



The U.S. Market in 2016: Opportunities and Challenges for Ghana's Textile and Apparel Businesses

Marideth J. Sandler, CEO
Sandler Trade LLC
sandler@sandlertrade.com

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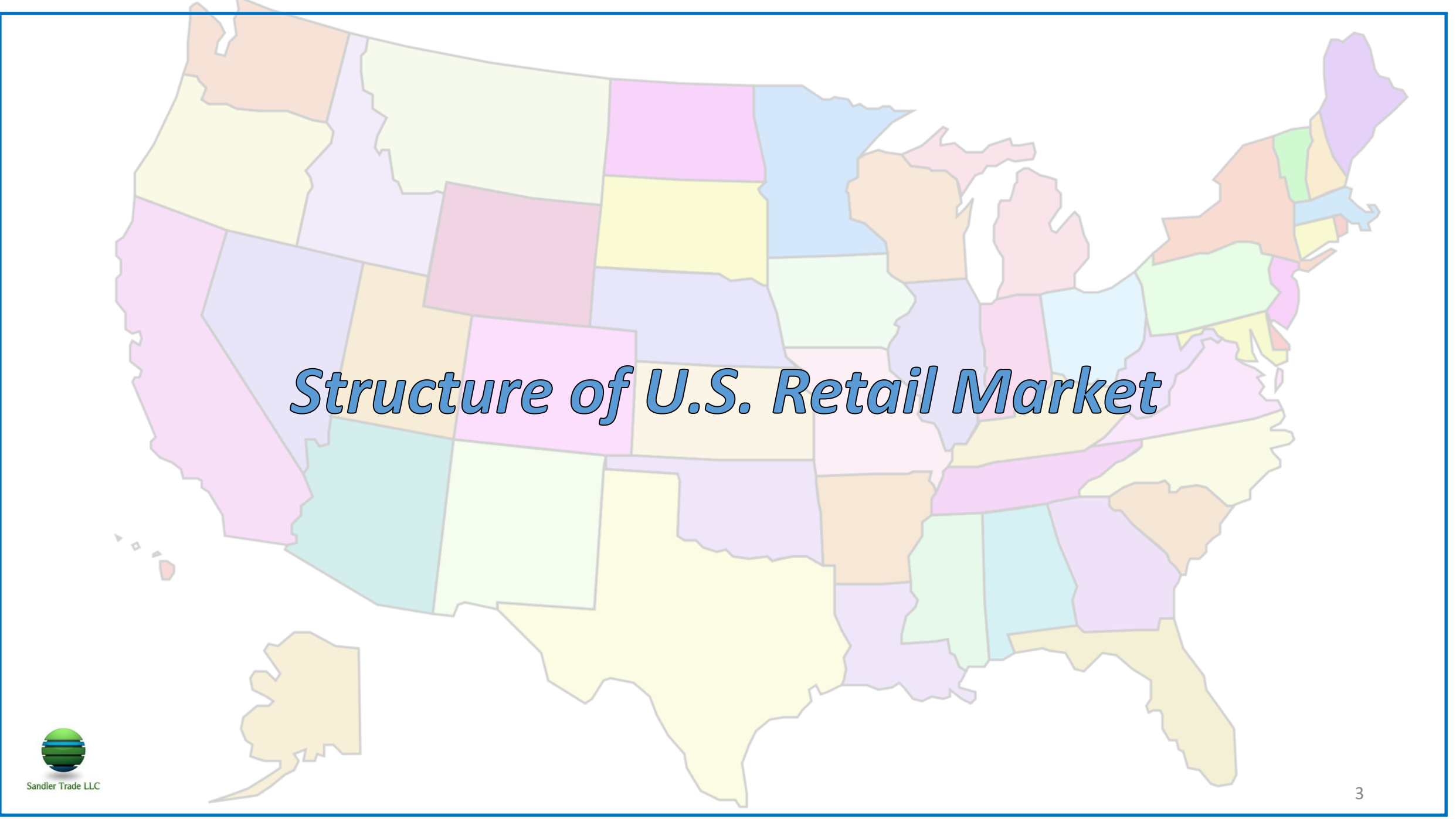
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Topics

- **What does the U.S. buyer expect that you will know:**
 - Structure of U.S. retail market
 - U.S. and global market trends
 - How to export and export distribution channels
 - Key concepts in product development and design
 - Buyer relationships and expectations

