to avoid claim discussions.

Note: Shrinkage is mainly caused by wrong drying (also household wise) i.e. for a too long period too hot; washing very seldom causes shrinkage.

Packaging

Jeans are normally purchased container-wise and are packed in boxes, depending on the buyer's wishes, of 25-30 jeans in a box and 10-12 jeans in a recyclable or biodegradable plastic bag. Total weight per box may not exceed 25 kg. Other instructions from the importer on packaging must be followed accurately.

Environmental influences

These influences are strongly increasing due to the awareness of buyers, end consumers, company regulations and domestic legislation. According to the criteria of EC Directives 67/548 and 76/769 and their updates, several dyestuffs are classified as carcinogenic, sensitive or allergy causing and are forbidden. Press buttons, zip fasteners etc., which come into contact with the human skin for a longer period must not release more than 0.5 µg nickel per cm² per week. CBI's website can provide detailed information.

3. Market structure

Prices

Prices depend on the quality of the fabrics and eventual finishing or brand. An acceptable CFR price for a basic 5 pocket-1x washed-brandless jeans is € 8-9.

Retail prices (including VAT) vary from € 10-20 in textile discounters; from € 15-40 for private labels; from € 25-50 for cheap brands; from € 60-120 for leading brands and € 90 and more for designer brands

Main markets

The main markets are Germany, United Kingdom, France, Italy, Spain and The Netherlands.

Brand names

Leading brand names are among many others Levi's, Wrangler, Lee, Diesel, Pepe, Mustang. In the higher segments also designer names like Joop!, Calvin Klein, Armani etc. are used.

All important retail channels have private label jeans in their assortment, like Hennes & Mauritz, WE, C&A, Marks & Spencers etc.

Market trends

The renewed popularity of blue jeans led to increased consumption in the period 2000-2004. For the coming years, a stable or slight increase is expected in all major EU countries, even in countries with decreasing clothing consumption.

Blue jeans are still an unchanged part of the leisure and casual wardrobe of the majority of the EU population. Even jeans in the classical function as workwear are still important.

4. Main suppliers

The 12 leading countries supplying EU imports (size-ranked in terms of volume) were in 2004: Bangladesh, Turkey, Belgium, Italy, Pakistan, Tunisia, Germany, Morocco. Hong Kong, Romania, China and The Netherlands. Imports include the so-called re-exports, which explains the positions of Belgium, Italy, Germany and The Netherlands. Fast growing imports came, among other countries, from Bangladesh and Romania.

5. How to improve quality

Materials

The choice of the material plays a dominant role. The most common material used is 100% cotton. However, shrinkage and, to a lesser degree, colour fastness is a problem. All cotton shrinks, so while making patterns, this should be carefully considered. Tolerances for shrinking are limited (max. 3%). Denim with a weight of:

- 8-9.5 oz, lightweight denim is used for children's summer wear.
- 10-11.5 oz (350-420 gr/sq m), light or fine-weave denim is used for women's summer wear.
- 12-14.5 oz (500 gr/ sq. m), used for men's wear and women's heavy (winter) wear; most common is the 13.¾ oz.
- 14.5 oz is a heavy (winter) quality for men's wear and also used for special models.

Production

The requirements for jeans are minimum requirements. Advice for stitching: to avoid puckering, avoid blunt needles, apply the correct thread tension on the operating machines, avoid leakage of machinery. Stay in close contact with the fabric supplier to avoid use of wrong fabrics. Laying of fabrics: make sure the patterns are laid in one direction to avoid colour differences and all elements come from the same lot to avoid colour differences after washing. Cutting: to avoid delay and quality decrease in production, make sure patterns are perfect.

Styling requirements

In recent decades several varieties in finishing techniques have been used, to avoid (pre-washed) or to obtain (wash-out, fade-out) colour changes. Destructive techniques like stonewashed, sand-washed, moon-washed, snow-washed etc. Bleach, like calcium-permanganat or more expensive enzymes can be used, whether or not combined with other techniques. Leg styles conform to fashion. Varieties in widths are: bell-bottoms, flared, boot cut and straight cut. The latter (basic jeans) is the most popular at the moment and in the near future. Recently nearly all leading jeans brands introduced authentic models from the 1950s and even 1940s. The back to basics means a revival of the basic five pockets, also of extreme destructive finishing techniques (used, dirty and second-hand washed).

Buyers' instructions on sizes, colours and other specifications should be followed precisely by the exporter. A minor discrepancy could be fatal to the perceived product quality.

PRODUCT PROFILE: T-SHIRTS

1. Product name

The traditional cotton T-shirt derived its name from the form of the shirt including the (short) set-in sleeves and high round neck forming a T-shape. The fabrics used were (weft) jerseys or single knits.

2. Market requirements

Quality standards

Just like for other outerwear articles, there are no general (EU) standards for T-shirts. Most of the importers work with certain minimum requirements relating to materials and manufacturing. The minimum standard and the test method are described for fabrics and threads. For example: maximum shrinkage of 6% and max. elongation of 2% (ISO 3759, 5077 and 6330), just like colour fastness to light, washing etc. as well as eventually to rubbing printed materials.

For example, a description of manufacturing requirements can include among others: a minimum stitch density 5 stitches per cm. A special factor can be the minimum neck opening (stretched): up to and including size 92: 52 cm; from size 92 up to and including 140: 56 cm; larger sizes: 60 cm. Neck openings can be reduced by using Lycra ribbing.

Sizes

In general the sizes XS, S, M, L, XL and XXL are used for men and for women, whether or not combined with the corresponding standard outerwear sizes. For children's T-shirts, standard outerwear sizes are used.

Labelling

Labelling indicating care instructions has to be affixed according to the international symbols. Maximum washing temperature in °C, do not use chlorine-based bleach, ironing at desired sole-plate temperature, dry cleaning circle and tumble drying have to be mentioned on a label, besides size and fibre content.

Wash and care instructions are required as well as the label indicating the country of origin. Most claims arise from the incorrect appliance of the wash and care instructions. It is advisable to indicate in your care label only 40° C for washing in order to avoid claim discussions.

Packaging

T-shirts are normally purchased container-wise and are packed in boxes depending on the buyer's wishes of 150 shirts in a box and 30 shirts in a recyclable or biodegradable plastic bag. Total weight per box may not exceed 25 kg. Other instructions from the importer on packaging must be followed accurately.

Environmental influences

These influences are increasing strongly due to the awareness of buyers, end consumers, company regulations and domestic legislation. According to the criteria of EC Directives 67/548 and 76/769 and their updates, several dyestuffs are classified as carcinogenic, sensitive or allergy causing and are forbidden. Press buttons, zip fasteners etc., which come into contact with the human skin for a longer period must not release more than 0.5 µg nickel per cm² per week. CBI's website can provide detailed information.

3. Market structure

Prices

An acceptable CFR price for a white T-shirt, small sized, cotton 120/140 gr-m², single knit, tube/combed and rib Lycra neckline is approx. € 2-3

Retail prices including VAT for an uni-colour T-shirt of reasonable quality cotton vary from € 4 in

discounters to € 8 for private labels and € 16 in speciality stores. Prices for leading brands (incl. logo) start from € 18.

Main markets

The main markets are Germany, United Kingdom, France, Italy, Spain and The Netherlands.

Brand names (not exhaustive)

Manufacturer's brands from the sector jeans: Levi's, Diesel; bodyfashion: Schiesser, Hanes; outerwear: Mexx, Benneton, Esprit; sportswear: Nike, Adidas; designers : Calvin Klein, DKNY ; private labels: Hennes & Mauritz, C&A, Marks & Spencer, Zara.

Market trends

Consumption as well as imports has increased. T-shirts are supplied all year round. Competition is strong, almost all manufacturers of underwear, outerwear and sportswear have T-shirts in their assortment and retail organisations have private labels as well as manufacturer's brands in their assortment.

For many purposes, oversized T-shirts are preferred by European importers and consumers with the exception of the fashionable fitted T-shirt for young people and underwear.

T-shirts can be used for many purposes. Functions vary from outerwear especially in summer months, underwear especially in winter months, part of a sport-outfit to nightwear. Promotional aspects are also important from high (image wear) to low (usage for one event) quality.

4. Main suppliers

The 12 leading countries supplying EU imports (in terms of volume) of cotton T-shirts were in 2004: Bangladesh, Turkey, Germany, Belgium, India, Morocco, China, Portugal, Mauritius, The Netherlands, Greece and United Kingdom.

Germany, Belgium and The Netherlands play an important role because of their transit-trade function.

5. How to improve quality

Materials

Important factors influencing the quality of a T-shirt are:

Knitting method: T-shirts are often knitted in single jersey stitch but can also be knitted in a rib or interlock. The way of knitting influences, for example, stretchability.

Weight of fabric (100% cotton):

- < 4 oz < 100 gr/sq m light weight is used for body fashion
- 5 oz 100-140 gr/sq m is standard quality
- > 5 oz > 140 gr/sq m is heavy quality

Composition of T-shirts is mainly in 100% cotton, while for increase of the comfort (for example in sports wear) often lycra is added, to enlarge the stretchability. In women's outerwear T-shirts, materials are used such as: viscose/lycra, which gives a T-shirt smooth gloss and is more durable.