Special thanks to Aid to Artisans and Creative Learning





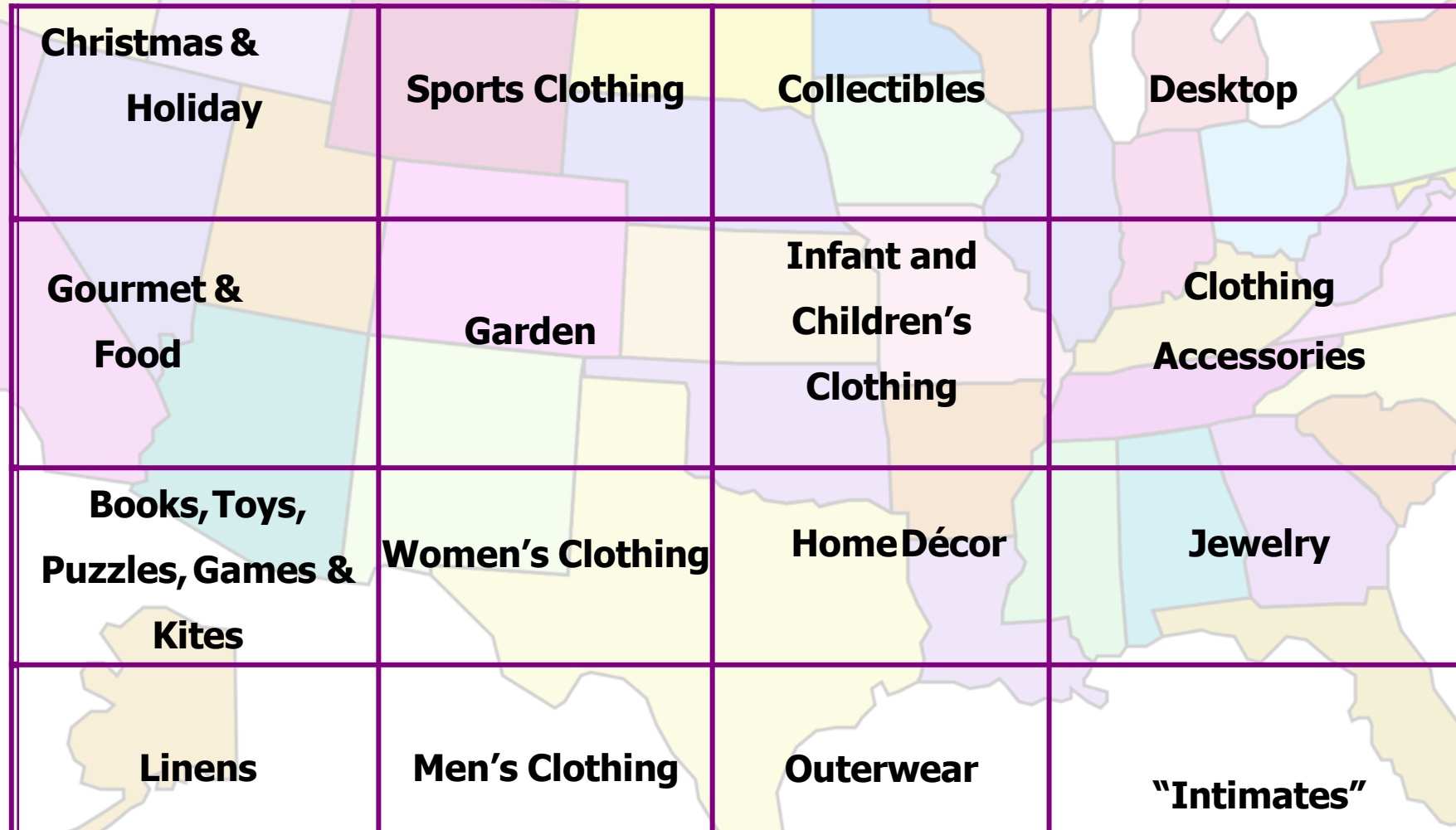
Structure of U.S. Retail Market



U.S. Market



Examples of Segment Categories



Christmas & Holiday	Sports Clothing	Collectibles	Desktop
Gourmet & Food	Garden	Infant and Children's Clothing	Clothing Accessories
Books, Toys, Puzzles, Games & Kites	Women's Clothing	Home Décor	Jewelry
Linens	Men's Clothing	Outerwear	"Intimates"