Production

The requirements for T-shirts are minimum requirements. Advice for stitching: to avoid puckering, avoid blunt needles, apply the correct thread tension on the operating machines, avoid leakage of machinery. Stay in close contact with the fabric supplier to avoid use of wrong fabrics. Laying of fabrics: make sure the patterns are laid in one direction to avoid colour differences. Cutting: to avoid delay and quality decrease in production, make sure patterns are perfect. The origin of many problems (shrinking etc.) are caused by too great tension on knitting machines and on sewing machines, but can be avoided by relaxed layering.

Styling requirements

The basic T-shirt in uni-colour is, with or without pocket, still one of the popular items, thanks to its multi-functionality.

Varieties in necks are, besides the high round neck, among others V-neck, (low round) boat neck, turtleneck, polo neck or slit neckline with buttons. Short or long sleeves or without sleeves (singlets). Besides a variety in uni-colours, also printed (including slogan, cartoon portraits, names etc.) or embroidered shirts are required, just like horizontal stripes in various widths (bi-coloured or multi-coloured).

Buyers' instructions on sizes, colours and other specifications should be followed precisely by the exporter. A minor discrepancy could be fatal to the perceived product quality.

PRODUCT PROFILE: BOMBER AND OTHER FLIGHT JACKETS

1. Product name

The bomber jacket is a waist-length jacket, sometimes made of leather, worn by commercial airline pilots. Other names are aviator jacket, battle jacket or flight jacket. This jacket style was first worn as part of uniform by US Army pilots in World War II and was popular in the 1940s and 1950s. The quality of leather during this period was low and the number of colours was very limited, mainly black and brown.

The bomber was adapted for sportswear in the 1960s, mainly in suede and nylon. The look of a (leather) bomber jacket is still quite distinctive today, and it continues to create a unique image for the wearer.

2. Market requirements

Quality standards

As for other outerwear articles, there are no general standards for leather garments. Most of the importers work with certain minimum requirements relating to materials and manufacturing. The minimum standard and the test method are described for materials and manufacturing. For example: colour fastness (change: EN ISO 105-A02, staining EN ISO 105-A03, light EN ISO 105-B02, dry cleaning leather IUF/434, water spotting leather IUF/420, rubbing leather IUF/450).

For example, a description of manufacturing requirements can include among others: tear resistance of leather (IUP 8), minimum seam allowances for pressed open seams, criteria for sewing of fastenings, hems, pockets, collars, waistbands, linings, usage of yarns (monofilament is not allowed) can be part of the requirements.

Sizes

In general, standard outerwear sizes are used for men, women and children. Sometimes the sizes XS, S, M, X, XL and XXL are used for men and for women. A comparison between these sizes is given in the chapter 'Size marking' of this Survey.

Labelling

Basic information like brand name and size are sewn in the garment. Other consumer information like materials used, leather garment care etc. can be affixed. Leather garment care gives information like storage, drying, cleaning, advice to prevent damage.

Instructions about cleaning or possibly washing are required, just like pre-treatment and other advice about the use of the garment. Most claims arise from the incorrect appliance of the cleaning instructions.

It is advisable to indicate "leather cleaners and conditioners only" on your care label, in order to avoid claim discussions.

Packaging

Leather jackets are first individually placed in ventilated bags and then packed in a cardboard box containing several items. The box is wrapped in a plastic foil and put into a waterproof textile bag. Labels on imported packaging are mainly in English. Instructions from the importer on packaging must be followed accurately.

Environmental influences

These influences are strongly increasing due to the awareness of buyers, end consumers, company regulations and domestic legislation. Make sure, when your products are supplied to your importer, that they are accompanied by an "AZO safe" declaration. This means that the dyes used for the leather have been tested by an accredited test institute and that no hazardous substances according to the Commodity Acts in Germany, The Netherlands and France, were found in the dyes.

According to the criteria of EC Directives 67/548 and their updates, several dyestuffs are classified as carcinogenic, sensitive or allergy causing and are forbidden. Press buttons, zip fasteners etc., which come into contact with the human skin for a longer period must not release more than 0.5 µg nickel per cm² per week.

3. Market structure

Prices

Consumer prices including VAT in the medium segment are: leather (bomber) jackets € 130-150; suede jackets € 110-130.

Market trends

Bombers or other flight jackets made of various kinds of leather are used in the cold winter months. The protective function applies much less to suede jackets. These can be worn during several seasons. Consumption as well as imports have decreased. Competition is strong, many manufacturers of outerwear and sportswear have jackets in their assortment and retail organisations have private labels as well as manufacturer's brands in their assortment.

Main markets

The biggest consumption markets are Germany, Italy, UK, France and Spain, of which Germany showed the biggest fall in the period 2002-2004.

Brand names (not exhaustive)

Manufacturer's brands from the sector leather garments: Arma, Forster, Heltons, Jekel, JoJo, Mauritius, Redskins, Trapper etc.;

from the sector outerwear: Timberland, Diesel, Marlboro Classic;

private labels: C&A, Marks & Spencer, We etc.

4. Main suppliers

Leading countries supplying EU imports (in terms of volume) were in 2004: China, India, Pakistan, Germany, Turkey, Belgium, Italy, The Netherlands, France, Spain, Denmark, Romania and the United Kingdom.

Germany, Belgium and The Netherlands play an important role because of their transit-trade function.

5. How to improve quality

Materials

The original B-3 and RAF jackets are made from sheepskin and the A-2 from naked goatskin leather, but also from lambskin (sometimes antiqued to give it a look of aging), lightweight cow and horsehide but also from the lighter kangaroo hide. Pig suede is used for (sports) jackets.

Production

Never stretch a skin to produce a bigger yield. If this is done, the parts will shrink back to their original shapes. As a result, the pattern parts will also shrink back to their original shapes. Consequently, the pattern parts will not easily fit together. The result will be an ill-fitting, poorly shaped garment.

Seams and hems must be glued with a good quality of leather glue which does not penetrate through the leather.

Minimum one spare button and/or snap fastener of each size has to be attached.

Styling requirements

Since the early 1980s, the bomber jacket has been made in a variety of styles. The classic version was the B-3 bomber jackets, followed by A-2 and RAF Irvin jackets and many other types.

The classic B-3 sheepskin is tanned from thick nappa leather, all-natural sheep fur, leather welted seams, brass zipper, buckled collar, waist-adjustment straps and either or not two front hand warmer pockets. The RAF Irvin jacket has, other than B-3, no contrast colour patches and standard front pockets for the hands, while the classic A-2 features front cargo pockets, snap-down collar, stitched-down epaulets, brass zippers, one-piece back and sleeves and inside pocket.

The A-2 has been modified for women (shorter sleeves and body length) and children.

The major colour is brown.

Already in the sixties there was an updated and stylised version of the bomber jacket made from pig suede, with rib-knit cuffs, waist, collar lining, inside chest pocket and nylon lined raglan sleeves.

The variety of colours covers brown, navy, green, black etc.

Buyers' instructions on sizes, colours and other specifications should be followed precisely by the exporter. A minor discrepancy could be fatal to the perceived product quality.

12 INTERNAL ANALYSIS: COMPANY AUDIT

It is one thing to discover attractive opportunities in the EU; it is another to possess the necessary competencies to succeed in converting these opportunities into business.

A (potential) customer analysis, a competitor analysis and a (company) self-analysis have to be made. The internal or self-analysis is an internally focused examination of a manufacturer's strengths and weaknesses.

These strengths and weaknesses indicate how well the company can seize opportunities and avoid harm from threats in the environment. The competitive strength of the company has to be measured in relation to the other suppliers on the market, just like customers' attitude to the company and to the other suppliers. Competitors and customers (buyers) have to be considered in the internal analysis because a manufacturer's strengths and weaknesses are defined as its capabilities relative to them.

The most critical aspect of the internal analysis for an outerwear manufacturer is to determine his unique capabilities. If it has a thorough understanding of its unique capabilities, the company can invest in opportunities that exploit its strength and avoid those that emphasize its weaknesses. These analyses are focused on the strategic direction that competitors and customers are likely to pursue and on their ability to successfully implement their strategy. By understanding competitors in depth, a manufacturer can develop a strategy to compete effectively against them now and improve his ability to anticipate competitors' future actions. An understanding of customer requirements derived from customer strategy is of great significance, not only with respect to the present order but also and more particularly to any future orders placed.

Each (potential) exporting company needs to review its manufacturing, logistical, marketing, financial and organisational competencies. This assessment gives an overview of its strengths and weaknesses, from which a distinctive and, more important, a competitive advantage can be derived.

12.1 Product standards, USP and production

Product standards

As discussed in chapter 10, importers work with certain minimum requirements. In this respect they have formulated and stipulated minimum quality requirements, relating to both materials and make. The exporter has to possess materials, space and equipment needed to manufacture conform these requirements. Knowledge of the usual methods of testing fabrics and/or garments is also necessary.

Sometimes, the customer will send a buyer or a representative to the supplier to visit the mill where the products in question are or may be manufactured, in order to undertake a supplier's audit and/or a quality control audit. A supplier's audit gives a description of the type of products, number, type and age of the knitting, cutting and sewing machines. A quality control audit implies a description of the control procedures including employees, laboratory, system, packing and storage.

Buyers in the woven sector and in the flat knitting sector are more interested in the technical infrastructure of their suppliers than buyers in the circular knitted sector. In the latter case, buyers are more concerned about the continuity and fastness of the dyeing process and the competence of the technicians. It has to be noted that the latest high-tech equipment is not necessarily a guarantee for flexibility, quality or for reducing production time.

USP

Competition on the EU market is fierce for most products. Many manufacturers in Europe, the USA, Asia and developing countries try to access the markets for the different products. Success can only be achieved if your product has unique features through which it distinguishes itself from competing products. Such a feature is called the Unique Selling Proposition or USP. In the present market it is however not sufficient to have just a USP. Next to the USP, your

products and company need to be able to compete on all other elements like quality, price, features, logistics, and service.

It is not sufficient to just 'invent' an USP without it being really true or distinctive. The USP should really be a distinctive quality of your product(s) or your company's performance. In order to define your USP or work towards creating one it is essential to have a clear understanding of your customer's needs. What motives do they have for buying a product, what functions does the product have for them, how is a decision towards purchase being made, what types of information are being used, etc.?

Production

Other elements to be assessed include production facilities, production process, production capacity, production flexibility, quality, service and design. These aspects have to be compared with major competitors.

Some examples of critical questions on production:

- Is there enough spare capacity for extra orders?
- Is there any flexibility in production?
- Can I make the new items with the current machinery?
- Is extra skilled workforce required?
- What will be the cost of setting up additional production capacity?
- Will export orders hinder orders for the domestic market?
- Can I get enough yarns, fabrics or leather to meet the extra capacity?
- Will there be fluctuations in the annual workload for staff and capacity of suppliers?
- Can I guarantee a consistent supply and get all raw materials in time?
- Is the factory clean and tidy enough for the workers and are factory and machinery representative enough for foreign inspectors/buyers?
- Do I have enough storage facilities for extra production for foreign markets?

Production facilities

Important differences in equipment exist for manufacturing woven garments and for knitwear (flat or circular knitted), while special equipment can sometimes be needed for specific products or treatments (printing, dyeing, finishing, stonewashing etc.).

Production process

This process starts at the availability of clothing fabrics and of linings, haberdashery, trimmings etc., except when manufacturing is limited to CMT activities, and ends with special treatments after manufacturing.

Buying of fabrics made abroad by producers, who are exporting on other than a CMT basis, can confront buyers with long distances, minimum order sizes, the risk of delay in delivery times etc., while lead times are shrinking world-wide in the clothing market. The traditional two-season cycle has broken down, and design, fabric and colour changes are being made more frequently. The majority of orders placed is urgent. This provides an opportunity for manufacturers who can meet market demands for short lead times, short runs, quick response and flexible manufacturing. Quick response capabilities also provide opportunities further upstream. Clothing manufacturers able to offer quick response will themselves need a flexible and responsive service from their fabric, yarn and other component suppliers and dyers and finishers.

Production capacity

Selling a product internationally (as well as domestically) requires the capacity to produce or manufacture the product. If the company is already selling domestically, it is necessary to investigate if the production capacity to handle and store additional orders is available.

Expanding into the international marketplace will result in a higher number of units to manufacture. The exporter has to ask himself if this increase in production will affect quality of output.

Quality

The buyers prescribe the functional and intrinsic quality of the products. ISO 9000 norms or other quality standards of the specific countries need to be adopted by the manufacturer for long-term growth in the market. There are many dyes, metals and other substances in fabrics, buttons etc., which are banned (or allowed only to a certain amount) in the EU and are directly linked to the parameters of performance and functional quality. Quality is an essential prerequisite being taken for granted. Without ensuring quality, there is no likelihood of entry or acceptance on the market(s).

Technology

An efficient information technology system is one of the important features for suppliers when the variety of products and the need for communication increase. The link between the design department and the production unit has become extremely important (Computer Aided Design systems). To achieve fast response to changing fashion, companies need access to a good CAD system to keep them up-to-date on trends in the wider world. CAD enables designs and patterns to be circulated from suppliers in the EU or elsewhere. CAD/CAM is also valuable in reducing lead times. A production plant, which is not properly equipped and does not have well-trained and skilled middle management, will be unacceptable in the future.

Service

To an importer, service aspects mean communication, reliability, product development support, business ethics, ease of dealing, quick settlement of claims and speed. Very often, a much valued service aspect is uninterrupted and factually correct information flows.

Design

Good design and product innovation can help differentiate products, establish consumer loyalty and trust and, in many cases, allow products to command a price premium. Design is the biggest element of value addition. Design cannot originate in a vacuum. Poor or inadequate designs in export policy, can make or mar the process of successful marketing. Lack of sufficient understanding of physiognomy, body sizes, life styles, activities and climatic conditions result in incomplete design appreciation. Designers need considerable exposure to the target market before the design process can succeed. The customer-design interface is a matter of deep understanding of the country and the people. Another area is to use the aspect of design capabilities and creativity to explore product development as an extra unique selling point (USP), which results in long-term relationships and differential advantage.

There is a lot of brand and design imitation, especially for mass products like T-shirts, jeans etc.

However, one of the results of the GATT Uruguay Round Agreement was the Trade Related Aspects of Intellectual Property Rights. The objectives of this agreement, called TRIPS, are to implement standards of protection for patents, trademarks, copyrights and trade secrets, including enforcement measures and dispute settlement provisions.

For general information, we refer to Chapter 2.1 to 2.4, Chapter 2.5.2 and Chapter 4.2 and 4.3 of CBI's *Export planner* and Chapter 4.1 and Chapter 7.5 of CBI's *EMP document builder*.

12.2 Logistics

The logistic concepts aim at having the right goods at the right time, in the right volumes at the right place and all that at a minimum of costs. Particularly for fashion articles, that is of the utmost importance, just like regularity in deliveries and there certainly may not be any delays. The clothing chain goes from yarn to weaving to textile finishing to clothing production and to distribution and selling. This whole cycle (theoretically) lasts 66 weeks (waiting for orders, waiting for production schemes and waiting times between stages of manufacturing included). The consequences of such a long cycle are:

- too many products and capital bound in stocks;
- the possibility of price decreases in the meantime; and
- the missing of sales because the right products are not available.

The cycle in fact consists of only 11 weeks of production; the rest of the time is reserved for storing/waiting/transport. By shortening this cycle, for instance by a faster exchange of information, it should be possible to follow trends more quickly.

Importers demand shorter delivery times and order smaller series, especially for high-fashion products to reduce the risks of market fluctuations.

That requires more flexibility and a well-organised logistic organisation from the side of the producers. Automatisations is one of the answers for production firms to fulfil the requirements of the logistic process. It more often takes place in activities with a relatively high know-how content (like designing, cutting, etc.). There is not so much automatisations in the more simple activities. Most of these activities concern sewing and the moving of materials/products.

Introduction of new technologies in the clothing industry is a slow process and does not take place in a great number of companies. Besides, new technologies and working methods should be accomplished by new marketing concepts.

Usage of barcode systems by retail organisations gives quick sales information and is accompanied by electronic order systems, Just-In-Time (JIT) methods and direct product profitability (DPP). DPP means direct calculation of all retailing costs, amongst which alternative costs (costs which are caused by untimely delivery of articles, costs because of marking down and sales bargains, etc.).

Some examples of critical questions on logistics:

- How often are you able to deliver to your target markets?
- What lot sizes do you generally produce or are you able to produce?
- What combinations of items can be made to different customers?
- How can you shorten the physical distance (if any) between factory and harbour/port?
- Do you have access to ports with well-established shipping channels to the EU?
- What are the typical costs of transportation, insurance, document handling?

12.3 Marketing and sales

When exporting clothing, a combination of marketing tools (product, price, place and promotion) is required to keep control over your export venture. How to use your marketing tools and build up a long-term business relationship with partners in your target market will be covered in chapter 14.

When exporting for the first time, this demands an investment in terms of time, money and skills. You may consider recruiting a new, experienced member of staff to co-ordinate your marketing strategy. There will certainly be a need for someone to spend periods away in the target markets depending on the volume of your export business.

All marketing planning, sales and promotional activities involved in exporting takes place in the sale or marketing department - depending on the size of your business. This department is responsible for the marketing and sales of products in the domestic and foreign markets, as well as for operational and quality control issues.

The term "sales organisation" refers to the organisational system that carries out the sales of the company's products. A sales organisation consists of desk sales force (office staff) and a field force (front liners). The scheme below gives a rather extended overview; however it is not representative for low service producers and not even for SMEs, which offer more services to their customers.