Characteristics of the Mass Market

- **“Big Box” Stores**
 - Target, Walmart
- **Low prices**
- **Self-service**
- **One-stop shopping**
 - Carries many product types
- **Volume purchasing**
- **Previously low design/style impact**
 - Now working more with designers
- **All manufactured goods**
- **Pre-packaged goods**
- **Walmart, Kmart, Sams**



Characteristics of the Mainstream Market

- Mid-to high price points
- High-volume sales
- Fashion-forward (meaning they feature the colors and styles of the season)
- Broad assortments of products they carry, but not one-stop shopping for all types of products
- If a chain, volume purchasing
- Manufactured goods with some handmade
- Ann Taylor, H&M, Gap, Dress Barn



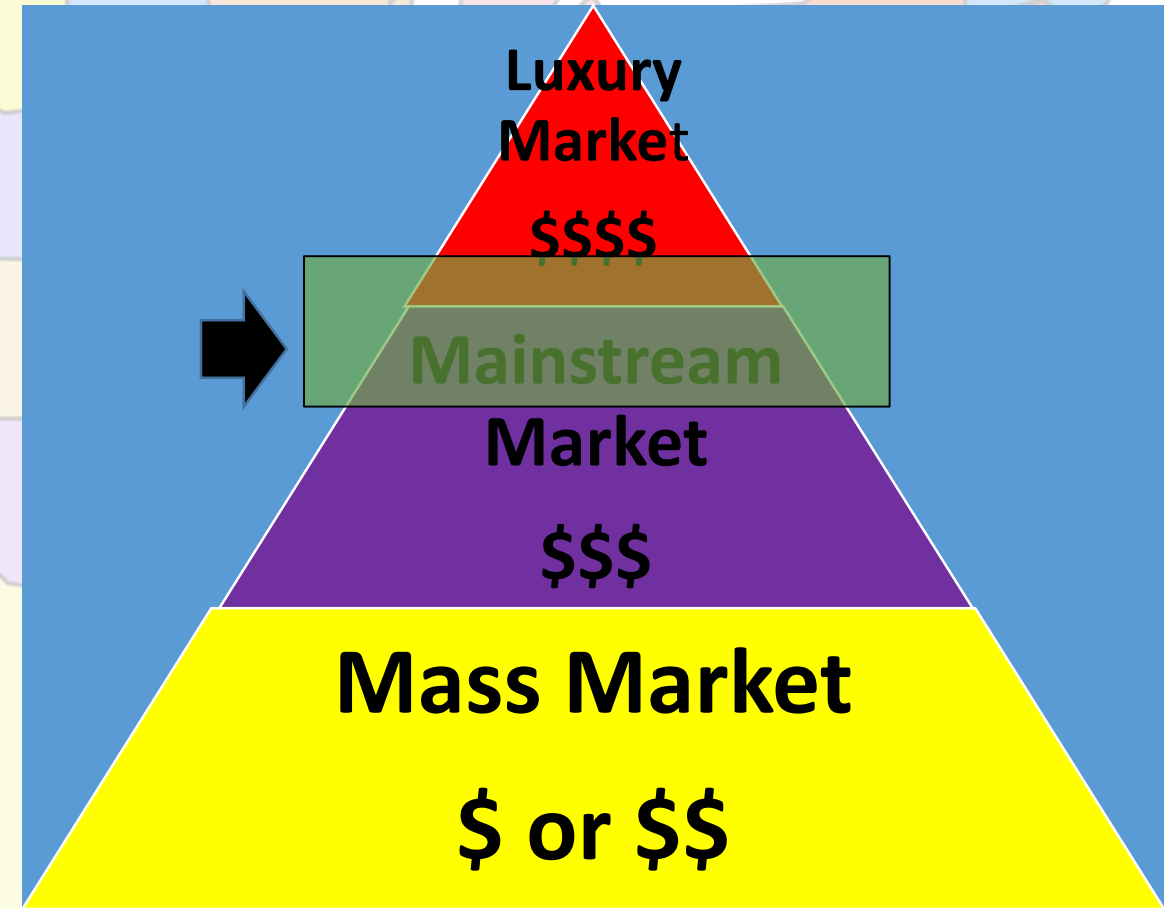
Characteristics of the Luxury Market

- **Trend and design driven**
- **Low volume**
 - change (“turn”) it more frequently
 - limited selection
 - boutiques and larger stores
- **High-to-medium margins**
 - markup is more than other sectors
- **Narrow assortment**
- **Handmade & manufactured items**
 - good place for new handmade
- **Saks, Nieman Marcus, Barney’s**



Sweet spot for new, handmade brands

- Macy's, Target, some boutiques
- Handmade brands
 - cannot make volume at low price
 - but are more fashion-forward
 - easier to be niche products
 - can focus on specialty consumers



Market segmentation

- **Be aware of in what market the store specializes**
- **Like-to-like (product type, volume, price point)**
- **Requires doing your homework about the store, what they carry, and their target customers – and how you fit in**



Different Markets within the Same Category



- Gucci Floral tote
- \$1390



- Valentino embroidered jacket
- \$3150 (on sale)



- Misook pull-on slim pants
- \$208.00



- Coach Floral Tote
- \$100



- Zara Embroidered jacket
- \$129



- Liz Claiborne
- \$27.99





U.S. and Global Market Trends



State of the U.S. Retail Market

- Trends are rapidly changing the U.S. market
- But what is a trend here?
- A trend is a gradual movement towards something
- Trends slowly peak and decline
- But some trends become mainstream
- Examples:
 - Online and mobile shopping
 - Big data – collection of buyers' clicking and shopping habits
 - Sustainable, eco-friendly



Trends in Consumer Spending

- **Consumers remain cautious**
- **Purchasing based on needs rather than wants – especially with new President – untested, don't know what to expect, anxious environment**
- **Product review via social media**
- **Expansion of sharing economy**
- **Concern for origin and authenticity of the products consumers buy**



2016 Market Trends

- **Internet is fastest growing sales channel: 14.6% in 2015**
 - Virtual, online storefronts (Kate Spade, Adidas)
- **Appeal to millennial buyers (19-35 years old: are the largest generation now)**
- **Big data collection for targeted marketing**
- **Large retailers downsizing for more personal shopping experience**
- **Polarization between economy and premium markets**
- **Retailers moving into new international markets**
- **CHANGE is the key word**



How is Retail Changing?

- **Competing for millennial appeal (25% of the population)**
 - Raised on the internet and cellphones
 - No brand loyalty
 - Take recommendations from friends, blogs
 - Willing to try anything if....
 - Sustainable, eco-friendly, doing good: all are important
- **In response, retail is:**
 - Providing an on-demand, shopping experience
 - Implementing loyalty programs (points, coupons, free shipping)
- **These changes provide market entry opportunities for small companies**



Resulting impact on businesses seeking U.S. market entry

Challenges

- Accelerated production cycle
- Increased competition
- Need to be more proactive
- Need to differentiate brand – story, labeling, design
- More social audits of production

Opportunities

- Renewed respect for handmade
- Greater access by buyer and customer to meaningful customer information (websites, etc.)
- Increased global market opportunities

Key trends that will affect your businesses

- **Interest in handmade and artisan items at all-time high**
 - Consumers are looking for ways to express individuality
- **Customers and buyers can and want to access information about their products at all times and through various devices (online, phone, twitter, Instagram, etc.)**
- **Transparency: workers' rights and safety, child labor, forced labor**
- **Product's social impact is driving demand – is customers' purchase dollars making the world a better place?**
- **Consumers demanding accountability – corporate social responsibility**



What is handmade and artisan?

- **Knowing about the product's origin, its traditions, and who made it**
- **Crafted by hand; not mass-produced; small quantities; quality; exclusive**
- **Preserving culture**
- **Supporting communities**

THE PRODUCT AND ITS LABEL, THE COMPANY WEBSITE, AND OTHER MARKETING MATERIALS MUST TELL THE STORIES



Opportunities! Companies that purchase handmade

- West Elm
- Walmart
- Nordstrom
- Amazon
- J. Crew
- Anthropologie
- Donna Karan
- Kate Spade

- Vivienne Westwood
- Nicole Miller
- Chan Luu
- Nate Berkus
- Tom's
- Zady
- Lydali