Activities of the desk sales force includes:	Field force includes:
<ul style="list-style-type: none"> • selling, mainly by telephone; • handling correspondence; • handling offers and orders; • issuing forwarding instructions; • issuing and checking invoices; • checking schedules; 	<ul style="list-style-type: none"> • selling; • visiting customers; • presenting new products; • discussing and implementing campaigns; • discussing listings;

- | | |
|--|--|
| <ul style="list-style-type: none"> • keeping customers records; • expediting product samples; • keeping sales statistics; • evaluating markets; • updating on standards, and • intermediary for implementing | <ul style="list-style-type: none"> • holding periodical reviews with customers; • implementing selling prices; • checking competitors edges, and • collecting customer feedback. |
|--|--|

The marketing and planning is usually controlled by the company management, based on the activities and achievements of the sales department. An essential tool used in sales departments is a detailed and up-to-date customer database. This database should give the most important customer information to the sales personnel. If possible, the customer database should be computerised, because this simplifies changes, updating, sorting and selection procedures, otherwise information should be kept on file cards.

Perhaps the most exacting aspect of exporting, even for the established exporting company, is that of ensuring optimal exposure to, and communication with, decision-making personnel in a client company, often thousands of miles away

The best method of achieving this objective is, unquestionably, to have an able company representative in the country or geographical area concerned. Such an individual must be proficient in the language of the target market. Ideally, he or she will have a profound technical knowledge of, and practical experience with, the various qualities of outerwear items. He/she must also be conversant with the technical implications of provisions in trade contracts should also be able to negotiate confirmed contracts swiftly on behalf of the exporter and should have access to rapid communication facilities.

The following points of advice can be considered, varying from brief (for low-service producers) to extended (for own brand producers). Implementation depends on internal aspects like size and structure of the organisation. However, information about potential sales channels on country level (as discussed in chapter 8) as well as on company level (own research) is important for all types of companies.

- Exporters able to make firm contracts rapidly have an unquestioned advantage on the market. Alternatively, a number of manufacturers could share the services of a similarly qualified individual or a manufacturing company could hire a local agent on the market place. Although these alternatives would be cheaper, their impact on the market would be weaker.
- Established exporters also find it productive to arrange visits to the market by a team, usually comprising a senior technical employee and a commercial executive. Whether the objective is to strengthen existing contacts with customers, or to seek new ones, careful research should be undertaken before the schedules for such visits are set; these schedules should be confirmed in advance with the contacts concerned.
- Some developing countries use the commercial section of their embassies in the main importing countries to circulate lists of offers. While such activities are productive in many ways, they can be converted into sales only if an inquiry can be swiftly responded to. Furthermore, although containing some data on prices and quality aspects, these lists do not provide sufficient information, nor do they give a strong enough basis for an importer to confirm a contract unless successful business dealings with a listed company have already been established. There is no substitute for personal contact!
- Clothing trade fairs are held in many EU countries. Their role is limited in the case of booking direct orders, but fairs provide an excellent way to orient on material and fashion developments and to make personal contacts with potential buyers. Individual participation in international trade fairs can be a useful sales promotion tool, but besides being a heavy financial involvement it is a complex operation which needs in-depth planning.
- Product/company press releases, direct mail, Internet are all used effectively in trade promotion by exporters. For the new market entrant, however, specialist advice is often necessary to ensure that the information to be circulated is complete, that the media chosen are the most cost-effective means of reaching the target audience, and that the

timing of the promotional effort is correct. Above all, it is essential that promotion-induced inquiries be immediately dealt with locally by a representative.

- As an additional aid to marketing, documents sent by direct mail can be accompanied by samples. Mailing of this kind to prospective customers, well before a proposed visit from a senior selling team, can be highly effective. While not a complete guarantee of quality, the sample, if it is of good quality, will inspire confidence in prospective buyers. It can also be useful in weeding out merchants who are simply not in the market for those products or those qualities. In fact, no personal sales visit should be attempted without an adequate sample on offer.

Some examples of critical questions on marketing and sales:

- Who will be (full-time) responsible for managing the export sales and marketing function?
- How well is he/she qualified to do the job?
- What sort of additional training is needed (strategic/sales skills/language/technical/trends)?
- Which persons do you know in the target markets?
- What sort of procedures will be needed to carry on your usual business when visiting the target markets?
- How do you feel about having to travel a great deal and spend considerable periods away from home?
- Are you open to other cultures where business practices are quite different to yours?
- What sort of additional management information systems will be needed in order to monitor the new overseas target markets?
- What sort of promotional material is available for overseas markets (see also 14.5)?

For general information refer to Chapter 2.1 tot 2.4 and 2.5.2 of CBI's *Export planner* and Chapter 4.1 of CBI's *EMP document builder*.

12.4 Financing

The following aspects can be considered when you analyse the financial capabilities of your company: capital investment, the stage of the production process and complementary activities, and the financial settlement of the contract.

Some parts of the clothing industry are capital-intensive and regular investment in new equipment is required to ensure competitiveness. This is particularly the case in those parts of the industry, which are highly automated and produce long runs of relatively undifferentiated products. Investment levels are high in the knitwear sector, particularly in the case of complete garment knitting technology.

Minimal investments are required for exporters in the case of CMT. In this case, financing is limited to the production process because the importer supplies the material to be processed. The next stage in the manufacturing company's production process is subcontracting. Herewith, investment is extended because the importer instructs the subcontractor to source (and finance) the material itself.

The next stage can be reached when design and marketing at either end of the production process can be delegated to the subcontractor. Maximal investments are required in the case of exploiting and exporting a collection under an international brand name.

Penalties for late deliveries are liable to be included in the contracts for all types of exporting manufacturers.

Some examples of critical questions on financing:

- What do you need to invest in order to obtain a clear idea of your export opportunities?
- How much would be the cost for additional resources (machinery/staff etc.)?
- How can you fund these extra costs?
- Can you invest regularly in new equipment which is required to ensure competitiveness?
- Is capital necessary for financing the operation?
- Any funds available?
- How much would the export sales and marketing costs be and how will this be funded?

For general information, refer to Chapter 2.1 to 2.4 and 2.5.2 of CBI's *Export planner* and Chapter 4.1 of CBI's *EMP document builder*.

12.5 Capabilities

Commitment to export

It is important to consider whether the company has staff who are able to sell and develop an international business. Having in-house staff with international experience can facilitate your entry to the international marketplace. If you do not have such a person, you can either hire one or train existing staff to assume the responsibilities. The company should be able to generate the physical and administrative infrastructure to deal with increased activities generated by exporting - not only in dealing with orders but also with processing Customs and shipping documentation. If this type of infrastructure is limited, then it is a weakness in developing sustained export activities.

Export experiences

It is important to learn from past experiences. If the company has tried but failed to penetrate an export market previously, this should be analysed to determine where things went wrong.

Language skills

Besides knowing about export rules and regulations, it would help your company considerably if your employees were also knowledgeable of your target market's language and culture. Though English is accepted as the language of business, having the ability to communicate in a customer's native language will give you an advantage over your competitors. Although most trade partners of European companies will not be English native speakers themselves, the vast majority speaks English fluently. In almost all cases, foreign language skills, particularly English, are essential when entering the European market.

On the few occasions when correspondence and documents in English will not suffice, exporters can usually find sources of translation capabilities for the more prevalent European languages. Language capability can be advantageous, since it facilitates cultural and social relationships.

Training

Human resources development of upper and medium-management level may be necessary to optimise the export marketing policy of a company. The following aspects can be considered if additional training is desirable:

- product development, product improvement, efficiency and/or effective measures in production and communication with buyers regarding all technical aspects, including quality control aspects;
- know-how (including costs aspects) about the required Customs formalities, shipping facilities and packaging to guarantee delivery within contractual time requirements;
- financial capabilities including contract parts like delivery and payment procedures;
- export market orientation and export marketing know-how;
- communication tools, including control of the language as desired by the buyer, by middle and top management.

For general information we refer to Chapter 2.1 to 2.4 and 2.5.2 of CBI's *Export planner* and Chapter 4.1 of CBI's *EMP document builder*.

12.6 Recapitulation of the internal analysis

The lowest mode in the added value chain is CMT. The client, often an EU manufacturer, provides fabrics and trim to the manufacturer and for a certain fee the producer make garments according to the requirements. For that reason, the added value is rather limited. Producing an own collection with an own brand name is the highest mode in the added value chain. Other possibilities are to be only a sub-contractor to a clothing chain or department

store e.g. to produce private labels or produce partly for such a store and also produce - on a contract basis- for a fashion house. Other combinations are also possible.

Depending on the value that a company and product adds to the chain, the choice can be made for one of the market entry modes. Differences between each mode related to added value are given in the matrix below.

	CMT producer	FOB producer	Private label producer	Own brand producer
Manufacturing	High	High	High	High
Materials	Low	Medium	High	High
Logistics	Low	Medium	Medium	High
Design	Low	Low	Medium	High
Marketing and sales	Low	Low	Low	High
Financing	Low	Medium	Medium	High
Capabilities	Low	Medium	Medium	High

This helps to determine which type of strategic alliance may be required. Look for partners who complement your company's core competence. For instance: if ample production capacity is available, then look for a partner with a good product to manufacture. If the added value in design is low, because there is no design capacity, look for a creative partner. If added value in logistics is low, look for a partner with a good distribution infrastructure. The process of decision making, based on external and internal analyses, will be discussed in the next chapter.