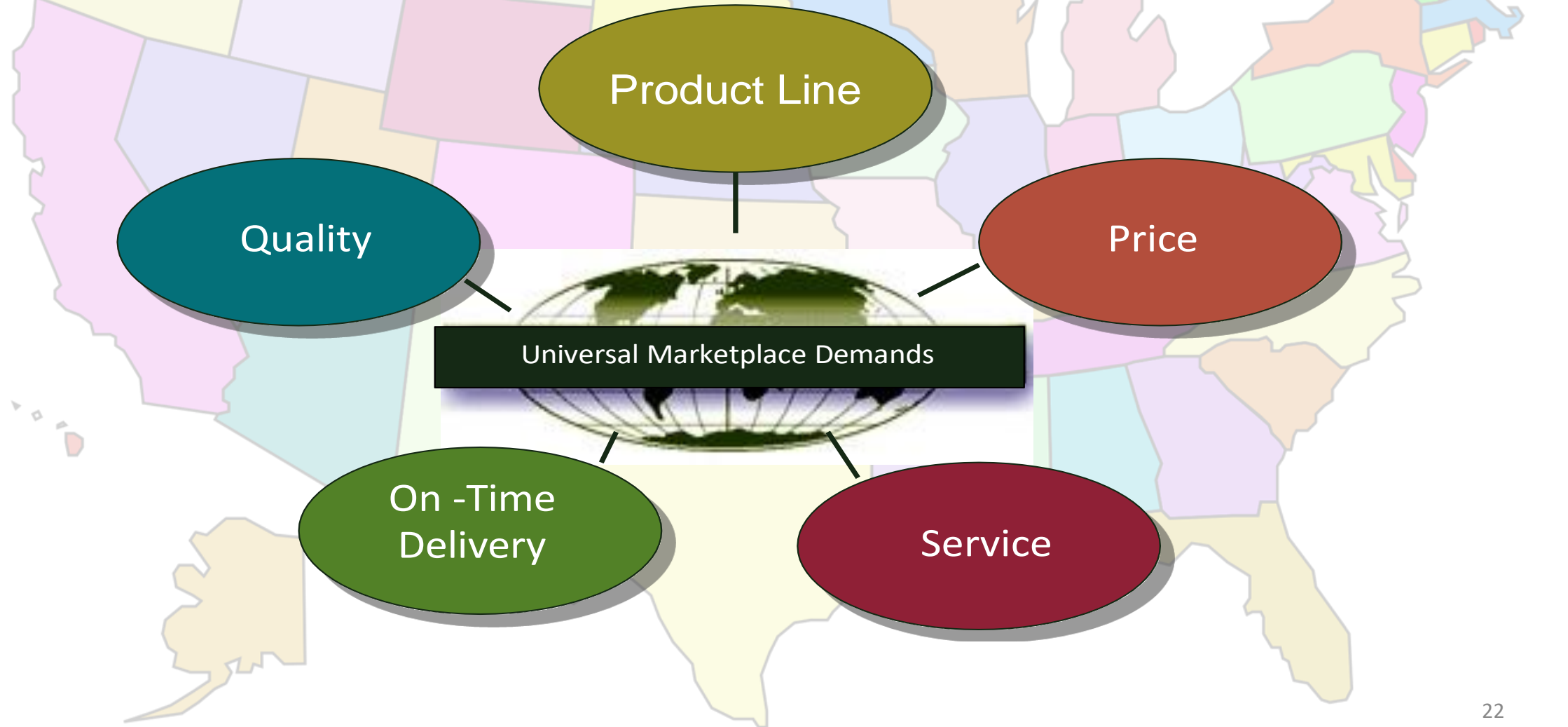




What Does It Take to Export?



Universal Marketplace Demands of an Exporter



Are you ready to export?

Product

- Do you have a finished product line? Is it well-developed and unique?
- Are you able to modify your product (technical know-how and financial investment) to meet the demands of the U.S. market?

Production

- Do you currently have excess production capacity?
- Do you have enough personnel to maintain your current production level and to expand production?
- Are your products of uniform quality? Is the quality maintained over a long period of time? Can you assure that quality will be maintained if you increase production?

Experience in exporting and in exporting to the U.S.

- Do you currently sell outside of your native country? Do you currently have customers in the US?
- Do you have access to a labor pool trained in international sales / exporting?

Financials and cash flow

- Does your company have a bank account? An export license?
- Do you have cash reserves, savings or access to capital? Can your company survive for two years without making a large profit or by just breaking even?





One thing is most important...

The primary characteristic of a good relationship between the exporter and the buyer is **trust**.

All things being equal, people do business with people they **trust**.



What makes a successful exporter?

- **Stability:** How long have you been in business?
- **Experience:** What exporting experience have you had?
- **Scale:** Do you have the potential to grow with a buyer's needs?
- **Quality:** Do you have systems in place to consistently replicate an item?
- **Diversity:** Can you produce a range of different products and styles?
- **Innovation:** What makes your products stand out?
- **Price Points:** How does your product compare with the competition?
- **Exclusivity:** Are you prepared to protect your buyer's interests?
- **Predictability:** Can the buyer depend on your business performance?
- **Resources:** Can you fund the purchase of raw materials for production?
- **Geographic Advantages:** Where are you located from your buyers?





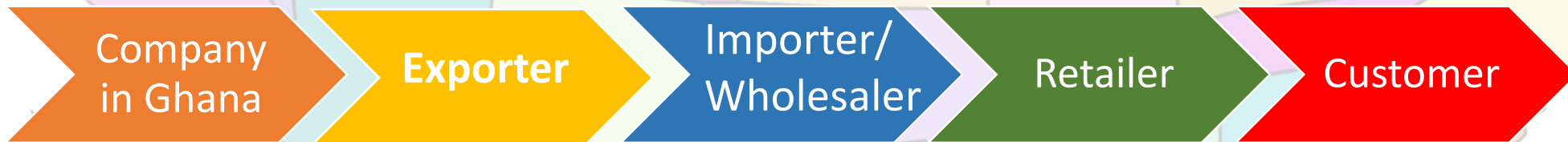
Understanding Export Distribution Channels



What is a distribution channel anyway?

- A chain of separate businesses or people **YOU CHOOSE** to serve as links to move a finished product from the manufacturer or producer to the customer or end user
- Each link has specific responsibilities, which the other links assume will be done.

TRADITIONAL WAY OF INDIRECT SELLING: SEVERAL LINKS + TRANSPORT



DIRECT SELLING: DIRECT TO END-USER + TRANSPORT



Understanding export distribution channels

- **Why is this important? Identifying the right distribution channel for your product affects:**
 - Who takes on which responsibilities – because the number of responsibilities does not change – just who does them!
 - Time/speed it takes for your product to get from you to buyer
 - Cost of getting your product to buyer
 - What you can negotiate and what you cannot change about getting your product to the buyer
- **Distribution channel is a key part of your product marketing strategy**
- **You, as the producer, need to choose the export distribution channel that is most appropriate for your product and for your intended buyer.**



Responsibilities along the distribution channel

- **Producer/manufacturer:** product design or execution, quality control, meeting deadlines, keeping costs of production in budget
- **Exporter:** may finance production, ensure product meets export rules and import rules and regulations, manages export and shipment logistics, manages payments, communicates with buyers, seeks new buyers
- **Importer/wholesaler:** pays shipping and import costs, warehouses inventory from producer/manufacturer, markets product at trade shows, provides catalog/website, packs and ships to retailers, has role in product development
- **Retailer:** pay wholesaler for goods & shipping; maintains retail location(s), offers online store and/or catalog, promotes product, customer service



Export distribution channels are changing!



- **Growth of large retail chains (Walmart: 6300 stores globally in 2015)**
- **Demand for lower prices**
- **Retailers' search for new and distinctive products, driven by competition**
- **Internet access and huge growth in online selling (like Amazon)**
- **Exporters' increased understanding of market demands**



What do these changes mean?



- **Producer/exporter expanded responsibilities:** financing production, quality control, meet delivery schedules, manage export logistics, market products, buyer communication, product development, attend trade shows
- **Direct-Import retailer responsibilities:** dedicated import staff and facilities, inventory held in distribution center, exclusive access to producer's designs (for a negotiated time period), marketing and advertising, customer service



What will get your product to the buyer most effectively and most profitably?