13 DECISION MAKING

13.1 SWOT and situation analysis

After the External (Market Audit) and Internal analyses (Company Audit) have been made, the exporter can define his position in the EU outerwear market and assess which areas in his company need improvement in order to deal with competitors in his target markets. A technique to bring order into chaos, is to summarise the findings from Chapters 11 and 12 into a SWOT matrix, taking the following two points of view into consideration:

- **Opportunities and threats in the market place**

Your external analysis has given you an idea which EU countries to approach. It is now time to start summarising all opportunities and threats you have found on matters such as: market development, your target group, market niches, trends in fashion and in design, production trends, outerwear trade flows, price developments, expected profitability, possible risks, non-tariff barriers (e.g. environmental issues) or any other relevant topic. These summary conclusions should provide you with enough insight into the opportunities and threats in the EU market.

- **Your own strengths and weaknesses**

The internal analysis you have done should provide you with insight into your own strengths and weaknesses. Topics to be assessed include: your specialty, your product range, design capabilities, product standards, production capacity, flexibility, logistics, sales force, financial strengths (e.g. required investment), as well as the capabilities, experience and commitment of your company to approach overseas markets.

An example of a SWOT matrix is given below. This serves only as an example, as circumstances vary by sort and size of company, the target countries, product range etc. As an exporter, you will need to do your own SWOT analysis, tailored to your own specific situation.

Opportunities <ul style="list-style-type: none"> - Growing demand in Spain and Slovenia - Developments in EU production - Non-tariff trade barriers will play a stronger role 	Threats <ul style="list-style-type: none"> - Falling prices caused by high competition from Asian countries - Increasing concentration of buying power
Strengths <ul style="list-style-type: none"> - Regular and sufficient supply of standard quality fabrics - Modern production facilities - Zero import duty - Export experience to Germany - Short distance to EU markets 	Weaknesses <ul style="list-style-type: none"> - Lack of R&D knowledge - Less innovative design capabilities - Own brand not available - Lack of marketing knowledge - Relatively high labour costs

Try to optimise your strengths and see how you could overcome weaknesses in the future, as well as how to deal with threats in the market place. The result of your SWOT analysis, the possibility to overcome your weaknesses and the degree of risk when entering target markets, are crucial for your decision on whether or not to start exporting to the EU.

A start, which involves limited risks and is chosen by the majority of starting exporters in developing countries, is to try to acquire fixed orders for products specified by the client. The latter is at home in his market and knows all the “ins and outs” of his permanently changing market place.

Exporters in the outerwear sector are confronted with many aspects like sizing, packaging, environmental aspects, resulting in a lot of technical requirements, added to which are aspects of design, fashionability, comfort and market developments etc. For that reason, co-operation

in a variety of forms between importer and exporter can be necessary. The most important determining factors for exporters operating on this basis are the combination of price, product quality and reliability of deliveries and delivery times.

Some experts are of the opinion that instead of concentrating on increasing volumes, developing countries should shift production profiles to higher-value products. Another point of view, however, suggests to specialise based on experience and to try to obtain a higher degree of efficiency in production. It is evident that both production strategies have to be combined with the recommendations mentioned earlier.

For general information we refer to Chapter 2.5.5 of CBI's *Export planner*, Chapter 4.3 of CBI's *EMP document builder* and Chapter 3.1.9 and 3.2 of CBI's *Your guide to market research*.

13.2 Strategic options & objectives

Your SWOT analysis should give you enough confidence to know if you are able to export to the EU outerwear target markets armed with more opportunities than threats and whether or not your company is strong enough to start this venture. In order to export to the EU market:

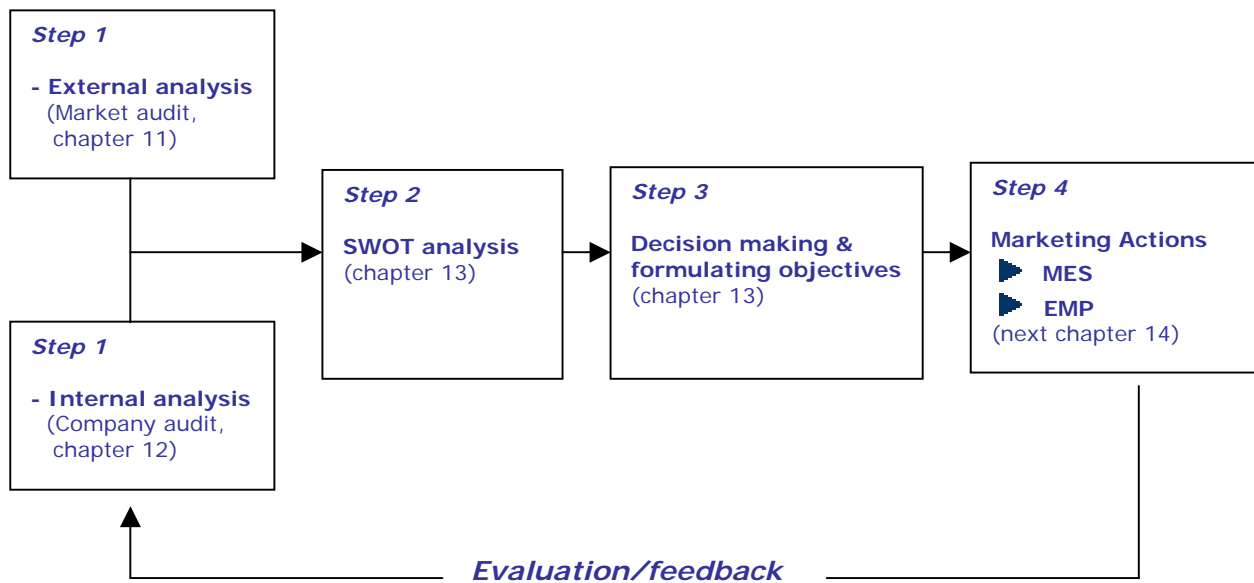
- You know if and how your specialty could appeal to your target group and how to adapt or restyle your product range for export markets.
- You may decide to concentrate on a few growing target markets, especially if your company is new to exporting. You can divide markets into:
 - **Primary markets**, where you can expect a relative fast pay-back against your investment at a relatively low risk. These markets tend to be those with easier access. You should approach these in the first instance. Mistakes made here are less costly than in secondary or tertiary (i.e. third choice) markets.
 - **Secondary markets** expose your company to a greater risk. However, if you have enough resources and approach them cautiously, they are still capable of generating profit. You could target these markets after you gained more experience in the EU.
 - **Tertiary markets** may be interesting to approach actively in the future. For the time being, however, you prefer an indirect approach e.g. to produce for EU manufacturers.
- You know the best sales channels when entering the chosen markets.
- You know the risks and critical conditions and what strategy and tactics are required to successfully tackle them and take up the challenge.

Once you are confident about your outerwear range for export markets, establishing or expanding your export business should not harm your current business. In other words, does an export venture fit into your company's objectives? In order to answer this question, you will have to ask yourself:

- What, apart from financial profits, does your company want to gain from exporting?
- Is the export objective clear, measurable and consistent with other company objectives?
- Will the export business give you a satisfactory return on investment? Maybe your investment would be better used for expanding business in your domestic market.

Companies can waste a lot of time and money trying to enter markets which do not have enough potential or are not suitable for their product. So try first to become familiar with the EU market, set your priorities to a few markets, market segments, focus on a few specific products and prepare yourself well in order to be successful in export marketing.

For general information we refer to Chapter 2.5.6 of CBI's *Export planner*, Chapter 6 of CBI's *EMP document builder* and Chapter 3.2 of CBI's *Your guide to market research*.



Once you have made a positive decision, you will be ready to formulate your objectives in a Market Entry Strategy (MES) for your target markets and plan your activities in an Export Marketing Plan (EMP). Together with the marketing actions or marketing tools, covered in Chapter 13, you should now be able to draw up the MES and EMP.

For general information on formulating a MES and EMP we refer to Chapter 4 and Chapter 6 of CBI's *Export planner*, CBI's *EMP document builder* and Chapter 3.3 of CBI's *Your guide to market research*.

14 EXPORT MARKETING

This chapter will discuss which marketing tools (product, price and promotion) can be used to build up successful business relationships.

14.1 Matching products and the product range

A product range of a private label or own brand producer consists of several product groups (range width), each with several different product items (range depth). One product can consist of several executions.

Example:

A knitwear product group consists of T-shirts (**range width**). The products for sale have long sleeves or short sleeves, round necks or V-necks or boat necks or polo necks with or without hood etc. (**range depth**). The executions consist of different materials in weight and quality of the items, several sizes, one or more colours, prints etc.

A manufacturer/supplier can only select a suitable business partner if he/she is fully aware of exactly what range he/she can offer and the opposite is also valid: an importing business partner has to know exactly which products or services are offered in order to select a business partner.

The product range of a CMT producer includes the services which can be derived from the available production facilities, production process, production capacity, production flexibility and the possibilities to buy fabrics, trims etc. according to the requirements of the business partner.

Specifying the product characteristics

Private label producers have to make a review of all the products they make, stating the minimum requirements to which they are related, production capacity and packaging method. The reviews must enable potential customers to make a brief appraisal of the complete product range and production capacity; it must include minimum order quantity and the possibility for additional orders.

The reviews must always be kept up-to-date. The products and the range should be flexible so that adjustment and adaptation can be executed according to buyers' wishes.

CMT and FOB producers should make a description of the type of products, number, the type and age of the knitting, cutting and sewing machines, the number and skills level of employees etc.

For general information, refer to Chapter 4.2 to 4.4 of CBI's *Export planner*, Chapter 7.4 and 7.5 of CBI's *EMP document builder* and Chapter 3.2 of CBI's *Your guide to market research*.

14.2 Building a relationship with a suitable trading partner

Among the many potential customers, you must identify those who match your own company profile and product range and are therefore most suitable for building a relationship. At the end of the identification phase, the supplier should have selected the names and addresses of suitable (potential) trading partners.

Sources of information to contact are in the producer's country:

- Country of destination's Chamber of Commerce for Foreign Trade, and/or
- Economic Affairs departments of the country of destination's official representative (Embassy or Consulate).

Sources of information to contact in the country of destination are:

- Business Support Organisations (former Import Promotion Organisations)
- Trade Associations
- Own country's public and private trade promotion bodies
- Own country's diplomatic and consulate representatives
- Chambers of Commerce
- Trade fair organisers, through printed catalogues or websites
- General trade directories, like <http://www.kompass.com> or <http://www.europages.com>
- Consulting trade press

Websites of these organisations or magazines are mentioned in the surveys on specific EU countries.

It has to be noted that many sources of information only answer written inquiries, while a detailed inquiry improves the chances of precise identification.

Evaluate the names and addresses received, using the following criteria:

- Is the importer active in the country you have selected?
- Does the importer focus his activities on the corresponding, i.e. your, product groups?
- In which market segment is the importer active?
- Names of other suppliers to the importers?
- Enough sound information about the reliability of this partner?
- Check your potential buyers' financial status credibility if possible, for instance credit rating reports by Dunn and Bradstreet (<http://www.dnb.com>), otherwise always demand a LC (letter of credit).

Using these criteria, draw up a priority list of the contact addresses you have received. For general information we refer to Chapter 5 of CBI's *Export planner*.

14.3 Drawing up an offer

There are two kinds of offers: general and specific offers. The purpose of drawing up a general offer is to make the first contact with potential trading partners with whom you, the supplier, are not yet personally acquainted. A general offer consists of sending a short profile of your company and a summary of your product range. In some cases it might be helpful to send a reference list of existing customers (in countries other than the possible customer's one!). Write a personal letter, briefly introducing your company and what you have to offer.

A specific order is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of contract. A specific offer only should be made up when the business partner is known personally or after the initial contact has been made. A specific offer should consist of two parts: a written offer and/or product samples. The written offer includes:

- Name of the person responsible in your company
- Exact description of the goods offered (referring to requirements)
- Price of the goods in the agreed currency offered in accordance with Incoterms
- Possible delivery date and terms of delivery and the validity date of the offer.

A written offer can be accompanied by product samples, otherwise the offer is formed by sending product samples or yarns (in the case of knitwear) and fabric samples. While not a complete guarantee of quality, the sample, if it is of good quality, will inspire confidence in prospective buyers. It can also be useful in weeding out buyers who are simply not in the market for those products or those qualities.

- Product samples must correspond exactly to the goods available for delivery. If they do not, this may cause a lasting negative effect on business relations;
- State the treatment methods used, if possible provide a copy of your internationally acknowledged inspection organisation.

Recommendable action for both kinds of offers:

- Send in advance a copy of the AWB (Air Way Bill number) to the contact person.
- Make a telephone check (the human voice, if master of the language, is the best means of communication) to ask whether the offer (and the samples, if applicable) has/have arrived.
- Send samples free of charge, but it is common practice to ask for a reasonable payment for size ranges and/or salesmen's samples.
- An invitation to visit the company.
- A proposal could be made to visit the country of destination. In that case (if necessary) an interpreter can be hired and your own consulate or other intermediaries can be asked for assistance.

Communication by e-mail is an excellent tool, especially when a reaction will be executed within 24 hours. This is a very positive sustaining element towards buyers, making a reliable impression and instilling confidence.

The most exacting aspect of exporting clothing, even for the established exporting company, is that of ensuring optimal exposure to, and communication with, decision-making personnel in a client company. The best method of achieving this objective is to have an able company representative in the country concerned. Such an individual must be proficient in the language of the target market. Ideally, he or she will have thorough technical knowledge of the implications of provisions in trade contracts and should have access to rapid communication facilities. A personal sales visit should be attempted, accompanied by an adequate sample of the garments on offer.

For general information we refer to Chapter 4.5 of CBI's *Export planner*, Chapter 7.6 of CBI's *EMP document builder* and Chapter 3.3.2 of CBI's *Your guide to market research*.

14.4 Handling the contract

The contract is the starting point of trade, also for international business transactions. Around the contract revolves a series of connecting but distinct relationships, including transport arrangements, cargo insurance, Customs formalities and payment procedures.

Besides the general details in a contract like contract parties etc. and specific aspects like prices agreed, there are six specific area of significance in the clothing contract itself:

1. Rules governing international trade in clothing: all contracts have to specify the country of origin, quota category (if applicable), and commodity and product codes. These details will facilitate administrative procedures at import destinations, in regard to controls established under the WTO on quantities admissible into the EU and for each product category.
2. Shipment date: it is imperative to the importer that availability dates are met, to ensure that the goods can be sold or delivered in the time for which they have been planned.
3. (Minimum) quality requirements include materials used and methods of making. This approach is necessary because of the direct correlation between material quality and the quality of end products.
4. Size: the size specifications are usually included in the contract.
5. Packaging: since it is vital for packing details to be closely adhered to.
6. Payment methods and delivery terms: as discussed above. If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time.

Fulfilling the contract should have a high priority, particularly when delivering for the first time, so procure the delivery documents on time. Comply strictly with all parts of the supply agreement; co-operate on a partnership basis and seek a common solution, even if conflicts arise. Particularly when delivering for the first time, it is usual to deliver the goods on CFR or CIF basis as agreed and payment by a letter of credit (L/C).

These and other terms of delivery and payment methods are discussed in Appendix 1 and 2 of CBI's *Export planner*.

In other cases, it should be noted that terms of payment vary per country from 30 (or 60) days in Western Europe to around 90 days (or longer) in Southern Europe.

Penalties for late deliveries are liable to be included in the contracts for all types of exporting manufacturers, just like (in some cases) exclusivity claims.

14.5 Sales promotion

Sales promotion measures develop and expand customer relations, which obligate the selling company to take good care of existing customers (continuity). This includes for example expressions of thanks to business partners, regular updates on the product range; supplying brochures of the product range may be useful for promoting sales just like keeping business partners up-to-date on recent product developments. The consequences for production capacity can be that, in some cases, the production capacity has to be increased for existing customers, or the product range should be guided by demand and changes to the product range may become necessary.

For general information we refer to Chapter 4.8 of CBI's *Export planner*, Chapter 7.8 of CBI's *EMP document builder* and Chapter 3.3.4 of CBI's *Your guide to market research*.

Advertising and communication

An overview of and general information about communication tools are described in CBI's *Your image builder*.

Advertising in trade magazines

The number of important trade magazines with possibilities for advertising is rather limited. Only one or two magazines can be mentioned for each major EU country, like *Textil Wirtschaft* and *Textil Mitteilungen* in Germany, *Textilia* in The Netherlands, *Journal de Textile* in France etc. The relevant trade magazines and their websites are mentioned in the surveys on specific EU countries. Developing an original campaign is expensive and the effect of unrepeatable advertisements is limited.

Participation in trade fairs

Participation in national and international trade fairs may be a useful sales promotion tool in the outerwear sector. Trade fairs (if present) are given the surveys on specific EU countries. Besides a heavy financial involvement (travelling, accommodation, sampling etc.), trade fair participation requires advance knowledge and a detailed survey because of its complex nature. A detailed description of the several stages from selection to preparation, to participation in EU trade fairs, including the follow-up can be found in CBI's *Your show master*.

APPENDIX A DETAILED HS CODES

Chapter 61 applies only to made-up knitted or crocheted articles.

Chapter 62 applies only to made-up articles of any textile fabric other than wadding, excluding knitted or crocheted articles.