- **Define your target market. What are their needs and how can you best fulfill them?**
- **What channels are customary/usual for your target market?**
- **What distribution channels do your competitors use? Why? Should you use the same or different ones?**
- **Is there an industry standard? (jewelry air freight; apparel sea freight)**
- **Are there advantages to other channels? Think about how much you sell and ship at a time.**
- **Examine costs and benefits**
- **What kind of infrastructure and support will be required of you? (such as staff that can take on new responsibilities, in-country support, etc.)**
- **Rank your options – be deliberate about your choice**





Key Concepts in Product Development and Design



Components of a Product Line

- **Form:** products that share physical characteristics
- **Size:** 3-4 products that are similar and related by size
- **Color:** in fashion, colors are more specific by season
- **Pattern:** similar types of pattern
- **Texture:** one of the ways to keep a consumer engaged is to use texture
- **Price:** as determined by materials, decoration, level of craftsmanship
- **Story:** is very important now! Has to do with content marketing (quickly and upfront)
- **Packaging:** how the item is put together; saves work for the retailer; simpler is the trend



Definitions

- **Product line:** a selection of 3-25 items, usually within one product category, with complementary elements (such as function, color, pattern, size, price)
- **Product collection:** a selection of two or more product lines, often representing different product segments within one product category, with complementary elements. A company may have one or more collections



Product Line and Collection Selection

- **Create your final product line and collection based on:**
 - **Your target market's customers**
 - **What your target market's buyer is looking for but does not yet have**
 - **Buyer's price points**
 - **Your sales history**
 - **What your competency and those of your workers can create consistently**
 - **Given the buyer's price points, what your costs plus margin can realistically provide**
 - **Level of risk you feel comfortable with**





Innovation is the key to...

- **Prevent business decline**
- **Prevent others from copying your products**
- **Keeping buyers interested in continuing to review your products...**

But, it is challenging to innovate; must be planned, requires worker training, and can create additional costs of production





Buyer Relationships and Expectations



How to encourage a lasting buyer relationship

- **Be passionate and knowledgeable about your products and competitors:**
 - be prepared to “state your case”
 - engage the buyer to want to know more about your product
- **Have open and frequent communication**
- **Possess an understanding of the retailer’s aesthetic and mission – to them, buying your product has to be a good business decision**
- **Offer professional and reliable service**
- **Present realistic and accessible pricing**



Knowledge

- **Know what you are offering – how it's made, what materials are used, what inspired it, be passionate about it, believe in it, understand its value to the buyer**
- **Research and investigate similar products out in the market – their pricing, to whom they are being sold, how they are marketed**
- **Identify what you do differently and set your products apart from others**



Communications

- **Talk openly and often with your buyers or customers**
- **Always follow up – even if just a one-liner**
- **Communicate by skype, email, telephone, or in person**
- **Be a proactive communicator**
- **Promptly respond – shows that you value your relationship with the buyer or customer**
- **List out the key concerns or issues in bullets – simply**
- **Tackle problems, such as inventory, quality or shipping issues, early and as a team**



Research and explore, then respond

- **Do your homework and know who you are selling to – what is their overall aesthetic style, core vision, customer?**
- **What kind of pricing do they offer? Are they luxury, middle or mass market?**
- **Cater your offering to their needs: ask what is important to them; what is missing from their assortment; collaborate!**
- **Fill a void and offer something they have not seen before, at an accessible price**



Pricing

- **Consider all of your costs, including shipping and custom fees – these are the facts of your production**
- **You and your buyer will have to figure out whether your prices are realistic and accessible for the target customer**
- **Sometimes shipping costs can make a product too expensive to market – but be proactive and work with buyer to see if can keep costs down**
- **Try to be consistent with your pricing, and be flexible but do not undercut your costs of production plus margin. Can you alter a design component to cut costs?**



Service

- **Communicate openly and frequently, offer reliable and professional service.**
- **Don't promise what you can't deliver – tell your buyer if you anticipate problems in delivery date**
- **Create online catalog that is simple, functional, and makes it easy for buyer to see your products, prices, and scope of your collection. Buyer should be able to reorder from it.**
- **Anticipate and make it easy for the buyer: put systems in place to handle damages in shipping, returns, and purchase orders**
- **Evolve with the market's needs: change what is not working, offer specials and promotional packages on slow-moving, discontinued, and even sample items**



THANK YOU!



Sandler Trade LLC