HS Code	Description
42.03.10	Articles of apparel leather or composition leather
61.01.	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading no.61.03:
	- Of wool or fine animal hair:
10.10	-- Overcoats, car coats, capes, cloaks and similar articles
10.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
	- Of cotton:
20.10	-- Overcoats, car coats, capes, cloaks and similar articles
20.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
	- Of man-made fibres:
30.10	-- Overcoats, car coats, capes, cloaks and similar articles
30.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
	- Of other textile materials:
90.10	-- Overcoats, car coats, capes, cloaks and similar articles
90.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
61.02.	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading no. 61.04:
	- Of wool or fine animal hair:
10.10	-- Overcoats, car coats, capes, cloaks and similar articles
10.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
	- Of cotton:
20.10	-- Overcoats, car coats, capes, cloaks and similar articles
20.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
	- Of man-made fibres:
30.10	-- Overcoats, car coats, capes, cloaks and similar articles
30.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
	- Of other textile materials
90.10	-- Overcoats, car coats, capes, cloaks and similar articles
90.90	-- Anoraks, (including ski-jackets), windcheaters, wind-jackets and similar articles
61.03.	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted
	- Suits:
11.00	-- Of wool or fine animal hair
12.00	-- Of synthetic fibres
19.00	-- Of other textile materials
	- Ensembles:
21.00	-- Of wool or fine animal hair
22.00	-- Of cotton
23.00	-- Of synthetic fibres
29.00	-- Of other textile materials
	- Jackets and blazers:
31.00	-- Of wool or fine animal hair
32.00	-- Of cotton
33.00	-- Of synthetic fibres
39.00	-- Of other textile materials
	- Trousers, bib and brace overalls, breeches and shorts:
	-- Of wool or fine animal hair:
41.10	--- Trousers and breeches

- 41.90 --- Bib and brace overalls and shorts
 - Of cotton:
- 42.10 --- Trousers and breeches
- 42.90 --- Bib and brace overalls and shorts
 - Of synthetic fibres:
- 43.10 --- Trousers and breeches
- 43.90 --- Bib and brace overalls and shorts
 - Of other textile materials
- 49.10 --- Trousers and breeches of other textile materials
- 49.91 --- Bib and brace overalls and shorts of artificial fibres
- 49.99 --- Bib and brace overalls and shorts of other textile materials

61.04. Women's or girls' suits, ensembles, jackets, dresses, skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted

- Suits:
 - 11.00 -- Of wool or fine animal hair
 - 12.00 -- Of cotton
 - 13.00 -- Of synthetic fibres
 - 19.00 -- Of other textile materials
- Ensembles:
 - 21.00 -- Of wool or fine animal hair
 - 22.00 -- Of cotton
 - 23.00 -- Of synthetic fibres
 - 29.00 -- Of other textile materials
- Jackets and blazers:
 - 31.00 -- Of wool or fine animal hair
 - 32.00 -- Of cotton
 - 33.00 -- Of synthetic fibres
 - 39.00 -- Of other textile materials
- Dresses:
 - 41.00 -- Of wool or fine animal hair
 - 42.00 -- Of cotton
 - 43.00 -- Of synthetic fibres
 - 44.00 -- Of artificial fibres
 - 49.00 -- Of other textile materials
- Skirts and divided skirts:
 - 51.00 -- Of wool or fine animal hair
 - 52.00 -- Of cotton
 - 53.00 -- Of synthetic fibres
 - 59.00 -- Of other textile materials
- Trousers, bib and brace overalls, breeches and shorts:
 - Of wool or fine animal hair
- 61.10 -- Trousers and breeches
- 61.90 -- Bib and brace overalls and shorts
 - Of cotton:
- 62.10 -- Trousers and breeches
- 62.90 --- Bib and brace overalls and shorts
 - Of synthetic fibres
- 63.10 --- Trousers and breeches
- 63.90 --- Bib and brace overalls and shorts
- 69.10 --- Trousers and breeches of other textile materials
- 69.91 ---- Bib and brace overalls and shorts of artificial fibres
- 69.99 ---- Bib and brace overalls and shorts of other textile materials

61.05. Men's or boys' shirts, knitted or crocheted:

- 10.00 - Of cotton
- 20.10 - Of synthetic fibres
- 20.90 - Of artificial fibres
- 90.10 - Of wool or fine animal hair
- 90.90 - Of other textile materials

61.06. Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted:

- 10.00 - Of cotton
- 20.00 - Of man-made fibres

- 90.10 - Of wool or fine animal hair
- 90.30 - Of silk or silk waste
- 90.50 - Of flax or of ramie
- 90.90 - Of other textile materials

61.09. T-shirts, singlets and other vests, knitted or crocheted:

- 10.00 - Of cotton
- 90.10 - Of wool or fine animal hair
- 90.30 - Of man-made fibres
- 90.90 - Other

61.10 Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted:

- Of wool:
 - 11.10 -- Jerseys and pullovers, containing at least 50% by weight of wool and weighing 600 gr. or more per article
 - 11.30 --- Men's or boys' jerseys, pullovers, waistcoats etc. (excluding at least 50% by weight of wool)
 - 11.90 --- Women's or girls' jerseys, pullovers, waistcoats etc. (excluding at least 50% by weight of wool)
- Of cashmere hair:
 - 12.10 --- Men's or boys' jerseys, pullovers, waistcoats etc.
 - 12.90 --- Women's or girls' jerseys, pullovers, waistcoats etc.
- Of other animal hair
 - 19.10 --- Men's or boys' jerseys, pullovers, waistcoats etc.
 - 19.90 --- Women's or girls' jerseys, pullovers, waistcoats etc.
- Lightweight fine knit roll, polo or turtleneck jumpers and pullovers of cotton:
 - Other jerseys etc. for:
 - 20.91 --- Men or boys
 - 20.99 --- Women or girls
 - Of man-made fibres:
 - 30.10 -- Lightweight fine knit roll, polo or turtleneck jumpers and pullovers
 - Other:
 - 30.91 --- Men or boys
 - 30.99 --- Women or girls
 - Of other textile materials:
 - 90.10 -- Of flax or ramie
 - 90.90 -- Other

61.11. Babies' garments and clothing accessories, knitted or crocheted:

- Of wool or fine animal hair:
 - 10.10 -- Gloves, mittens and mitts
 - 10.90 -- Other babies' garments
- Of cotton
 - 20.10 -- Gloves, mittens and mitts
 - 20.90 -- Other babies' garments
- Of synthetic fibres
 - 30.10 -- Gloves, mittens and mitts
 - 30.90 -- Other babies' garments
- Of other textile materials
 - 90.00 --

61.12. Track suits, ski suits and swimwear, knitted or crocheted:

- Track suits:
 - 11.00 -- Of cotton
 - 12.00 -- Of synthetic fibres
 - 19.00 -- Of other textile materials
 - 20.00 - Ski suits

61.13. Garments rubberised, impregnated etc.:

- 00.10 - Garments rubberised
- 00.90 - Garments impregnated, coated or covered with plastics or other materials

61.14. Special garments for professional sporting or other purposes:

- 10.00 - Of wool or fine animal hair

- 20.00 - Of cotton
- 30.00 - Of man-made fibres
- 90.00 - Of other materials

61.16. Gloves, mittens and mitts, knitted or crocheted:

- 91.00 - Of wool or fine animal hair
- 92.00 - Of cotton
- 93.00 - Of synthetic fibres
- 99.00 - Of other textile materials

61.17. Other made-up clothing accessories, knitted or crocheted:

- 10 00 - Shawls, scarves, mufflers, mantillas, veils and the like
- 20 00 - Ties, bow ties and cravats
- Other accessories:
- 80.10 -- Knitted or crocheted, elasticised or rubberised
- 80.90 -- Other
- 90 00 - Parts

62.01. Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jackets and similar articles, other than those of heading no. 62.03:

- Overcoats, raincoats, car coats, capes and cloaks and similar articles:
- 11.00 -- Of wool or fine animal hair
- Of cotton:
- 12.10 --- Of a weight, per garment, not exceeding 1 kg
- 12.90 --- Of a weight, per garment, exceeding 1 kg
- Of man-made fibres:
- 13.10 --- Of a weight, per garment, not exceeding 1 kg
- 13.90 --- Of a weight, per garment, exceeding 1 kg
- 19.00 -- Of other textile materials
- Anoraks (including ski-jackets, windcheaters, wind-jackets and similar articles):
- 91.00 -- Of wool or fine animal hair
- 92.00 -- Of cotton
- 93.00 -- Of man-made fibres
- 99.00 -- Of other textile materials

62.02. Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jackets and similar articles, other than those of heading no. 62.04:

- Overcoats, raincoats and similar articles:
- 11 .00 -- Of wool or fine animal hair
- Of cotton:
- 12.10 --- Of a weight, per garment, not exceeding 1 kg
- 12.90 --- Of a weight, per garment, exceeding 1 kg
- Of man-made fibres:
- 13.10 --- Of a weight, per garment, not exceeding 1 kg
- 13.90 --- Of a weight, per garment, exceeding 1 kg
- 19.00 -- Of other textile materials
- Anoraks (including ski-jackets, wind-cheaters, wind-jackets and similar articles):
- 91.00 -- Of wool or fine animal hair
- 92.00 -- Of cotton
- 93.00 -- Of man-made fibres
- 99.00 -- Of other textile materials

62.03. Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)

- Suits:
- 11.00 -- Of wool or fine animal hair
- 12.00 -- Of synthetic fibres
- 19.10 -- Of cotton
- 19.30 -- Of artificial fibres
- 19.90 -- Of other textile materials
- Ensembles:
- 21.00 -- Of wool or fine animal hair

22.80	-- Of cotton
23.80	-- Of synthetic fibres
29.18	-- Of artificial fibres:
29.90	-- Of other textile materials
	- Jackets and blazers:
31.00	-- Of wool or fine animal hair
32.90	-- Of cotton
33.90	-- Of synthetic fibres
39.19	-- Of artificial fibres
39.90	-- Of other textile materials
	- Trousers, bib and brace overalls, breeches and shorts:
	-- Of wool or fine animal hair
41.10	--- Trousers and breeches
41.30	--- Bib and brace overalls
41.90	--- Shorts
	-- Of cotton
42.31	--- Of denim
42.33	--- Of cut corduroy
42.35	--- Other cotton
42.59	--- Bib and brace overalls
42.90	--- Shorts
	-- Of synthetic fibres
43.19	--- Trousers and breeches
43.39	--- Bib and brace overalls
43.90	--- Shorts
	-- Of artificial fibres
49.19	--- Trousers and breeches
49.39	--- Bib and brace overalls
49.50	--- Shorts
49.90	-- Trousers, bib and brace overalls, breeches and shorts of other textile materials

62.04. Women's or girls' suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear):

	- Suits:
11.00	-- Of wool or fine animal hair
12.00	-- Of cotton
13.00	-- Of synthetic fibres
19.10	-- Of artificial fibres
19.90	-- Of other textile materials
	- Ensembles:
21.00	-- Of wool or fine animal hair
22.80	-- Of cotton
23.80	-- Of synthetic fibres
29.18	-- Of artificial fibres:
29.90	-- Of other textile materials
	- Jackets and blazers:
31.00	-- Of wool or fine animal hair
32.90	-- Of cotton
33.90	-- Of synthetic fibres
39.19	-- Of artificial fibres
39.90	-- Of other textile materials
	- Dresses:
41.00	-- Of wool or fine animal hair
42.00	-- Of cotton
43.00	-- Of synthetic fibres
44.00	-- Of artificial fibres
49.10	-- Of silk or silk waste
49.90	-- Of other textile materials
	- Skirts and divided skirts:
51.00	-- Of wool or fine animal hair
52.00	-- Of cotton
53.00	-- Of synthetic fibres
59.10	-- Of artificial fibres
59.90	-- Of other textile materials

	- Trousers, bib and brace overalls, breeches and shorts:
	-- Of wool or fine animal hair
61.10	--- Trousers
61.80	--- Bib and brace overalls
61.90	--- Shorts
	-- Of cotton:
	--- Trousers and breeches:
62.31	---- Of denim
62.33	---- Of cut corduroy
62.39	---- Other cotton
62.59	--- Bib and brace overalls
62.90	--- Shorts
	-- Of synthetic fibres
63.18	--- Trousers and breeches
63.39	--- Bib and brace overalls:
63.90	--- Shorts
	--- Of artificial fibres:
69.18	---- Trousers and breeches
69.39	---- Bib and brace overalls:
69.50	---- Shorts
69.90	-- Trousers, bib and brace overalls, breeches and shorts of other textile materials
62.05.	Men's or boys' shirts:
10.00	- Of wool or fine animal hair
20.00	- Of cotton
30.00	- Of man-made fibres
90.10	- Of flax or ramie
90.90	- Of other textile materials
62.06.	Women's or girls' blouses, shirts and shirt-blouses:
10.00	- Of silk or silk waste
20.00	- Of wool or fine animal hair
30.00	- Of cotton
40.00	- Of man-made fibres
90.10	- Of flax or ramie
90.90	- Of other textile materials
62.09.	Babies' garments and clothing accessories:
10.00	- Of wool or fine animal hair
20.00	- Of cotton
30.00	- Of synthetic fibres
90.00	- Of other textile materials
62.10.	Garments made up of felt or nonwovens, whether or not impregnated, coated, covered or laminated:
10.10	- Of felt:
10.99	- Of nonwovens
20.00	- Overcoats for men or boys rubberised or impregnated etc.
30.00	- Overcoats for women or girls rubberised or impregnated etc.
40.00	- Other garments for men or boys
50.00	- Other garments for women or girls
62.11.	Track suits and ski suits:
20.00	- Ski suits
	- Men's or boys track suits:
31.00	- Track suits of wool
32.31	-- Lined track suits of cotton with an outer shell of a single identical fabric
32.41	-- Lined track suit tops of cotton
32.42	-- Lined track suit bottoms of cotton
32.90	-- Other cotton garments
33.31	-- Lined track suits of man-made fibres with an outer shell of a single identical fabric
33.41	-- Lined track suit tops of man-made fibres
33.42	-- Lined track suit bottoms of man-made fibres
33.90	-- Other garments of man-made fibres

- 39.00 -- Track suits of other textile materials
- Women's or girls track suits:
- 41.00 -- Track suits of wool
- 42.31 -- Lined track suits of cotton with an outer shell of a single identical fabric
- 42.41 -- Lined track suit tops of cotton
- 42.42 -- Lined track suit bottoms of cotton
- 42.90 -- Other cotton garments
- 43.31 -- Lined track suits of man-made fibres with an outer shell of a single identical fabric
- 43.41 -- Lined track suit tops of man-made fibres
- 43.42 -- Lined track suit bottoms of man-made fibres
- 43.90 -- Other garments of man-made fibres
- 49.00 -- Track suits of other textile materials

62.14. Shawls, scarves, mufflers, mantillas, veils and the like:

- 10.00 - Of silk or silk waste
- 20.00 - Of wool or fine animal hair
- 30.00 - Of synthetic fibres
- 40.00 - Of artificial fibres
- 90.10 - Of cotton
- 90.90 - Of other textile materials

62.15. Ties, bow ties and cravats

- 10.00 - Of silk or silk waste
- 20.00 - Of man-made fibres
- 90.00 - Of other textile materials

62.16.00.00 Gloves, mittens and mitts

62.17. Other made-up clothing accessories and parts of garments

- 10.00 Other made-up clothing accessories
- 90.00 Parts of garments

APPENDIX B LIST OF DEVELOPING COUNTRIES

OECD DAC list - January 2006 - When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006:

Afghanistan	Grenada	Palestinian Admin. Areas
Albania	Guatemala	Panama
Algeria	Guinea	Papua New Guinea
Angola	Guinea-Bissau	Paraguay
Anguilla	Guyana	Peru
Antigua and Barbuda	Haiti	Philippines
Argentina	Honduras	Rwanda
Armenia	India	Samoa
Azerbaijan	Indonesia	São Tomé & Príncipe
Bangladesh	Iran	Saudi Arabia
Barbados	Iraq	Senegal
Belarus	Jamaica	Serbia and Montenegro
Belize	Jordan	Seychelles
Benin	Kazakhstan	Sierra Leone
Bhutan	Kenya	Solomon Islands
Bolivia	Kiribati	Somalia
Bosnia & Herzegovina	Korea, rep of	South Africa
Botswana	Kyrgyz Rep.	Sri Lanka
Brazil	Laos	St. Helena
Burkina Faso	Lebanon	St. Kitts-Nevis
Burundi	Lesotho	St. Lucia
Cambodia	Liberia	St. Vincent and Grenadines
Cameroon	Libya	Sudan
Cape Verde	Macedonia	Surinam
Central African rep.	Madagascar	Swaziland
Chad	Malawi	Syria
Chile	Malaysia	Tajikistan
China	Maldives	Tanzania
Colombia	Mali	Thailand
Comoros	Marshall Islands	Timor-Leste
Congo Dem. Rep.	Mauritania	Togo
Congo Rep.	Mauritius	Tokelau
Cook Islands	Mayotte	Tonga
Costa Rica	Mexico	Trinidad & Tobago
Côte d'Ivoire	Micronesia, Fed. States	Tunisia
Croatia	Moldova	Turkey
Cuba	Mongolia	Turkmenistan
Djibouti	Montserrat	Turks & Caicos Islands
Dominica	Morocco	Tuvalu
Dominican republic	Mozambique	Uganda
Ecuador	Myanmar	Ukraine
Egypt	Namibia	Uruguay
El Salvador	Nauru	Uzbekistan
Equatorial Guinea	Nepal	Vanuatu
Eritrea	Nicaragua	Venezuela
Ethiopia	Niger	Vietnam
Fiji	Nigeria	Wallis & Futuna
Gabon	Niue	Yemen
Gambia	Oman	Zambia
Georgia	Pakistan	Zimbabwe
Ghana	Palau	

List of CBI countries – January 2006 - CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Cuba
Ecuador
Egypt
El Salvador
Ethiopia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Senegal
Serbia and Montenegro
South Africa
Sri Lanka
Surinam
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia