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U.S. END MARKET ANALYSIS FOR KENYAN TEXTILE AND APPAREL

December 2017

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ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ASTM	American Society for Testing and Materials
BoL	Bill of Lading
CAFTA	Central America Free Trade Agreement
CBP	Customs and Border Protection
CITA	Committee for the Implementation of Textile Agreements
CoC	Certificate of Conformity
CoO	Certificate of Origin
CPSC	Consumer Product Safety Commission
CPSIA	Consumer Product Safety Improvement Act
FTC	Federal Trade Commission
GCC	General Certificate of Conformity
GOTS	Global Organic Textile Standard
HTS	Harmonized Tariff Schedule
LDBC	Least Developed Beneficiary Countries
MOQ	Minimum Order Quantity
NAFTA	North American Free Trade Agreement
NRF	National Retail Federation
PNTR	Permanent Normal Trade Relations
PO	Purchase Order
QIZ	Qualifying Industrial Zone
RFID	Radio-Frequency Identification
RN	Registered Identification Number
SME	Small and Medium-Sized Enterprise
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade Investment Partnership
UPC	Universal Product Code
U.S.	United States
USAID	United States Agency for International Development
WRAP	Worldwide Responsible Accredited Production

I. EXECUTIVE SUMMARY

The apparel market in the United States (U.S.) is the largest in the world with a market value of \$343 billion. In 2016, the U.S. imported apparel worth \$105 billion, up from \$88 billion in 2015 and \$82 billion in 2014.¹ U.S. consumers spent \$312 billion on apparel.

Ten countries account for almost 80 percent of all U.S. apparel imports with China topping the list with a 30 percent share. While Kenya does not yet stand among these countries, there is an opportunity for Kenya to take advantage of its trade preferences under the African Growth and Opportunity Act (AGOA) to increase its exports to the U.S. market. Since AGOA was signed for an additional ten-year term in 2015, there has been a growing trend toward sourcing and importing apparel to the U.S. If more stakeholders in both countries realize AGOA's full potential, Kenyan apparel exports can continue to climb.

This report focuses on six target product opportunities for Kenyan exporters:

- A. *Knitted Shirts in Synthetics* for all genders and ages
- B. *T-shirts in Cotton and Synthetic* for all genders and ages
- C. *Sweaters in Synthetic* for all genders and ages
- D. *Woven Pants and Shorts in Cotton and Synthetic* for all genders and ages
- E. *Woven Shirts in Cotton and Synthetic* for all genders and ages
- F. *Dresses for Women and Girls in Cotton and Synthetic* as part of SME products

These products were determined by volumes and trends and are not unique to Kenyan production. However, these products offer opportunities for large duty savings under AGOA. The report details the channels of distribution, competition, potential buyers, promotional activities and a list of selected trade fairs that could enhance Kenya's ability to compete in the U.S. market.

Based on the identified constraints and challenges in Kenya and the U.S., the report offers recommendations for increasing sector export competitiveness and proposes an action plan with strategic sector objectives, actions, outputs and other items for implementation.

Critical take-aways include the following:

- Duty savings alone can be enough of a value add to entice U.S. buyers. Conversely, transport costs and other constraints could be a limiting factor. Therefore, reaching an advantageous goal for both the buyer and supplier requires working with each buyer, product and supplier to align parallel criteria on a case by case basis.
- AGOA has the potential to be an efficient process for Kenya's private sector manufacturers once there is full understanding of the process. With training, certifications and logistics improvements, this process is bound to become increasingly more efficient.
- The U.S. buying community does not fully understand the benefits of AGOA. Kenya's AGOA suppliers and spokespersons could play a role in educating the U.S. market and bring about new buyer linkages during trade shows.
- Although most of the target products in Section 2 are ready for export to the U.S., the best matched category list in Section 4.I is recommended for promotion in the U.S. market, based on volumes and trends. Even dresses, which make up a lower trade volume, should be promoted as part of the Small and Medium Enterprises (SME) business in Kenya.

¹ As published by Office of Textiles and Apparel (OTEXA) under the International Trade Administration, U.S. Department of Commerce.

2. TARGET PRODUCTS

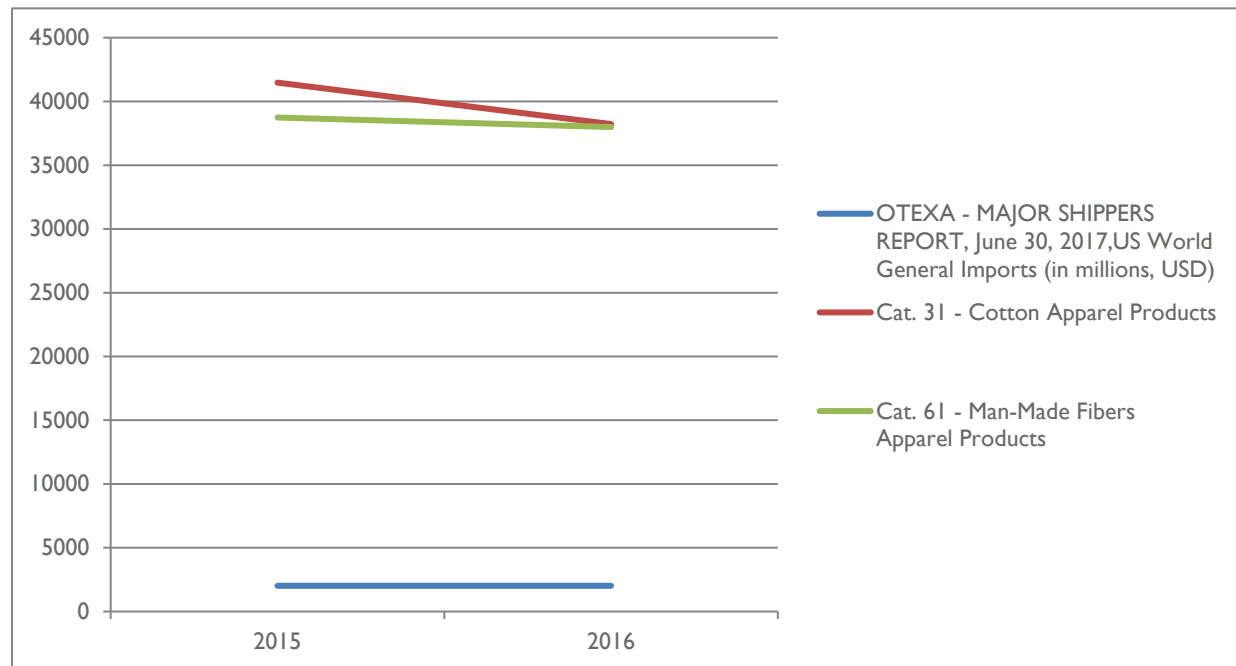
During the development of Kenya's National AGOA Strategy and Action Plan, the Kenya Working Group pre-selected knitted and woven garments, including tops, dress pants, jackets, shorts, jeans and shirts as product targets. After a product analysis conducted during visits to selected in-country suppliers, the following product categories were detailed by Harmonized Tariff Schedule (HTS) Code for initial review.

TABLE 1. HTS CODES FOR PRODUCT CATEGORIES		
HTS CODE HEADING	DUTY SAVINGS	DESCRIPTION
6105.10	19.7%	Men & Boys, Shirts, Knitted, of Cotton
6105.20	32%	Men & Boys, Shirts, Knitted, of Synthetic
6106.10	19.7%	Women & Girls, Shirts, Knitted, of Cotton
6106.20	32%	Women & Girls, Shirts, Knitted, of Synthetic
6109.10	16.5%	T-shirts, Knitted, of Cotton
6109.90	32%	T-shirts, Knitted, of Synthetic
6110.20	16.5%	Sweaters (pullovers & cardigans), of Cotton
6110.30	32%	Sweaters (pullovers & cardigans), of Synthetic
6201.92	6.2-9.4%	Men & Boys, Jackets/Outerwear, of Cotton
6201.93	7.1-27.7%	Men & Boys, Jackets /Outerwear, of Synthetic
6202.92	6.2-8.9%	Women & Girls, Jackets /Outerwear, of Cotton
6202.93	7.1-27.7%	Women & Girls, Jackets /Outerwear, of Synthetic
6203.42	16.6%	Men & Boys, Trousers/Shorts, Woven, of Cotton
6203.43	27.9%	Men & Boys, Trousers/Shorts, Woven, of Synthetic
6204.62	16.6%	Women & Girls, Shorts & Trousers, Woven, of Cotton
6204.63	28.6%	Women/Girls, Shorts & Trousers, Woven, of Synthetic
6205.20	19.7%	Men & Boys, Shirts, Woven, of Cotton
6205.30	25.9%+29.1cents/kg	Men & Boys, Shirts, Woven, of Synthetic
6206.30	15.4%	Women & Girls, Shirts, Woven, of Cotton
6206.40	26.9%	Women & Girls, Shirts, Woven, of Synthetic
6104.42	11.5%	Women & Girls, Dresses, Knitted, of Cotton
6104.43	14.9%	Women & Girls, Dresses, Knitted, of Synthetic
6204.42	8.4%	Women & Girls, Dresses, Woven, of Cotton
6204.43	16.0%	Women & Girls, Dresses, Woven, of Synthetic

3. GENERAL CHARACTERISTICS OF THE U.S. MARKET FOR TARGET PRODUCTS

U.S. apparel imports have recently declined. As seen in Figure 1, both cotton apparel products and man-made fibers apparel products have decreased, with the former showing a greater decline.

Figure 1: U.S. Apparel Imports from the World, 2015 to 2016



To fully leverage AGOA's duty-free benefits, Kenyan producers can focus their efforts on products that are already being produced in the country and are in high demand by U.S. importers. This requires an analysis of product categories by HTS code to determine which have the greatest growth potential based on Kenyan export capability and U.S. import trends.

Figures 2 to 12 compare U.S. import figures with Kenyan export figures to find the best matched categories. The figures used were provided by United States Agency for International Development (USAID) statistics.

Figure 2a: U.S. World Import Trends – Category 6105 – Men & Boys, Shirts, Knitted

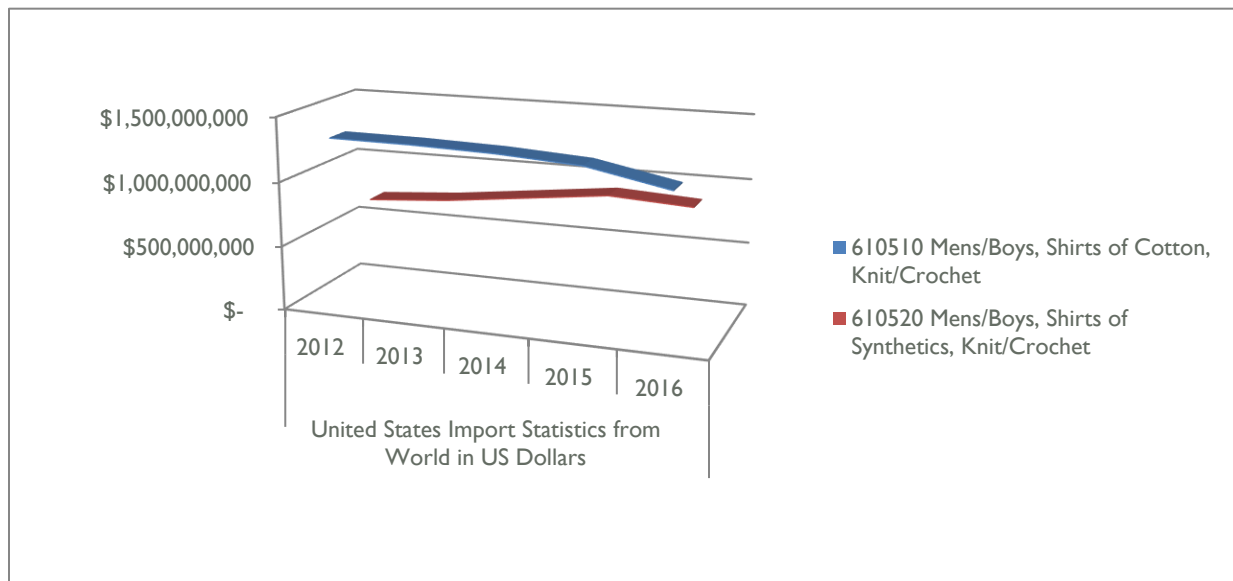
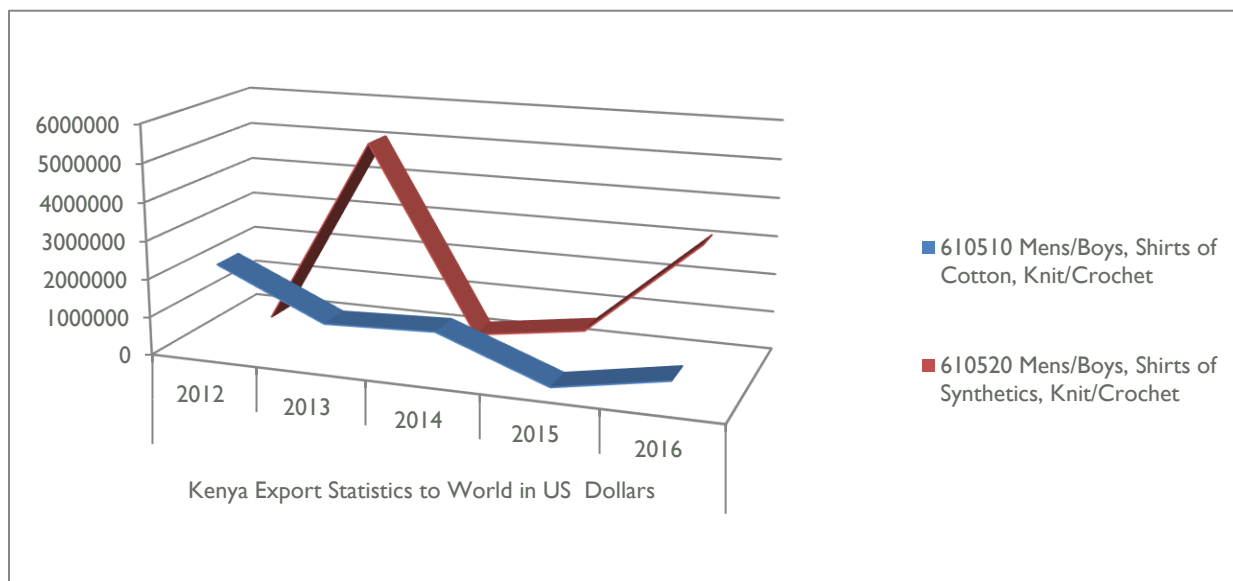


Figure 2b: Kenya World Export Trends – Category 6105 – Men & Boys, Shirts, Knitted



Category 6105.20 Men & Boys, Knitted Shirts, in Synthetics is a best matched category. It should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. The duty savings for this category to U.S. importers under AGOA is 32 percent.

Figure 3a: U.S. World Import Trends – Category 6106 – Women & Girls, Shirts, Knitted

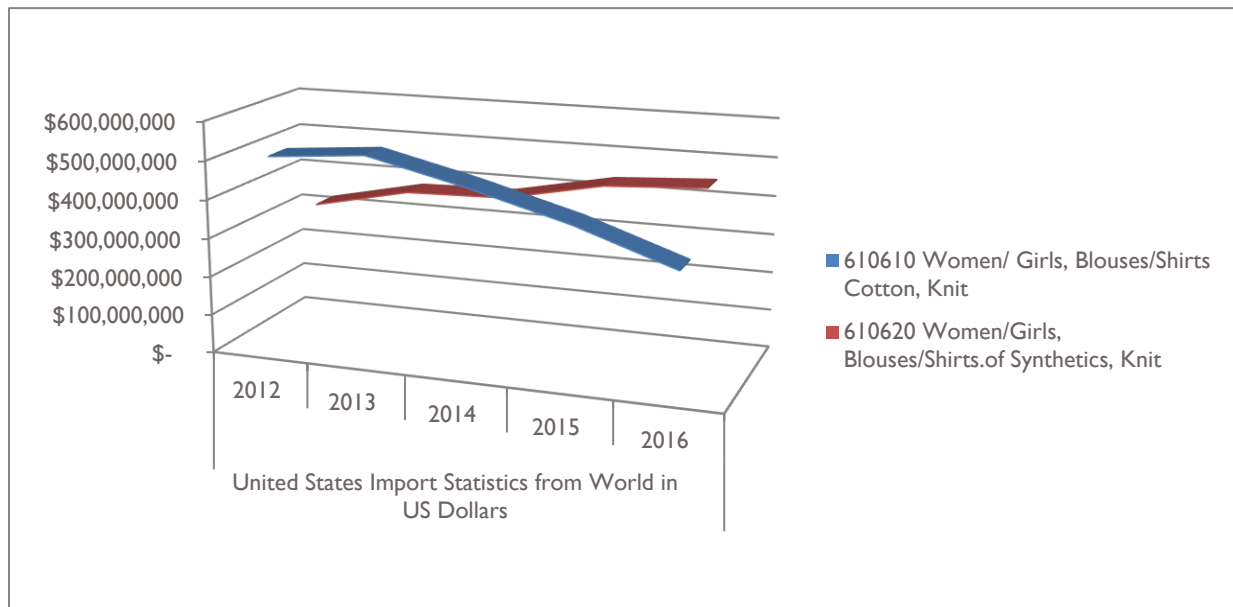
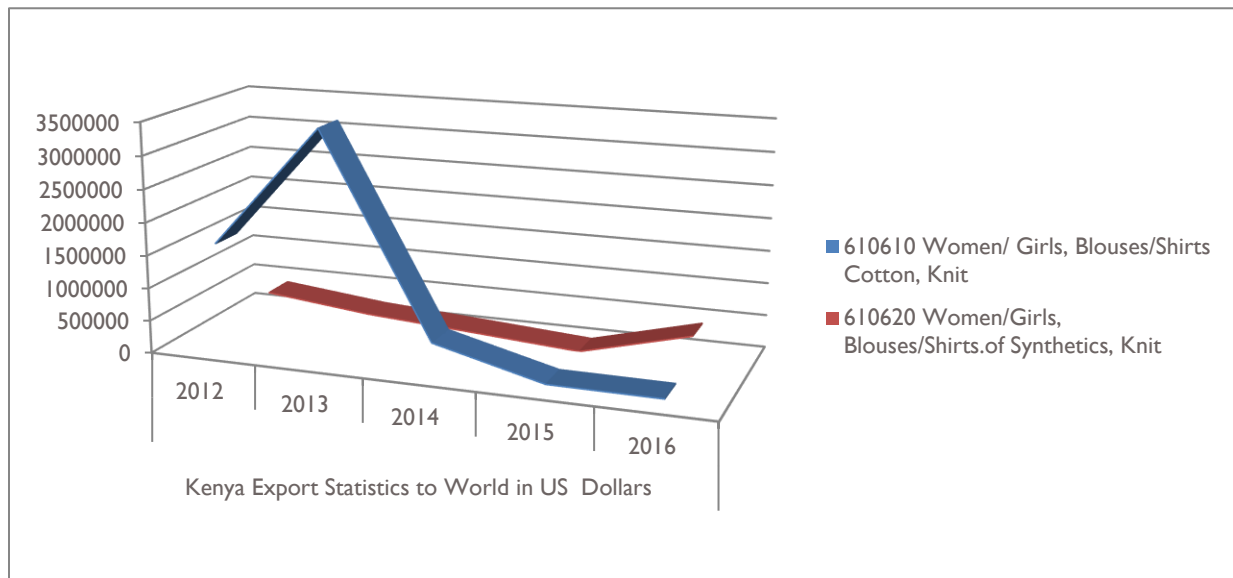


Figure 3b: Kenya World Export Trends – Category 6106 – Women & Girls Shirts, Knitted



Category 6106.20 Women & Girls Shirts, Knitted, in Synthetics is a best matched category. They should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. The duty savings for this category to U.S. importers under AGOA is 32 percent.

Figure 4a: U.S. World Import Trends – Category 6109 – T-Shirts, Knitted

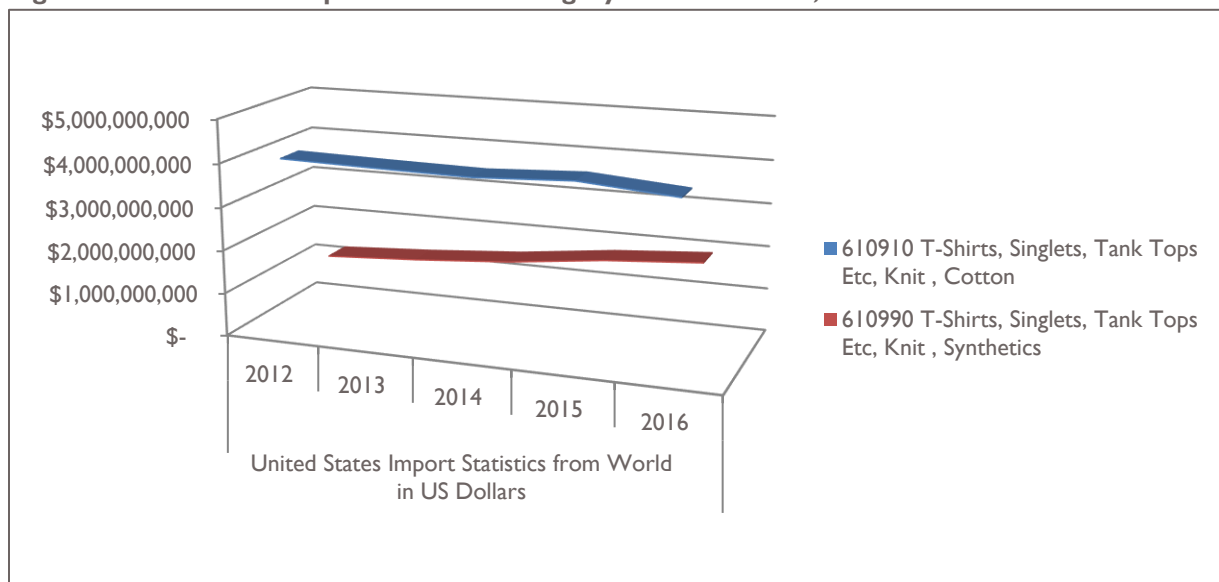
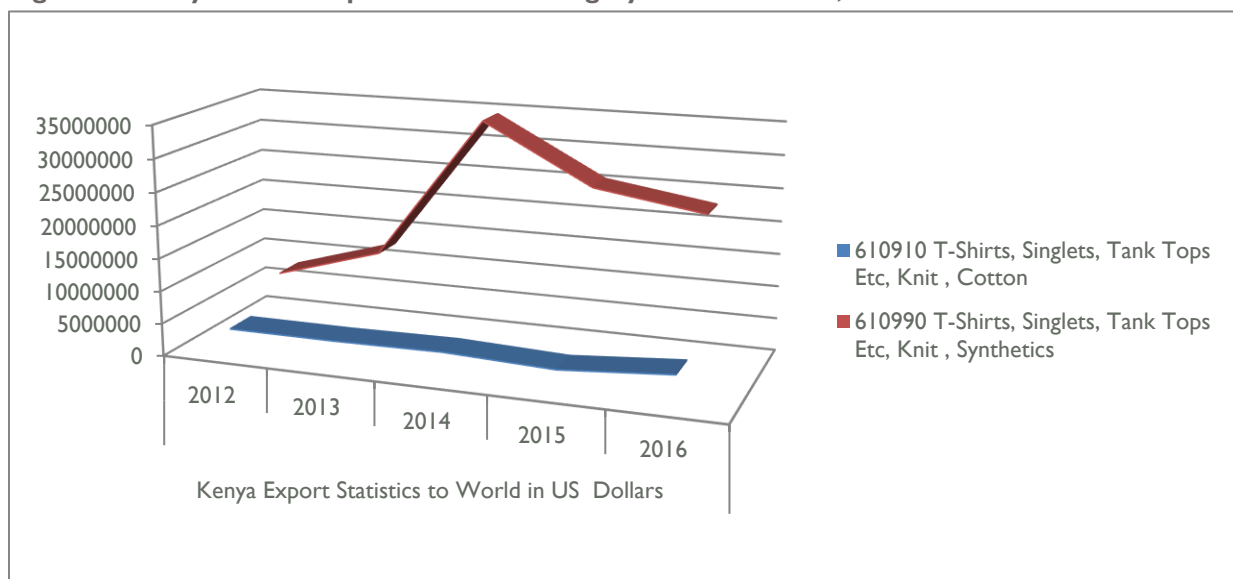


Figure 4b: Kenya World Export Trends – Category 6109 – T-Shirts, Knitted



Category 6109.10 Cotton Knit T-Shirts, and 6109.90 Synthetic Knit T-Shirts are best matched categories. They should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. Although there is an upward trend in synthetics in the U.S. and an upward trend in cotton in Kenya, demand for T-shirts and the mechanics of making T-shirts are complimentary regardless of fabric. Duty savings for this category to U.S. importers under AGOA is 16.5 percent for cotton and 32 percent for synthetic.

Figure 5a: U.S. World Import Trends – Category 6110 – Sweaters, Knitted

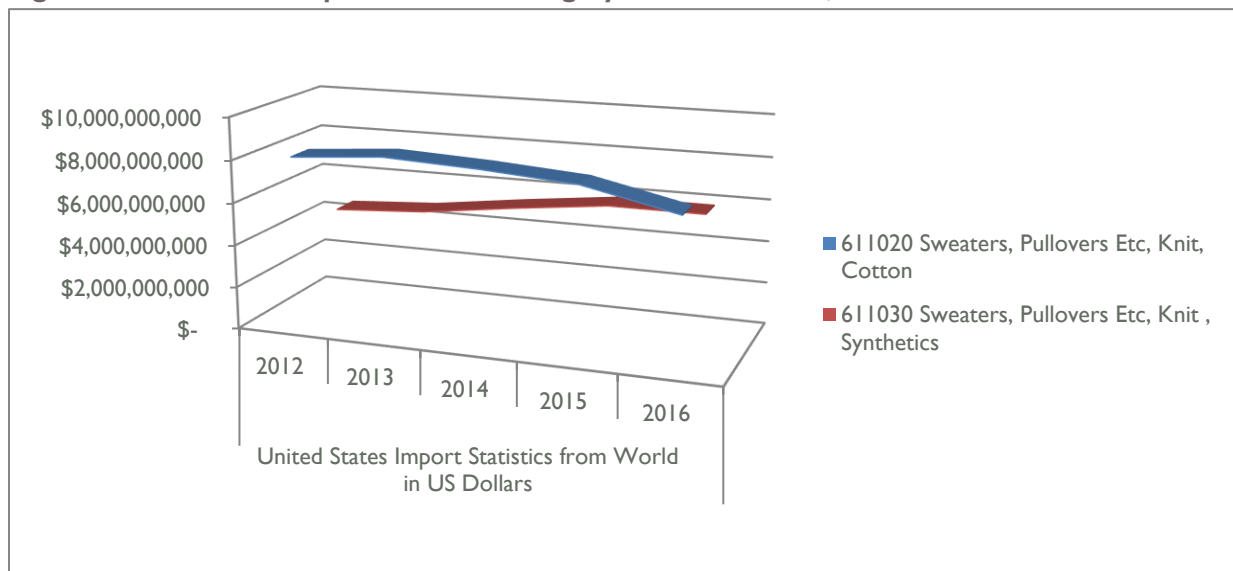
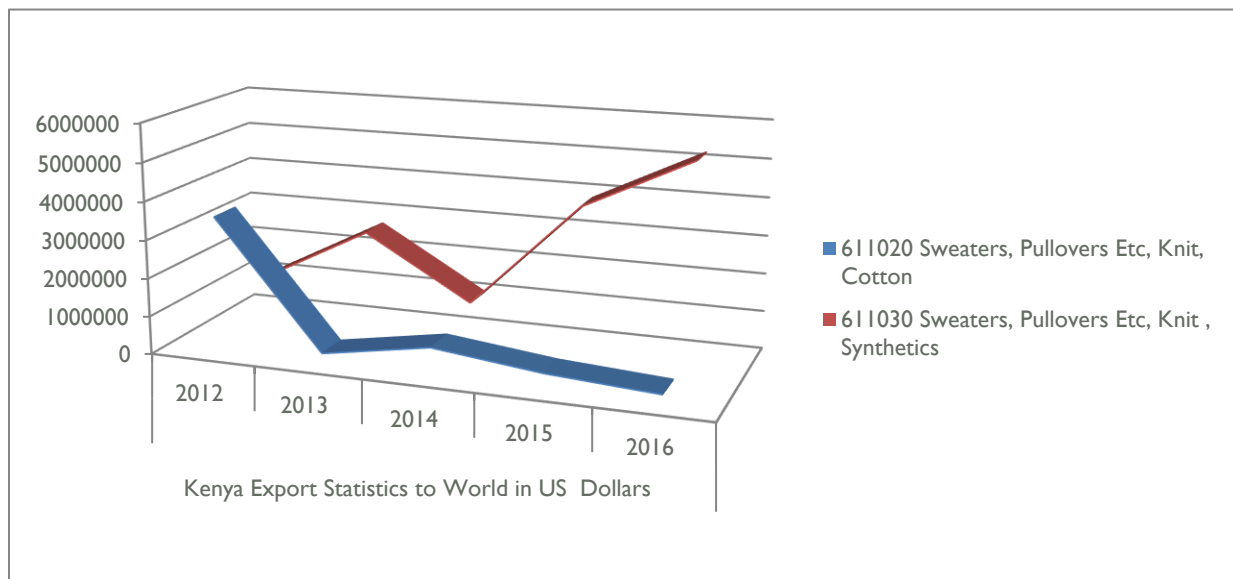


Figure 5b: Kenya World Export Trends – Category 6110 – Sweaters, Knitted



Category 6110.30 Synthetic Sweaters is a best matched category. It should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. Duty savings for this category to U.S. importers under AGOA is 32 percent.

Figure 6a: U.S. World Import Trends – Category 6201 – Men & Boys, Jackets/Outerwear

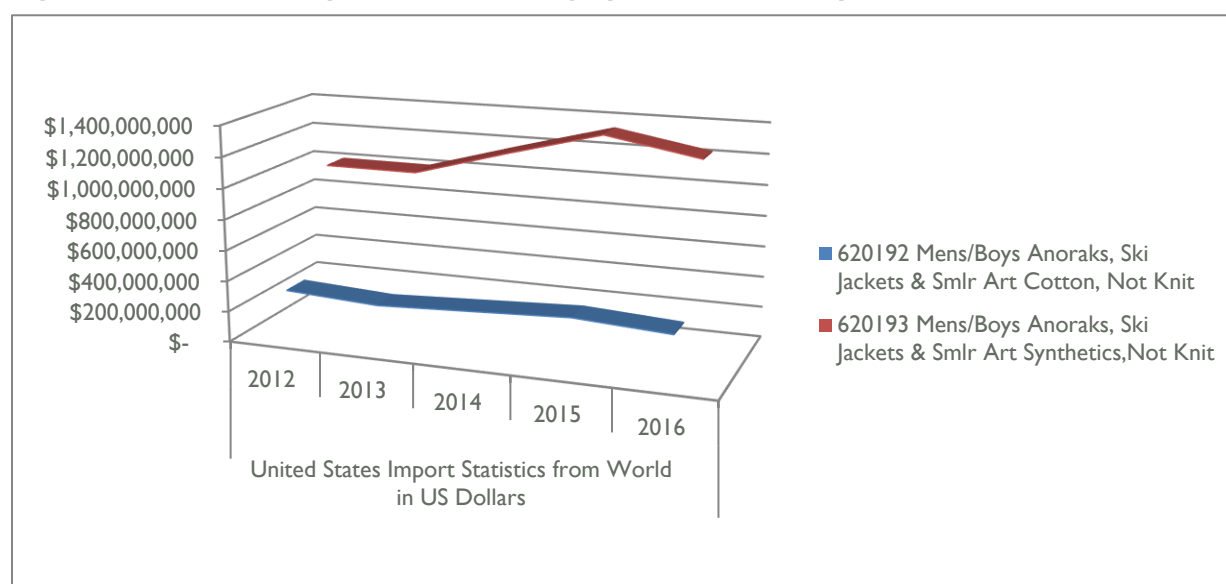
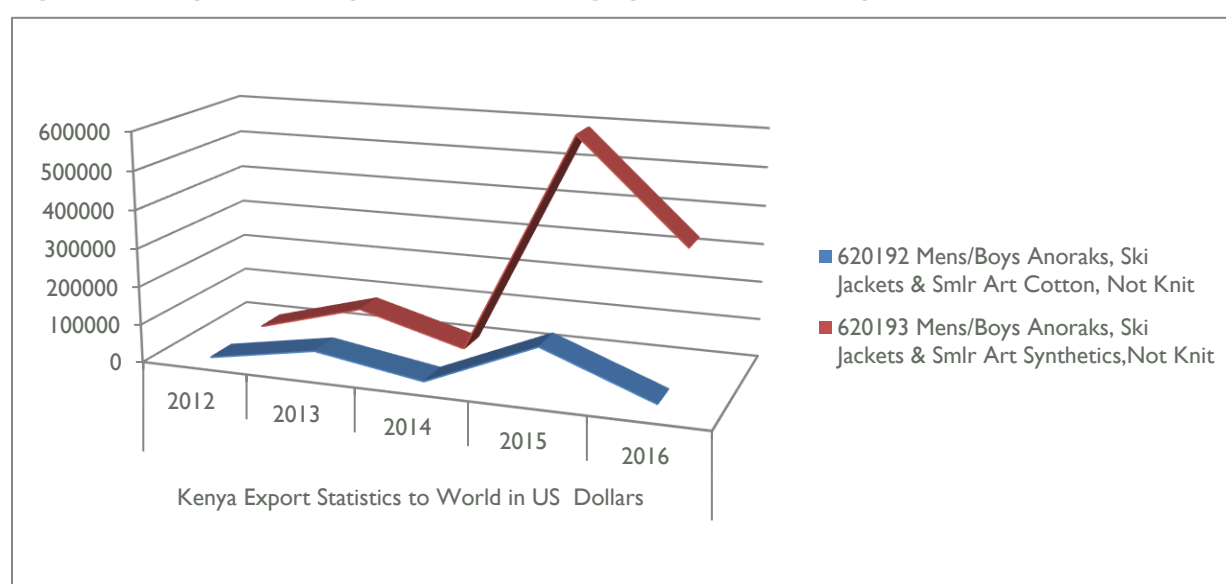


Figure 6b: Kenya World Export Trends – Category 6201 – Men & Boys, Jackets/Outerwear



Category 6201 Men & Boys Outerwear should not serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. All export figures show a decline in this category. It is a niche business for Kenya with very low volume. The duty savings for this category to U.S. importers under AGOA range from 6.2 percent to 27.7 percent.

Figure 7a: U.S. World Import Trends – Category 6202 – Women & Girls, Jackets/Outerwear

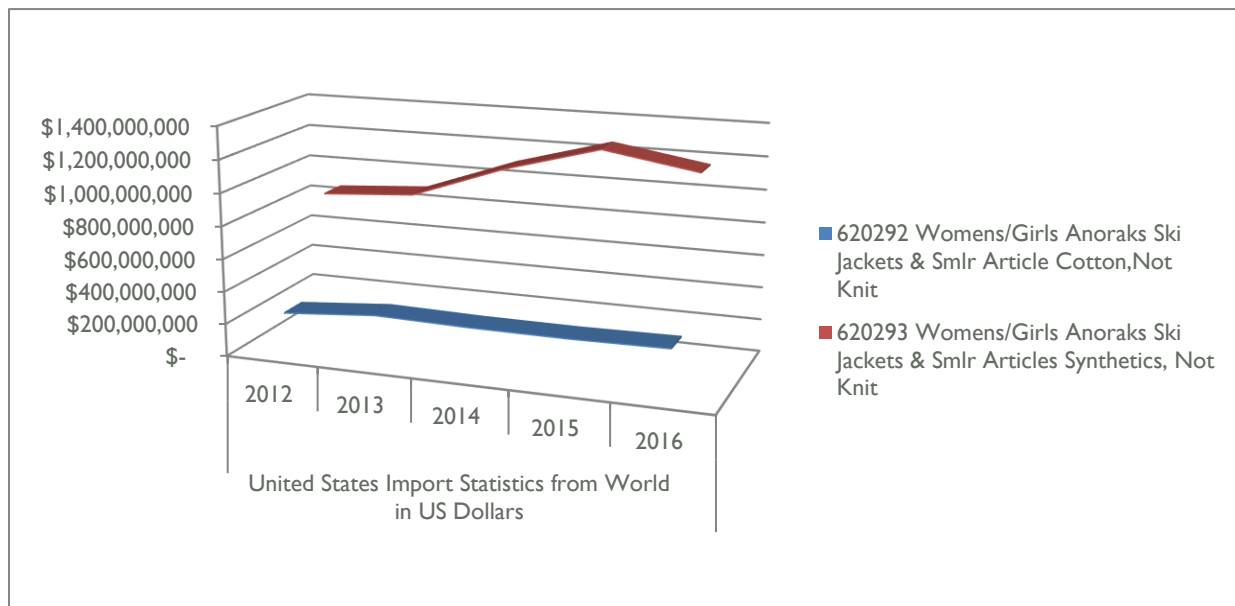
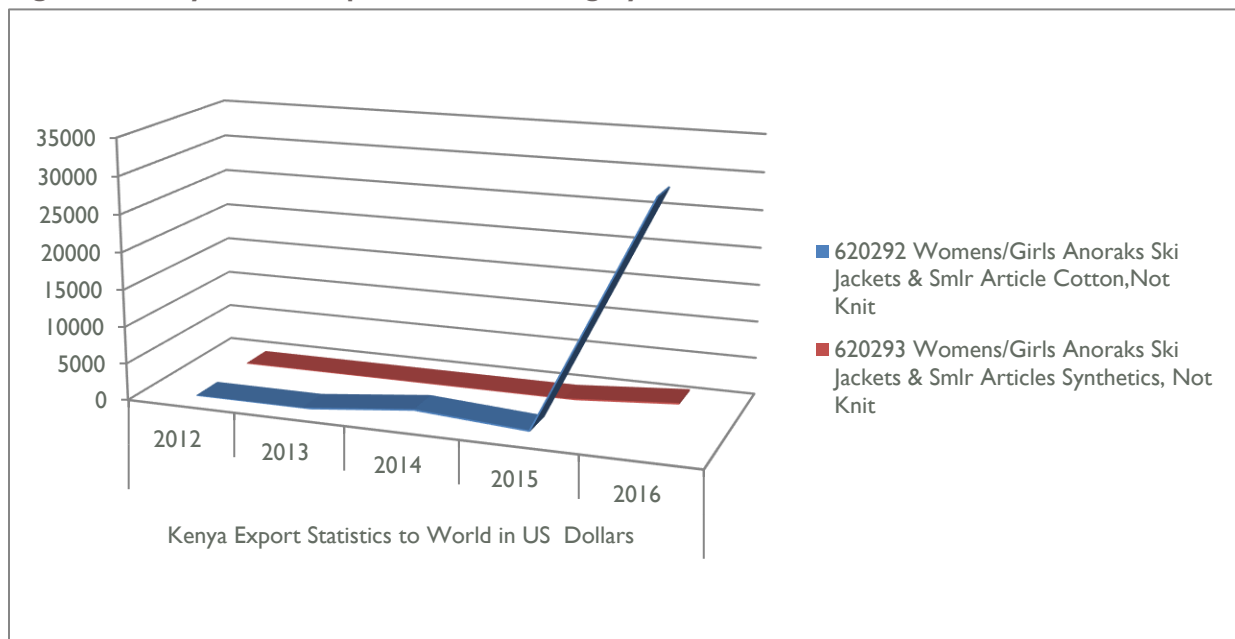


Figure 7b: Kenya World Export Trends – Category 6202 – Women & Girls, Jackets/Outerwear



Category 6202 Women & Girls Outerwear should not serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. It is a niche business for Kenya. U.S. export figures show a decline in this category, and the Kenya world export volume is very low. The duty savings for this category to U.S. importers under the AGOA range from 6.2% to 27.7%.

Figure 8a: U.S. World Import Trends – Category 6203 – Men & Boys Trousers/Shorts, Woven

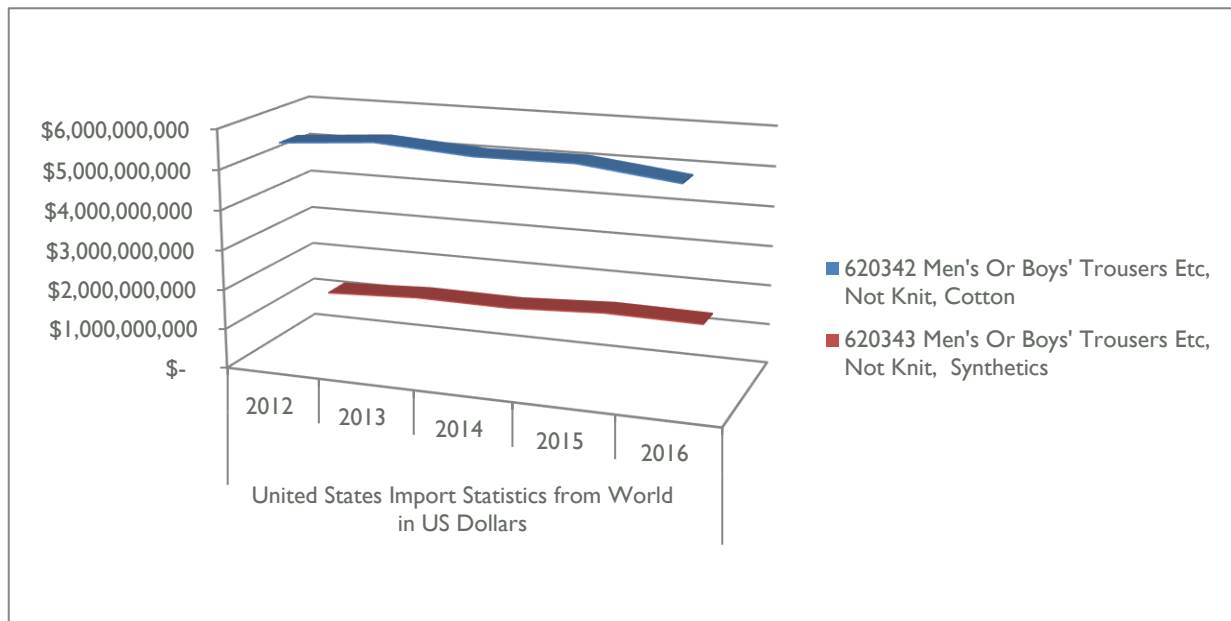
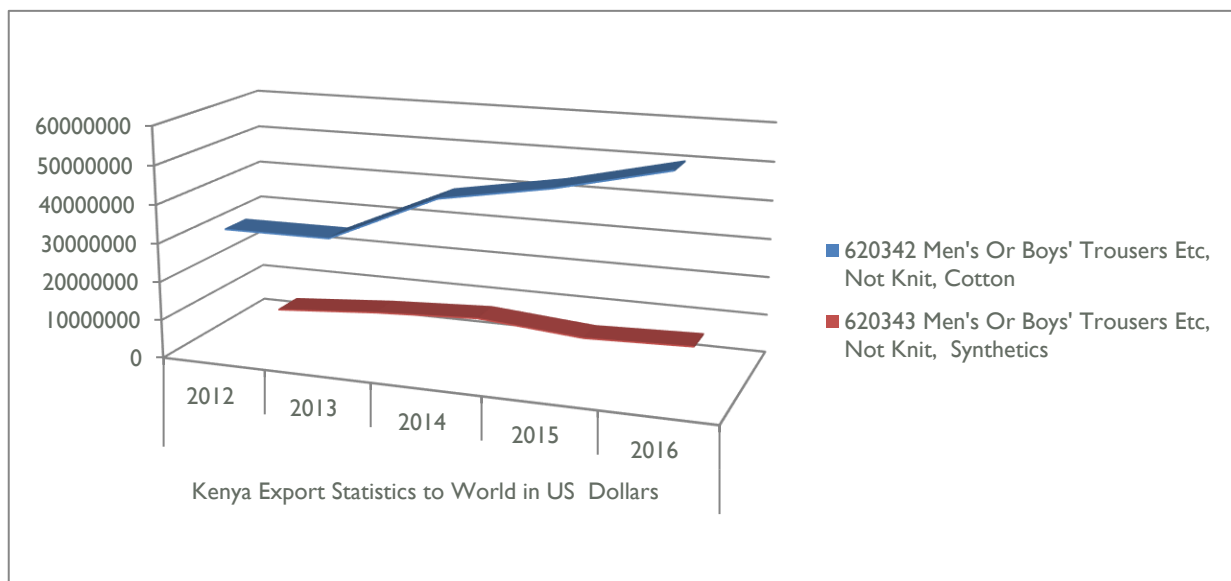


Figure 8b: Kenya World Export Trends – Category 6203 – Men & Boys Trousers/Shorts, Woven



Categories 6203.42 and 6203.43 have perplexing data. While the U.S. import figures show no growth or decline, Kenya's export figures show an increase. These categories should therefore serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan, based on the high volume shown on above. Duty savings for this category to U.S. Importers under AGOA is 16.6% for cotton and 27.9% for synthetic.

Figure 9a: U.S. World Import Trends – Category 6204 – Women & Girls Trousers/Shorts, Woven

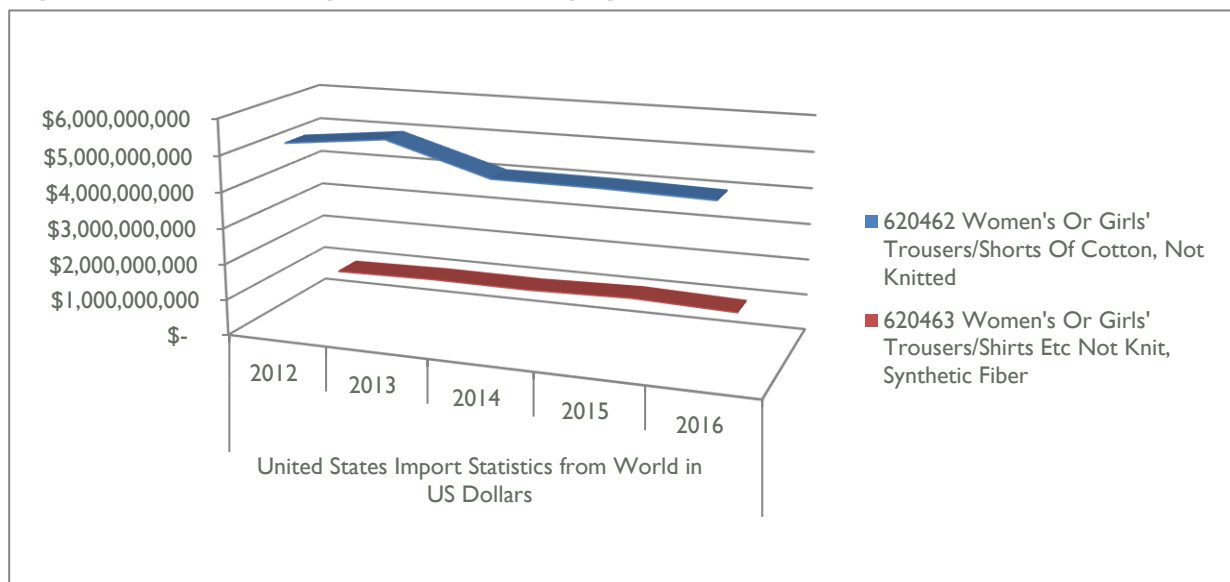
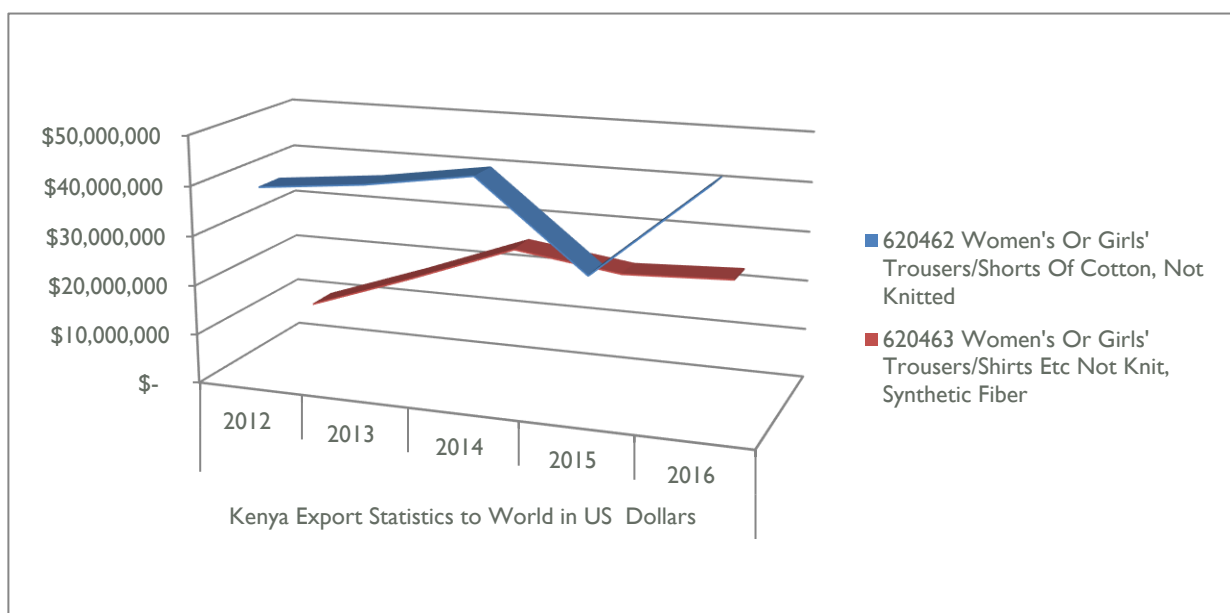


Figure 9b: Kenya World Export Trends – Category 6204 – Women & Girls Trousers/Shorts, Woven



Categories 6204 should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. The drop in cotton is due to the rise of “Athleisure wear”. Both figures 9a and 9b show volume opportunity. Duty savings for this category to U.S. importers under the AGOA is 16.6% for cotton and 28.6% for synthetic.

Figure 10a: U.S. World Import Trends – Category 6205 – Men & Boys Shirts, Woven

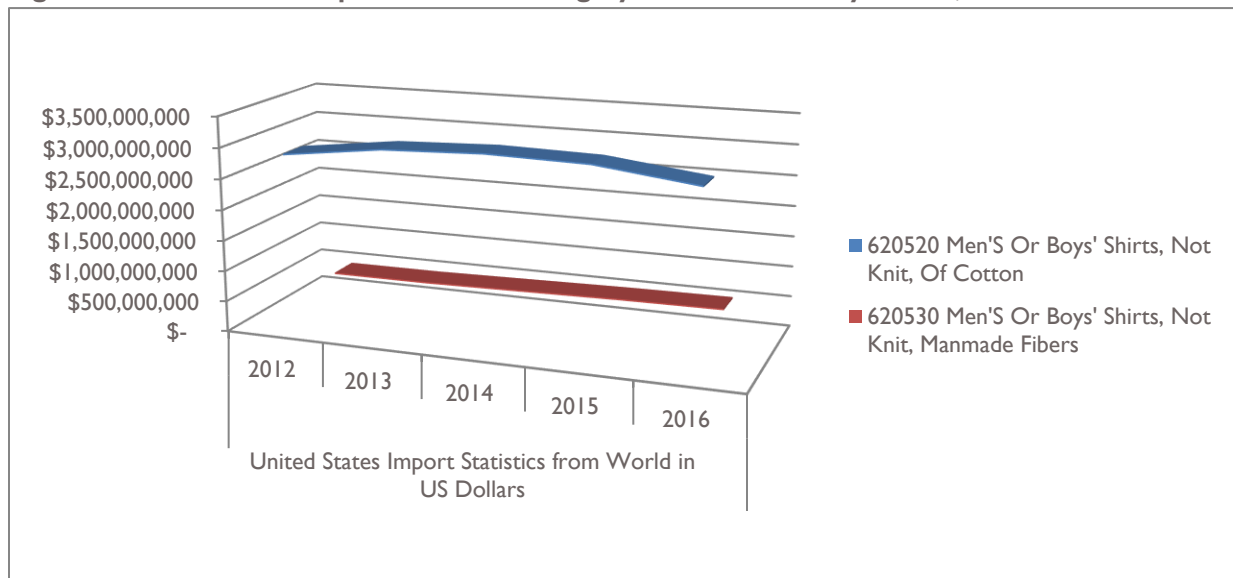
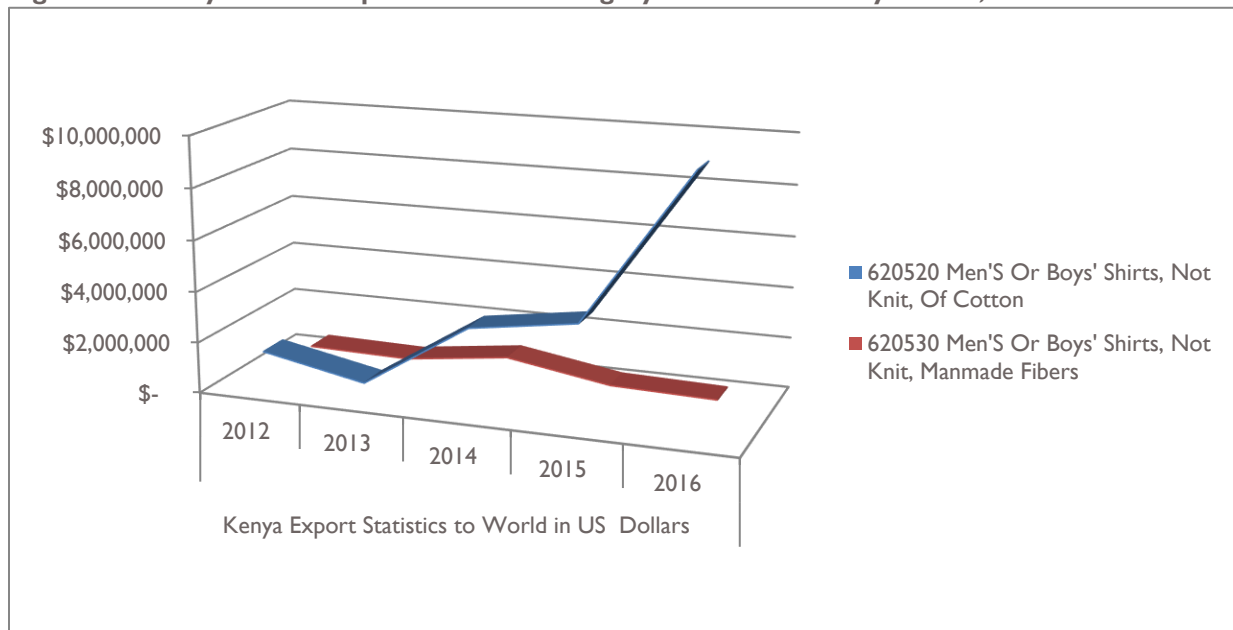


Figure 10b: Kenya World Export Trends – Category 6205 – Men & Boys Shirts, Woven



Categories 6205 should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. Although the U.S. demand is somewhat flat, the volume is high, and Kenya could have a share. Meanwhile, Kenya has shown a dramatic increase in world exports and therefore, the infrastructure exists. Duty savings for this category to U.S. importers under AGOA is 19.7% for cotton and 25.9% plus 29.1 cents/kg for synthetics.

Figure I Ia: U.S. World Import Trends – Category 6206 – Women & Girls Shirts, Woven

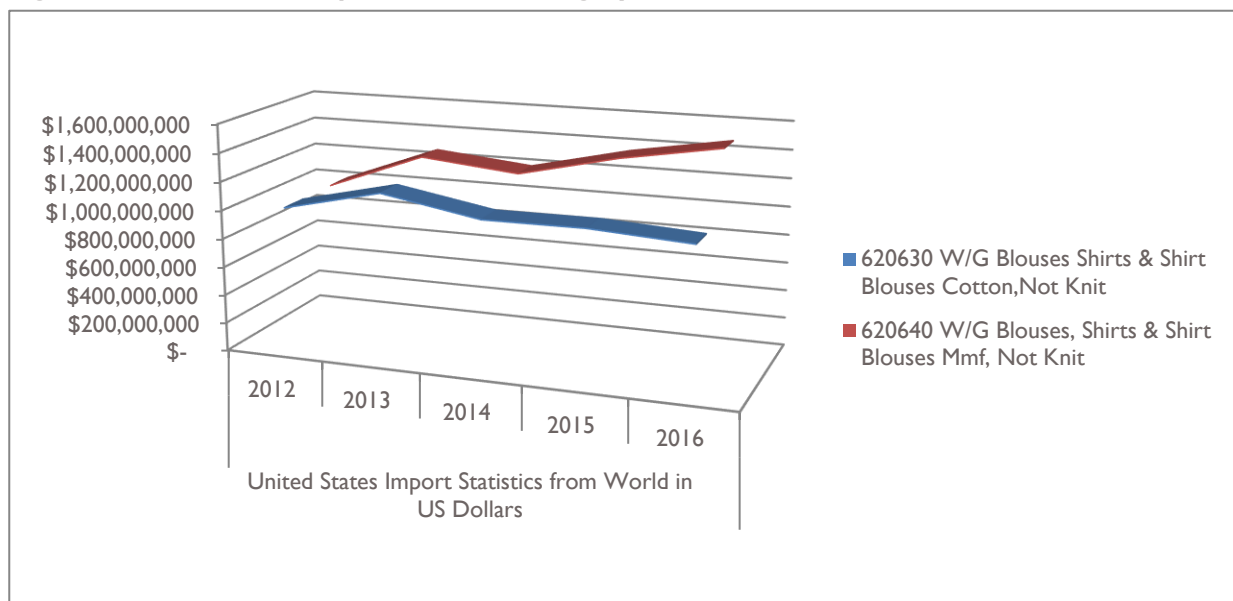
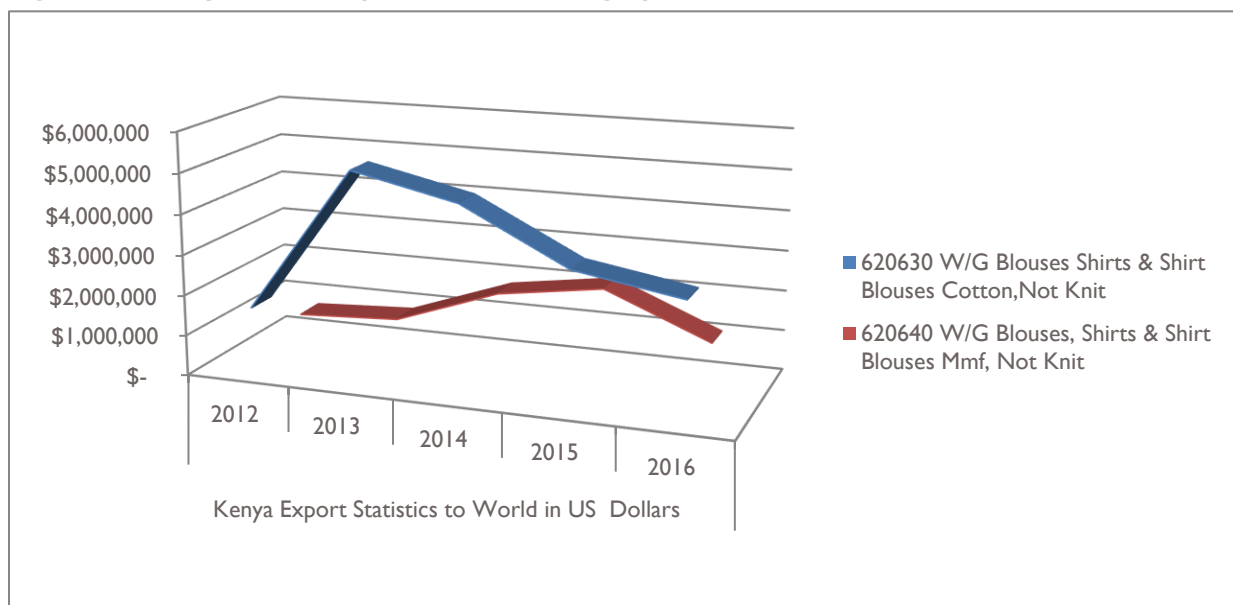


Figure I Ib: Kenya World Export Trends – Category 6205 – Women & Girls Shirts, Woven



Categories 6206 should serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. Kenya's drop in world business could be a result of a particular supplier or customer. The U.S. business is large enough to keep this category in focus. Duty savings for this category to U.S. importers under AGOA is 15.4% for cotton and 26.9% for synthetic.

Figure 12a: U.S. World Import Trends – Category 6104 & 6204 – Women & Girls Dresses, Knit & Woven

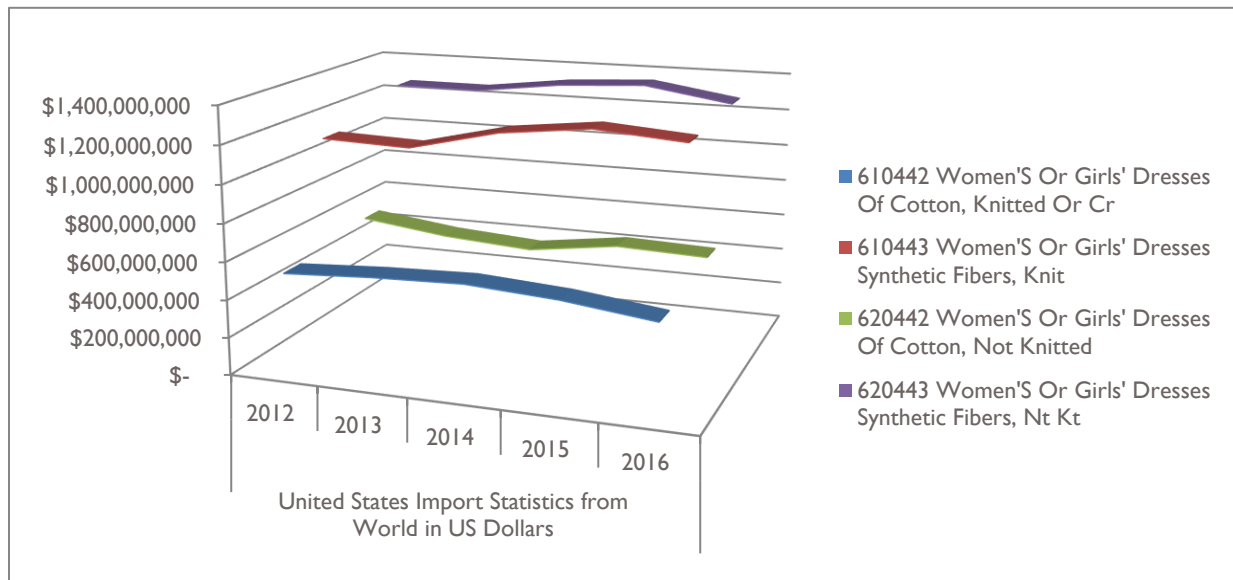
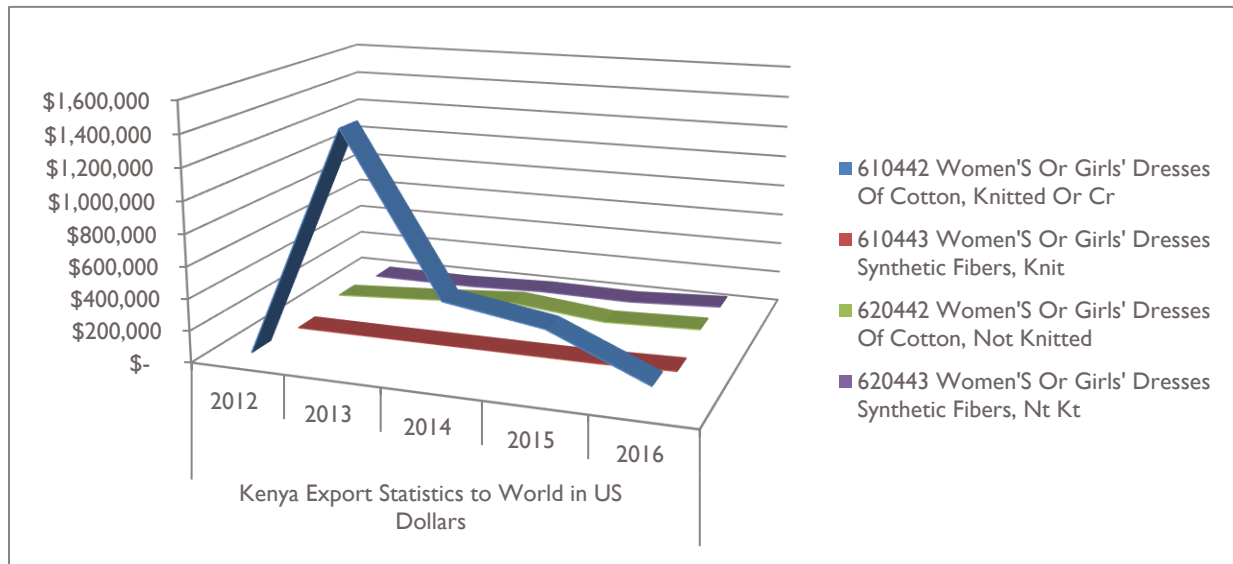


Figure 12b: Kenya World Export Trends – Category 6104 & 6204 – Women & Girls Dresses, Knit & Woven



Category 6104 & 6204 should not serve as a benchmark for the Kenya U.S. Export Strategy and Action Plan. This is due to low volume exports from Kenya, which is a likely reflection of its being a specialized fashion/niche collection SME. The support of SMEs includes various fashion categories in apparel, which includes dresses. Duty savings for this category to U.S. importers under AGOA range from 8.4% to 16%.

4. U.S. MARKET STRUCTURE, CHARACTERISTICS AND TRENDS

4.1 MARKET SIZE

In 2017, the global womenswear industry was valued at \$621 billion, the menswear industry at \$402 billion, and the childrenswear industry at \$186 billion.² U.S. consumer clothing expenditure was \$312 billion. The sheer size of this market creates opportunities for manufacturers to gain a global market share.

Although the U.S. is not one of the largest exporters of fashion products globally, textile and apparel exports were estimated at \$22.9 billion in 2016. Over 50 percent of these exports were industrial inputs as follows:

- Raw cotton: \$4.41 billion
- Nonwoven textiles: \$1.77 billion
- Cotton yarn of over 85 percent: \$1.13 billion
- Artificial filament tow: \$1.04 billion
- Synthetic filament yarn: \$1.03 billion dollars

The U.S. is the largest importer of fashion-related products in the world. In 2016, imports were valued at \$105 billion. These were mostly manufactured apparel such as:

- Sweaters, pullovers, sweatshirts, etc.: \$14.1 billion
- Women's suits, not knit: \$9.37 billion
- Men's suits, not knit: \$8.2 billion
- Women's suits: \$5.63 billion
- T-shirts: \$5.2 billion

On February 6, 2015, the Joint Economic Committee of the United States Congress³ revealed that almost 80 percent of U.S. apparel imports came from ten countries. The top ten countries for apparel imports account for 78 percent of the total world apparel imports. China tops the list at 30 percent, followed by Vietnam, Bangladesh, Indonesia, Honduras, India, Cambodia, Mexico, El Salvador and Nicaragua. There is a steady increase in imports from four countries: Vietnam, which was expecting trade preference to the U.S. under the Trans-Pacific Partnership (TPP); Honduras and Nicaragua, which enjoy trade preference to the U.S. under the Central America Free Trade Agreement (CAFTA) and Mexico, which enjoys trade preference to the U.S. under the North American Free Trade Agreement (NAFTA). This indicates that trade preferences, such as AGOA, create market opportunities and fuel growth.

² FashionUnited, March 19, 2017.

³ Report entitled The Economic Impact of the Fashion Industry, and using statistics from OTEXA

Figure 53: Top 10 Apparel Exporting Countries to the U.S.

June 30, 2017 MAJOR SHIPPERS REPORT-Top Ten U.S. General Imports Million Dollars Apparel January - May 2017					
	YEAR TO DATE (January-May) 2016 2017				
World	31,081	30,672	M \$, dn	-409	M \$ or -1.32%
TOP TEN COUNTRIES:					
China	9,575	9,297	M \$, dn	-278	M \$ or -2.90%
Vietnam	4,188	4,479	M \$, up	291	M \$ or 6.95%
Bangladesh	2,264	2,140	M \$, dn	-124	M \$ or -5.47%
Indonesia	2,023	1,937	M \$, dn	-86	M \$ or -4.26%
Honduras	953	963	M \$, up	10	M \$ or 1.03%
India	1,732	1,701	M \$, dn	-30	M \$ or -1.75%
Cambodia	876	828	M \$, dn	-48	M \$ or -5.53%
Mexico	1,356	1,409	M \$, up	53	M \$ or 3.93%
El Salvador	767	742	M \$, dn	-25	M \$ or -3.30%
Nicaragua	579	594	M \$, up	15	M \$ or 2.60%

Looking beyond the Top 10, Figure 14 shows the total apparel imports for 2017 compared to 2016.⁴ The data indicates steady market share growth for countries with trade preferences to the U.S. This is particularly apparent for African countries, with Ethiopia, Kenya and Madagascar registering significant gains in 2017 as compared to the previous year.

One could argue that these East African countries registered high achievements because they had started from such a low base. Nonetheless, the growth is worth noting, and the figures in Figure 14 are a clear indication of a positive trend toward sourcing and importing apparel to the U.S. from East Africa since AGOA was signed for its ten-year term in 2015.

⁴ OTEXA's Monthly Major Shipping, June 30, 2017

Figure 64: Major Monthly Shippers Report – Total Apparel Imports

June 30, 2017								
<div> <div>MAJOR SHIPPERS REPORT- Monthly</div> <div>U.S. General Imports</div> <div>TOTAL APPAREL IMPORTS (MFA)</div> </div>								
Million Square Meter Equivalent (SME)					Million \$\$\$			
Country	5/2016	5/2017	Change	% Change	5/2016	5/2017	Change	% Change
World	2,059.190	2,136.137	76.947	3.7	6,092.255	6,111.372	19.117	0.3
China	774.815	823.689	48.875	6.3	1,870.546	1,858.780	-11.766	-0.6
Vietnam	269.008	296.806	27.798	10.3	839.201	856.973	17.773	2.1
Bangladesh	145.214	151.390	6.176	4.3	407.047	400.105	-6.942	-1.7
Honduras	91.524	96.375	4.851	5.3	216.598	223.657	7.059	3.3
India	91.191	95.774	4.583	5.0	306.275	322.537	16.262	5.3
Egypt	16.311	19.975	3.664	22.5	59.860	63.991	4.131	6.9
Jordan	13.888	17.162	3.274	23.6	77.589	91.231	13.642	17.6
Kenya	5.947	8.787	2.840	47.7	21.882	30.827	8.944	40.9
Dominican Republic	26.606	28.372	1.766	6.6	70.988	79.985	8.997	12.7
Pakistan	43.579	45.153	1.573	3.6	104.046	103.791	-0.255	-0.2
Burma	1.235	2.781	1.546	125	4.361	8.058	3.696	84.7
Lesotho	3.884	5.151	1.267	32.6	18.535	23.453	4.919	26.5
Ethiopia	1.212	2.460	1.248	103	2.564	5.422	2.858	111
Oman	0.351	1.311	0.960	274	1.226	6.290	5.064	413
Guatemala	33.354	34.300	0.946	2.8	121.628	123.959	2.331	1.9
Turkey	5.337	5.980	0.644	12.1	35.688	44.563	8.875	24.9
Madagascar	3.010	3.626	0.616	20.5	9.431	12.179	2.748	29.1
Canada	3.712	3.240	-0.473	-13	37.102	37.752	0.650	1.8
Israel	0.807	0.317	-0.490	-61	6.062	4.953	-1.109	-18
Korea, South	4.912	4.252	-0.659	-13	15.616	17.642	2.026	13.0
Costa Rica	0.894	0.221	-0.673	-75	3.016	1.965	-1.051	-35
Bahrain	1.310	0.001	-1.310	-100	8.680	0.006	-8.673	-100
Malaysia	7.369	5.988	-1.381	-19	39.942	33.191	-6.751	-17
Mexico	77.010	75.513	-1.497	-1.9	274.656	316.693	42.037	15.3
Philippines	23.420	21.471	-1.950	-8.3	73.092	60.380	-12.712	-17
El Salvador	72.634	69.425	-3.209	-4.4	162.157	165.367	3.211	2.0
Thailand	24.077	20.614	-3.463	-14	73.288	66.935	-6.353	-8.7
Indonesia	104.160	100.114	-4.046	-3.9	387.238	350.113	-37.125	-9.6
Cambodia	60.787	56.573	-4.214	-6.9	159.010	145.166	-13.844	-8.7
Haiti	32.055	25.817	-6.238	-19	77.693	70.755	-6.938	-8.9
Sri Lanka	38.458	32.023	-6.435	-17	159.776	136.458	-23.318	-15

4.2 KENYAN EXPORTS TO THE U.S. ON BEST MATCHED CATEGORIES

Based on the global analysis in Section 3, U.S. global import demand was compared to Kenya global exports, which created a best matched category. A decisive indicator was synthetic fabric content versus cotton. We will use the following best matched category list as the focus for the remainder of the report:

TABLE 2. BEST MATCHED CATEGORIES

HTS CODE	DUTY SAVINGS	DESCRIPTION
Knitted Shirts in Synthetic for ALL Genders and Ages		
6105.20	32%	Men & Boys, Shirts, Knitted, of Synthetic
6106.20	32%	Women & Girls, Shirts, Knitted, of Synthetic
T-Shirts in Cotton and Synthetic for ALL Genders and Ages		
6109.10	16.5%	T-shirts, Knitted, of Cotton

6109.90	32%	T-shirts, Knitted, of Synthetic
Sweaters in Synthetic for ALL Genders and Ages		
6110.30	32%	Sweaters (pullovers & cardigans), of Synthetic
Woven Pants and Shorts in Cotton and Synthetic for ALL Genders and Ages		
6203.42	16.6%	Men & Boys, Trousers/Shorts, Woven, of Cotton
6203.43	27.9%	Men & Boys, Trousers/Shorts, Woven, of Synthetic
6204.62	16.6%	Women & Girls, Shorts & Trousers, Woven, of Cotton
6204.63	28.6%	Women/Girls, Shorts & Trousers, Woven, of Synthetic
Woven Shirts in Cotton and Synthetic for ALL Genders and Ages		
6205.20	19.7%	Men & Boys, Shirts, Woven, of Cotton
6205.30	25.9%+29.1cents/kg	Men & Boys, Shirts, Woven, of Synthetic
6206.30	15.4%	Women & Girls, Shirts, Woven, of Cotton
6206.40	26.9%	Women & Girls, Shirts, Woven, of Synthetic
Dresses for Women & Girls in Cotton and Synthetic as Part of SME Products		
6104.42	11.5%	Women & Girls, Dresses, Knitted, of Cotton
6104.43	14.9%	Women & Girls, Dresses, Knitted, of Synthetic
6204.42	8.4%	Women & Girls, Dresses, Woven, of Cotton
6204.43	16.0%	Women & Girls, Dresses, Woven, of Synthetic

Figure 75: Kenyan Exports to the U.S. – Market Size and Growth for Years 2012-2016, Knitted Shirts in Synthetic for ALL Genders and Ages

HTS 6105.20 Men & Boys, Shirts, Knitted, of Synthetic
HTS 6106.20 Women & Girls, Shirts, Knitted, of Synthetic

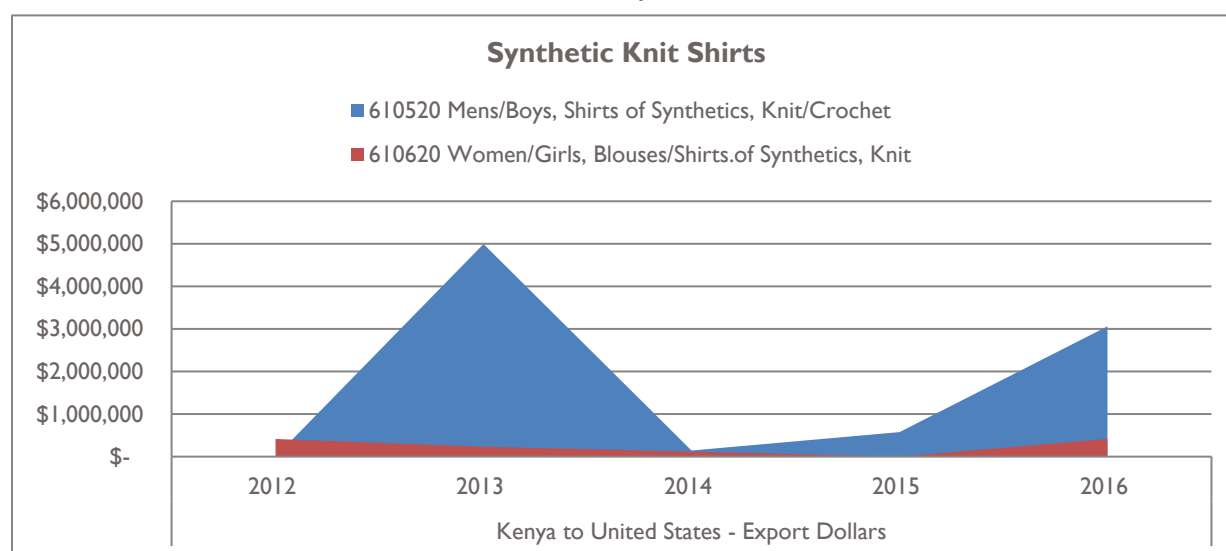


Figure 86: Kenyan Exports to the U.S. – Market Size and Growth for Years 2012-2016, T-shirts in Cotton & Synthetic for ALL Genders and Ages

HTS 6109.10 T-shirts, Knitted, of Cotton
HTS 6109.90 T-shirts, Knitted, of Synthetic

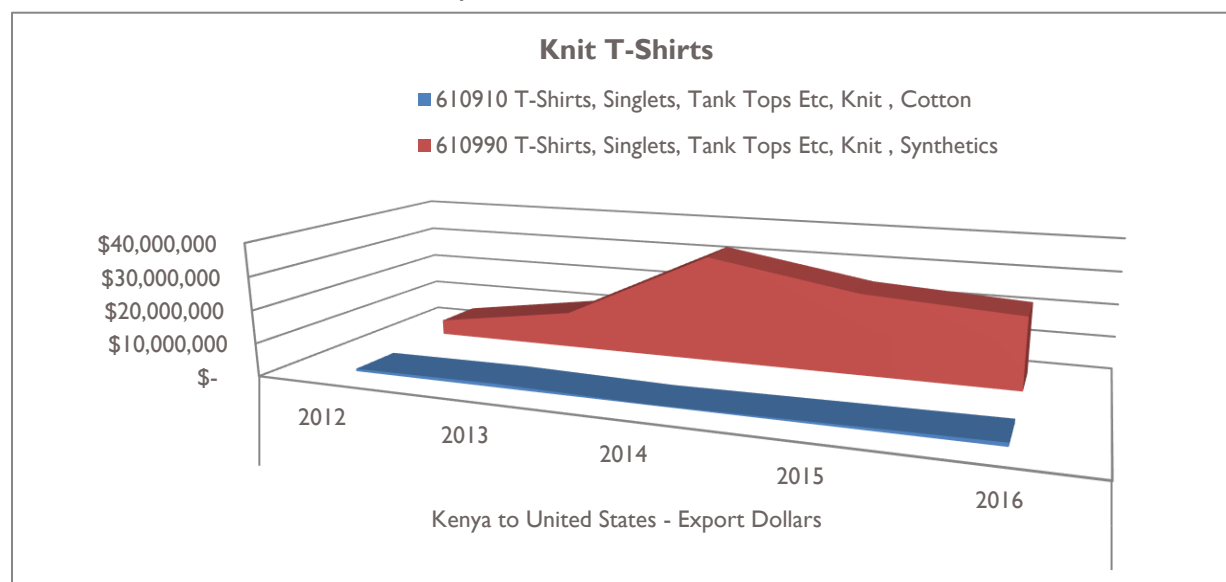


Figure 97: Kenyan Exports to the U.S. – Market Size and Growth for Years 2012-2016, Sweaters in Synthetic for ALL Genders and Ages

HTS 6110.30 Sweaters (pullovers & cardigans), of Synthetic

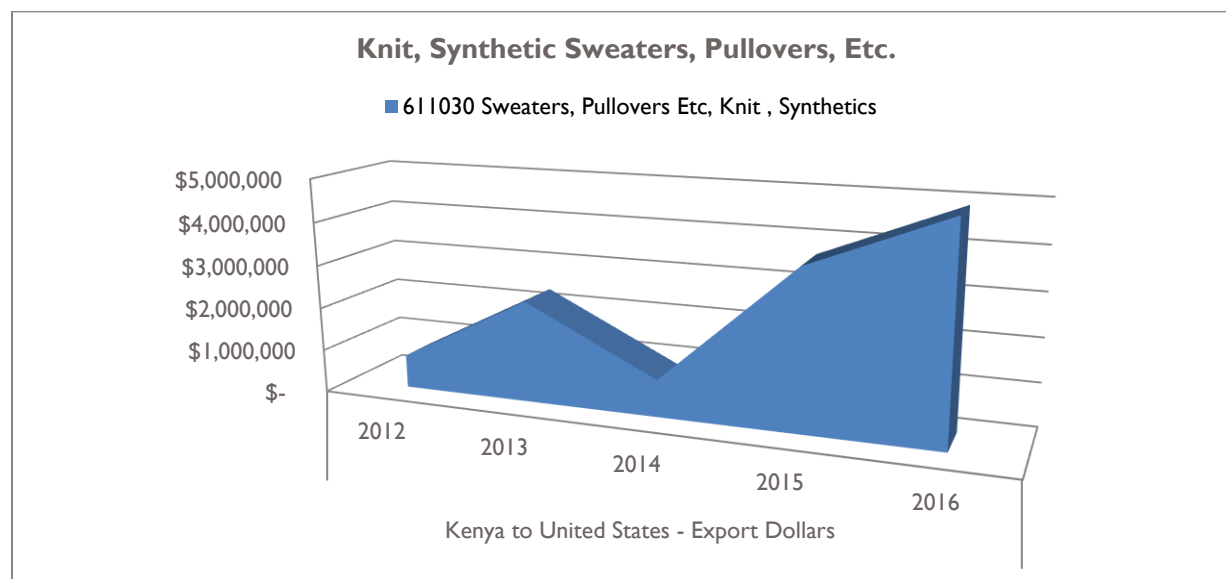


Figure 108: Kenyan Exports to the U.S. – Market Size and Growth for Years 2012-2016, Woven Pants and Shorts in Cotton & Synthetic for ALL Genders and Ages

HTS 6203.42 Men & Boys, Trousers/Shorts, Woven, of Cotton
 HTS 6203.43 Men & Boys, Trousers/Shorts, Woven, of Synthetic
 HTS 6204.62 Women & Girls, Shorts & Trousers, Woven, of Cotton
 HTS 6204.63 Women & Girls, Shorts & Trousers, Woven, of Synthetic

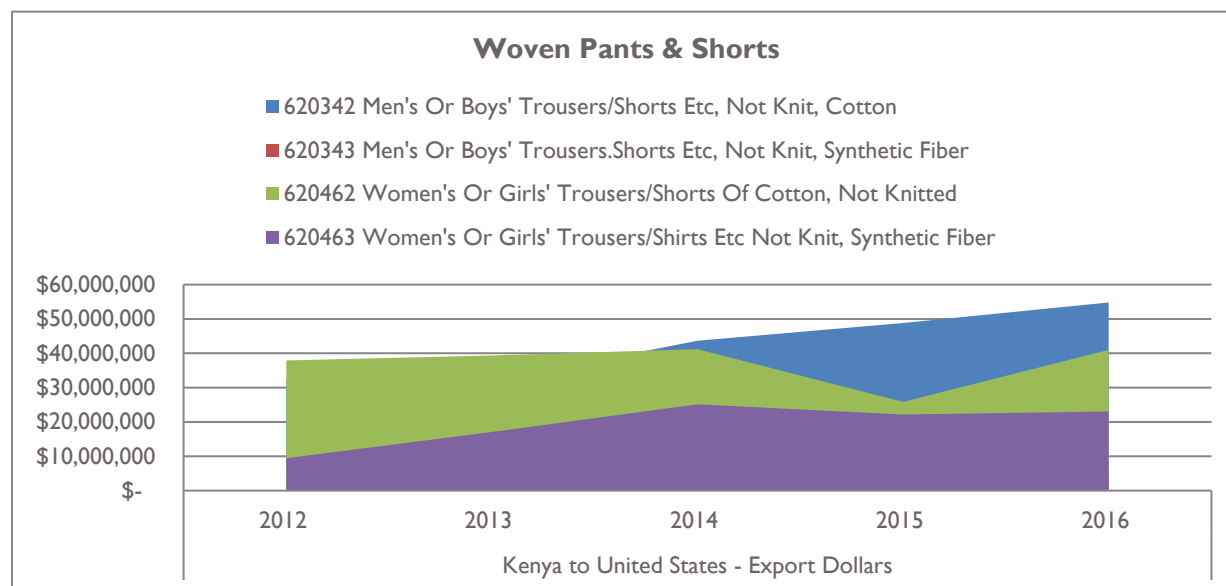
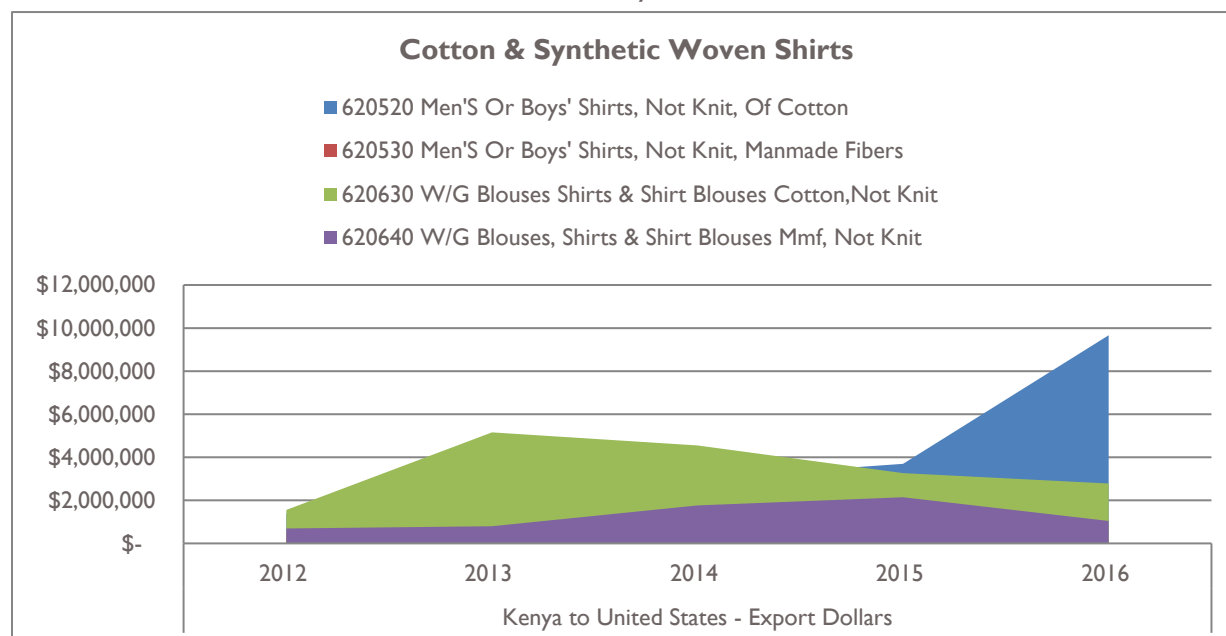


Figure 119: Kenyan Exports to the U.S. – Market Size and Growth for Years 2012-2016, Woven Shirts in Cotton & Synthetic for ALL Genders and Ages

HTS 6205.20 Men & Boys, Shirts, Woven, of Cotton
 HTS 6205.30 Men & Boys, Shirts, Woven, of Synthetic
 HTS 6206.30 Women & Girls, Shirts, Woven, of Cotton
 HTS 6206.40 Women & Girls, Shirts, Woven, of Synthetic



For the Best matched categories, there is a heavy surge in synthetics, even in bottoms. The initial 2014 drop in U.S. imports for women's and girls' cotton bottoms could be attributed to the surge in "athleisure" wear during this period. Knit leggings and sweat pants in stretch synthetics from brands like Lululemon and Nike became acceptable outside the gym - in schools and even in some offices, depending on the type of business. This could have displaced the core woven bottoms market. In 2014, around the time of the decrease in U.S. imports in this category, an article entitled "For the Active Wear Market, There's No Way But Up" was published in <https://www.businessoffashion.com/>. The article states: "Wearing gym clothes beyond the gym has never looked more appropriate....The global sports apparel market — which includes women's active wear — is set to grow to \$178 billion by 2019, according to Boston-based research firm Trefis."

4.3 MARKET SEGMENTS

The product groups in the best matched categories are captured in six major market segments:

KNITTED SHIRTS. For all of the best matched categories, there is a heavy surge in synthetics. In particular, we narrowed down our focus category to Knit Shirts only in Synthetics due to the surge in "athleisure," and the global sports apparel market which is driven by performance fabrics. Most of these fabrics are synthetic and carry attributes like "wicking" to relieve the feeling of moisture against the skin, quick dry to eliminate perspiration from hanging on to the garment and make for cross activity use, anti-microbial for more sanitary wearability and stretch components to make them more comfortable. It is stated on multiple sites including www.globenewswire.com and www.alliedmarketresearch.com that the global sports apparel market is set to grow to \$184.6 billion by 2020.

T-SHIRTS. Sourcing Journal online quotes NPD Group statistics, which claim that Americans spend \$20 billion on T-shirts every year. Some selection of men's, women's, teens and/or children's T-shirts are sold by virtually every retail establishment that sells apparel, and even some companies that sell other non-apparel products. Quality, price and embellishments depend on the end-user demographic. This segment is the most vast and cross pollinates with other segments such as name brand, designer fashion, sportswear, performance wear, athletic wear, fast fashion, ethical fashion, promotional wear, commodity and work wear. There should be room for Kenyan suppliers to capture a portion of this massive opportunity.

SWEATERS. For all genders, sweaters have typically been a seasonal business and prominent during the Fall/Winter selling season (August through December). Some of the South and West parts of the U.S. buy little to no sweaters due to the short and limited wearing cycle. Higher priced designer brands and some work wear companies' stock sweaters year-round. Lighter weights are preferred due to their versatility. The duty on synthetic sweaters is 32%, therefore a trade preference program like AGOA would afford the buyer a measurable saving. In addition, because sweaters are a primarily vertical operation, a supplier most often only needs to import/keep "yarn" on hand to be able to knit garments to order. This is in contrast to other product categories that need imported fabrics, findings and trims.

SPORTSWEAR AND WORKWEAR. (Men/Boys/Women/Girls – Woven Pants & Shorts; Men/Boys/Women /Girls – Woven Shirts) These categories are considered "sportswear components" as well as "work wear components" depending on styling and usage. Today, there is a cross-over sector where the work wear/uniform companies are producing styles that look more like sportswear increase versatility. These woven tops and bottoms are for all genders, and are part of name brand and private label collections and classification departments in all major department stores, apparel specialty stores, uniform and workwear suppliers and e-commerce sites. There is cross cutting with other segments such as designer fashion, performance wear, fast fashion and ethical clothing, to name a few. These categories are relevant to all size business.

SME COMPONENTS – INCLUDING DRESSES AND CHILDREN’S WEAR. Women’s dresses - the wear to work essential in some professions such as banking and government posts - has been in the news lately due to the U.S. Government requirement for women to have their shoulders covered when sitting in session. But sleeves or no sleeves, “Dresses continue to lead assortments with 24% year-over-year growth.⁵ In Kenya, this is an SME which is generally higher priced and designer or niche driven.

Over the years, children’s wear has incubated itself as a segment unto itself. However, that is all changing. E-commerce and fast fashion have pushed the children’s market into trends, production cycles, and challenges that are similar to adult commerce. The best news about children’s wear is that children continue to be born and grow and thus, there is a constant need for wardrobe replenishment. It must also be noted that in the U.S., the Consumer Product Safety Commission (CPSC) has a very strict set of guidelines for exporters to follow when producing for this segment.

Each of the above market segments is diverse in their possible reach toward the end consumer.

4.4 MARKET TRENDS

The U.S. market is vast and offers the opportunity for export growth in many segments.

KNIT SHIRTS The Lifestyle Monitor, produced by Cotton Inc., published an article entitled “Winning in the U.S. Active Wear Market.” The article states:

“A revolution in the U.S. active wear market is being driven by the convergence of several consumer and retail trends. According to Cotton Incorporated’s 2014 Sports Apparel Survey, more than 9 in 10 consumers say they wear athleticwear for activities other than exercise. Increased consumer demand has prompted U.S. athletic apparel sales to grow at double the rate of non-active apparel sales for several years. Strong sales growth has convinced mass merchants, fast fashion retailers, and luxury brands to enter or increase offerings in this \$33 billion market, previously dominated by a smaller cadre of outdoor and sports apparel retailers and brands... The ability to sustain a thriving and lucrative activewear line that appeals to consumers will require attention to comfort, fashion, and performance.”

T-SHIRTS can be considered both a basic commodity as well as a fashion item in the U.S., depending on usage, price point and brand name. Price point is typically driven by quality and construction, though some notable brand names are able to sell even basic T-shirts for higher prices simply based on marketing and their brand equity. Sourcing for large volumes as “commodity” is highly competitive especially for the products called “blanks”, which are simple in nature and typically embellished (usually with screen prints) later down the supply chain (and not by the manufacturer). Sourcing for small to medium volumes as fashion items may include some embellishments (like printing or special stitching) at the manufacturing level. They are typically more forgiving with prices, and often times are looking for, or are already associated with mission statements aiming for sustainable and benevolent supply chains. In addition to factors within the segment, cotton T-shirts find additional competition from the fast rising “performance” category where T-shirts are made from technical synthetics that offer special features like “wicking” and “temperature control” as mentioned in Section 4.2(A).

SWEATERS, fully fashioned, have been a “seasonal” category in the U.S. They are typically purchased in the latter part of the calendar year for wearing in the colder winter months. However, with unpredictable climate, and considering a large part of the U.S. is “warm” 12 months a year, consumer buying habits for sweaters vary greatly. Lighter, finer gauge designs are more marketable. This category

⁵ The Sourcing Journal on line report “Womenswear Trends Channel Versatility for Spring/Summer 2018”

has also been affected by the “performance” factor. The SPINEXPO first edition report given by www.knittingindustry.com notes that spinners exhibiting in July 2016, for goods to be in store by 2017, offered technical and performance yarns, cotton and cotton blend yarns for jersey, and light soft fancy yarns. Sustainability and efficiency in the use of resources was also a recurring trend.

WOVEN SHIRTS, PANTS AND SHORTS for men’s, women’s and children’s bottoms are typically led by denim jeans. Tops are usually led by men’s dress shirts, sport shirts and women’s blouses. In recent years however, the entire category has been under threat as the rise of “athleisure” wear has challenged the rigid woven business tops and bottoms with the acceptance of knitted polos, athletic style fashion tops, leggings, jeggings and other nonwoven fabrics. For men’s, women’s and children’s apparel, the “athleisure” trend of knitwear keeps rising, challenging the growth of woven apparel.

WOMEN AND GIRLS’ DRESSES have also been affected by the rise of sportswear and “athleisure.” As women and girls strive for empowerment, their wardrobe follows suit. On December 13, 2016, Elle online published an article on fashion trends titled “How Women Owned Sport, And Sport Ruled Women's Wear In 2016.” The article states: “Sportswear has been a hot topic for several seasons, and the trend isn't slowing down. On the AW16 and SS17 runways, designers used athletic wear as a tool to show the emotional and physical strength of women...” This attitude will have a negative effect on the way “dresses” are purchased. However, all is not lost. Predictions for 2017 give a new life to dresses as noted in Sourcing Journal online, Fashion Snoops Top Trends for Fall/Winter 2017/2018 posted on August 16, 2016, and the Spring 2018 article mentioned in Section 4.2(F)

CHILDREN’S WEAR, as a cross cutting market for the above mentioned product groups is challenged by the same factors as adult wear. In 2016, the entire market was influenced by the “performance” and “athleisure” rise, as well as fast fashion’s push on speed to market. The Sourcing Journal online published its 2016 report “The Year in Children’s Wear” citing the Top 5 business trends in the kids market as:

1. Influx of international brands making their way to the U.S.
2. Accelerated demands pushing faster production cycles and more frequent deliveries of new products
3. Price and stock level competition between traditional brick and mortar retail stores against e-commerce sellers, and regulations on sale prices and periods
4. Advertising truths and full disclosure for component parts and raw materials
5. Potential tariffs and/or compliance regulation changes that could come with the U.S. government administration’s view on imports

4.5 MAIN BUYERS

It is sometimes confusing to figure out who the target buyers are for apparel. There are Retail Buyers who purchase goods for their own stores. There are Wholesaler Buyers who purchases goods and then sell the goods to the retailers. Both groups sell on e-commerce/online websites.

The National Retail Federation (NRF), the world’s largest retail trade association, notes on their website that there are 286,225 clothing and clothing accessory “Retail” stores in the U.S. Figure 20 below provides examples of some of these stores selected from top retail and trade data in 2016. It is intended as a guide for discussion on U.S. market potential for Kenya’s apparel exporters.

Figure 20: Partial Listing of U.S. "Principle Buyers"

U.S. Company Name	Corporate Note	Type	T-shirts	Men's /Teen Sportswear	Women's /Teen Sportswear	Outerwear	Sweaters	Children's Sportswear
Abercrombie & Fitch	Abercrombie & Fitch	Specialty Retail	yes	yes	yes	yes	yes	yes
Academy Sports Ltd.		Retail Chain	yes	yes	yes	yes	yes	yes
Alternative Apparel		Ethical Brand	yes	yes	yes	yes	yes	-
Amazon		E-commerce	yes	yes	yes	yes	yes	yes
American Eagle Outfitters		Specialty Retail	yes	yes	yes	yes	yes	-
Ann Taylor	Ascena Retail Group	Retail Chain	yes	-	yes	yes	yes	-
Anthropologie	URBN	Specialty Retail	yes	-	yes	yes	yes	-
Anvil	Gildan Activewear Inc.	Wholesale Brand	yes	-	-	-	-	-
Arrow	PVH Corp.	Wholesale Brand	yes	yes	yes	yes	yes	-
Athleta	Gap Inc.	Retail Chain	yes	-	yes	-	yes	yes
Banana Republic	Gap Inc.	Retail Chain	yes	yes	yes	yes	Yes	-
Bloomingdale's		Retail Chain	yes	yes	yes	yes	yes	yes
Calvin Klein	PVH Corp.	Wholesale Brand	yes	yes	yes	yes	yes	yes
Costco		Discount Club	yes	yes	yes	yes	yes	yes
Dick's Sporting Goods		Retail Chain	yes	yes	yes	yes	yes	yes
Dillard's		Retail Chain	yes	yes	yes	yes	yes	yes
Dress Barn	Ascena Retail Group	Retail Chain	yes	-	yes	yes	yes	-
Eddie Bauer		Specialty Retail	yes	yes	yes	yes	yes	yes
Eileen Fisher		Ethical Brand	yes	-	yes	yes	yes	-
Everlane		Ethical Brand	yes	yes	yes	yes	yes	-
Forever 21		Specialty Retail	yes	yes	yes	yes	yes	-
Free People	URBN	Specialty Retail	yes	-	yes	yes	yes	-
Fruit of the Loom		Wholesale Brand	yes	-	-	-	-	-
Gap	Gap Inc.	Retail Chain	yes	yes	yes	yes	yes	yes
Gildan	Gildan Activewear Inc.	Wholesale Brand	yes	-	-	-	-	-
Greater Good/Global Girlfriend		Specialty Retail	yes	yes	yes	yes	yes	yes
Gymboree		Specialty Retail	yes	-	-	yes	yes	yes
Hanes/Champion	Hanesbrands Inc.	Wholesale Brand	yes	-	-	-	-	-
Hollister	Abercrombie & Fitch	Specialty Retail	yes	yes	yes	yes	yes	-
Indigenous		Ethical Brand	yes	yes	yes	yes	yes	-
Izod	PVH Corp.	Wholesale Brand	yes	yes	yes	yes	yes	yes
J. Crew		Specialty Retail	yes	yes	yes	yes	yes	yes
J.C. Penney		Retail Chain	yes	yes	yes	yes	yes	yes
Jo S. A. Banks Clothiers	Tailored Brands Inc.	Specialty Retail	yes	yes	-	yes	yes	-
Justice	Ascena Retail Group	Retail Chain	yes	-	-	yes	yes	yes
Kellwood Companies	H.K. Investor Group	Wholesale Brands	yes	-	yes	yes	yes	-
Kohl's		Retail Chain	yes	yes	yes	yes	yes	yes
L.L. Bean		Specialty Retail	yes	yes	yes	yes	yes	yes
Lands Ends		Specialty Retail	yes	yes	yes	yes	yes	yes
Lee	VF Corporation	Wholesale Brand	yes	yes	yes	yes	yes	yes
Levi's/ Dockers	Levi Strauss & Co.	Wholesale Brand	yes	yes	yes	yes	yes	-
Loft	Ascena Retail Group	Retail Chain	yes	-	yes	yes	yes	-
Lord & Taylor	HBC Company	Retail Chain	yes	yes	yes	yes	yes	yes
Macy's		Retail Chain	yes	yes	yes	yes	yes	yes
Marshalls	TJX Company	Discount Retail	yes	yes	yes	yes	yes	yes
Maurices	Ascena Retail Group	Retail Chain	yes	-	yes	yes	yes	-
Nautica	VF Corporation	Wholesale Brand	yes	yes	yes	yes	yes	yes
Next Level		Wholesale Brand	yes	-	-	-	-	-
Nordstrom		Retail Chain	yes	yes	yes	yes	yes	yes
Old Navy	Gap Inc.	Retail Chain	yes	yes	yes	yes	yes	yes
Orvis		Specialty Retail	yes	yes	yes	yes	yes	-
Oxford Industries	Oxford Inc.	Wholesale Brands	yes	yes	yes	yes	yes	-
Patagonia		Ethical Brand	yes	yes	yes	yes	yes	yes
PEI Licensed Brands	Perry Ellis International	Wholesale Brands	yes	yes	yes	yes	yes	-
Polo Ralph Lauren		Brand & Retail	yes	yes	yes	yes	yes	yes
PVH Licensed Brands	PVH Corp.	Wholesale Brand	yes	yes	yes	yes	yes	-
Saks Fifth Avenue	HBC Company	Retail Chain	yes	yes	yes	yes	yes	yes
Saks Off Fifth	HBC Company	Discount Retail	yes	yes	yes	yes	yes	yes
Sam's Club	Wal-Mart Stores, Inc.	Discount Club	yes	yes	yes	yes	yes	yes
T.J. Maxx	TJX Company	Discount Retail	yes	yes	yes	yes	yes	yes
Talbots Inc.		Specialty Retail	yes	-	yes	yes	yes	-
Target		Discount Retail	yes	yes	yes	yes	yes	yes
Tharanco Group Holdings	The Tharanco Group	Wholesale Brands	yes	yes	yes	yes	yes	-
The Children's Place		Specialty Retail	yes	-	-	yes	yes	yes
The Men's Warehouse	Tailored Brands Inc.	Specialty Retail	yes	yes	-	yes	yes	-
Timberland	VF Corporation	Wholesale Brand	yes	yes	yes	yes	yes	yes
Tommy Hilfiger	PVH Corp.	Wholesale Brand	yes	yes	yes	yes	yes	yes
Uniform	Liberty & Justice	Ethical Brand	yes	yes	yes	yes	yes	-
Urban Outfitters	URBN	Specialty Retail	yes	yes	yes	yes	yes	-
Van Heusen	PVH Corp.	Wholesale Brand	yes	yes	yes	yes	yes	-
Wal-Mart Stores	Wal-Mart Stores, Inc.	Discount Retail	yes	yes	yes	yes	yes	yes
Wangler	VF Corporation	Wholesale Brand	yes	yes	yes	yes	yes	yes

* Data extracts from National Retail Federation @ nrf.com , Chain Store Guide @ chainstoreguide.com, The Good Trade @ thegoodtrade.com, and www.blankapparel.com

The NRF publishes their annual Top 100 Retailers ranking each year in June based on sourced data from Kantar Retail. In an article published on June 29, 2017, the Sourcing Journal online highlighted NRF's Top 100 breakdown based on 2016 sales, spotlighting the top retailers selling apparel in four sections based on price tier:

- Mass Merchant: Lowest price/highest volume; usually sells apparel in addition to other goods; sells multiple brands including private label.
- Mass Apparel: Value price/high volume; usually only sells apparel and apparel accessories including shoes; sells multiple brands including private label.
- Premium Apparel: Medium price/medium to large volume; usually only sells apparel and apparel accessories including shoes and may sell multiple brands; private label or may only sell their own brand.
- Luxury Apparel: High price/small to medium volume; usually only sells apparel and apparel accessories including shoes and may sell multiple brands; private label or may only sell their own brand.

4.5.1 MASS MERCHANT

Walmart remained in the Number 1 slot overall with an estimated \$363 billion in sales in the U.S. alone. Walmart is an American multinational “mass merchant” retailing corporation that operates as a chain of hypermarkets, discount department stores, and grocery stores. They are value price driven and the discount department stores sells apparel among other things. Walmart also owns and operates the Sam's Club retail warehouses which sell apparel, in addition to other product sectors.

4.5.2 MASS APPAREL

This category of retail stores selling apparel includes mid-tier department stores, off-price chains, and fast fashion retailers.

Figure 21: NRF's Top Mass Apparel Stores

Company	2016 USA retail sales (000)	Sales per store (000)	Comp-store change & sales	USA stores
TJX [®]	\$20,946,000	\$9,600	5.0%	2,192
Kohl's	\$18,752,000	\$16,000	-2.4%	1,169
Ross Stores	\$12,864,000	\$8,400	4.0%	1,532
J.C. Penney Company	\$12,471,000	\$12,400	0.0%	1,046
Sears Holdings	\$9,304,000	\$14,100	-9.3%	661
Gap (Old Navy)	\$7,578,000	\$8,000	-2.0%	944
Ascena Retail Group	\$5,958,000	\$1,300	-5.0%	4,419
Burlington Coat Factory	\$5,497,000	\$9,400	4.5%	583
H&M	\$4,113,000	\$8,800	N.A.	468
Nordstrom Rack	\$3,924,000	\$18,100	-0.4%	217
The Bon-Ton Stores	\$2,601,000	\$9,900	-3.8%	262
Forever 21	\$2,553,000	\$4,900	N.A.	520
Express	\$2,096,000	\$3,300	-9.0%	635

4.5.3 PREMIUM APPAREL

This category of retail stores selling apparel includes multi-brand mall stores, as well as better brand labels.

Figure 22: NRF's Top Premium Apparel Stores

Company	2016 USA retail sales (000)	Sales per store (000)	Comp-store change % sales	USA stores
TJX [^]	\$20,846,000	\$9,600	5.0%	2,192
Kohl's	\$18,752,000	\$16,000	-2.4%	1,169
Ross Stores	\$12,864,000	\$8,400	4.0%	1,512
J.C. Penney Company	\$12,471,000	\$12,400	0.0%	1,046
Sears Holdings	\$9,304,000	\$14,100	-9.3%	661
Gap (Old Navy)	\$7,578,000	\$8,000	-2.0%	944
Ascena Retail Group	\$5,958,000	\$1,300	-5.0%	4,419
Burlington Coat Factory	\$5,697,000	\$9,400	4.5%	583
H&M	\$4,113,000	\$8,800	N.A.	468
Nordstrom Rack	\$3,524,000	\$18,100	-0.4%	217
The Bon-Ton Stores	\$2,601,000	\$9,900	-3.8%	262
Forever 21	\$2,553,000	\$4,900	N.A.	520
Express	\$2,096,000	\$3,300	-9.0%	635

4.5.4 LUXURY APPAREL

This category of retail stores sells the best and higher price apparel, apparel accessory and shoes. Tables 6 shows NRF's top stores in this category.

Figure 23: NRF's Top Luxury Apparel Stores

Company	2016 USA retail sales (000)	Sales per store (000)	Comp-store change % sales	USA stores
Nordstrom	\$10,342,000	\$86,900	-0.4%	119
Neiman Marcus	\$4,771,000	\$52,400	-4.1%	91
Saks Fifth Avenue / Lord & Taylor [^]	\$3,577,000	\$24,200	n.a.	148
Bloomingdale's (Macy's)	\$3,243,000	\$60,000	-3.5%	54
Ralph Lauren Corp.	\$2,336,000	\$9,000	n.a.	270

Source: Kantar Retail
 *Includes online sales related to respective retailers
 ^Parent Hudson's Bay Company

Noticeably absent from the Top 100 extract above is Amazon. The same Sourcing Journal article noted: "Though it's not ranked as an apparel retailer, it's important to note that Amazon's apparel sales – through third parties and direct – were estimated to be \$22 billion for 2016. This places it just behind Macy's which racked up \$22.1 billion."

5. U.S. TARIFF STRUCTURE

All pre-selected products in this analysis are imported duty-free into the U.S. from Kenya under AGOA. To be eligible for trade preferences under the textile and apparel provisions, AGOA beneficiary countries must have in place an effective visa system to prevent unlawful transshipments and the use of counterfeit documents.

6. U.S. NON-TARIFF STRUCTURE

6.1. IMPORT REGULATIONS FOR TEXTILE AND APPAREL PRODUCTS

- All textiles and apparel must have permanently affixed and visible labels indicating the country of origin. If this is not feasible, they should be packaged in such a way that the country of origin is obvious to the ultimate purchaser. The country of origin for assembled products would be Kenya, as long as the cut and/or sew operations take place in Kenya and the final product is AGOA-eligible.
- The Certificate of Origin (CoO) is issued by Kenyan authorities. The exporter's invoice is stamped with the official AGOA Stamp by the same Kenyan authorities.
- Wearing apparel must have permanently affixed (usually sewn-in) labels inside the garment, specifying fabric content and care instructions in English. The exact design, wording and placement of this information is usually provided by the buyer. In addition, most U.S. buyers require this information in one additional designated language (usually Spanish, and sometimes French) which would be specified at the time of ordering.
- More information on US Labeling Laws for apparel can be found on the Federal Trade Commission (FTC) website: www.ftc.gov
- The U.S. importers Registered Identification Number (RN) may be required, but is not mandatory. The RN is a number issued by the FTC, upon request, to a business residing in the U.S. that is engaged in the manufacture, importing, distribution, or sale of textile, wool, or fur products. Such businesses are not required to have RNs. They may, however, use it in place of a name on the label or tag that is required to be affixed to these products.
- Children's wear is a consistently growing sector, and products require a mandatory "tracking label" permanently affixed to the garment and printed with the following information:
 - Manufacturer or private labeler name
 - Location where product was made (country/city)
 - Date of production (month/year)
 - Detailed information of the manufacturing process such as batch number, run number, order number, or other identifying characteristics
 - Any other information to facilitate ascertaining the specific source of the product
- More information on children's wear guidelines can be found on the CPSC government website: www.cpsc.gov

Other regulations can be product specific such as:

Certificate of Conformity (CoC), which is granted to a product that meets a minimum set of regulatory, technical and safety standards. Generally, type approval is required before a product is allowed to be sold in a particular country, so the requirements for a given product will vary around the world.

General Certificate of Conformity (GCC) in which the manufacturer or importer certifies that its non-children's (general use) product complies with all applicable consumer product safety rules (or similar rules, bans, standards, or regulations under any law enforced by the Commission for that product).

Consumer Product Safety Commission (CPSC), which has requirements for flammability and other specifics, most notably for children's clothing and sleepwear. The CPSC and the Consumer

Product Safety Improvement Act (CPSIA) are among the regulations. Testing requirements and authorities are also regulated.

The following websites can provide more information:

- [U.S. Consumer Product Safety Commission](#)
- [American Apparel and Footwear Association](#)
- [Informed Compliance Publications](#) Africa Growth Opportunity Act AGOA "Importing into the U.S.," AGOA Chapter 23

6.2. AGOA RULES OF ORIGIN

Certain textile and apparel articles that are imported directly into the customs territory of the U.S. from a beneficiary sub-Saharan African country will enter the U.S. free of duty and free of any quantitative limitations, if the country has satisfied the requirements set forth in the Act. The Harmonized Tariff Schedule of the United States (HTSUS) has been amended to cover the new benefits by inserting new U.S. notes in Subchapter II of Chapter 98 and a new Subchapter XIX in Chapter 98.

http://www.cbp.gov/sites/default/files/documents/icp065_3.pdf

Under a Special Rule, Least Developed Beneficiary Countries (LDBC) will enjoy an additional preference in the form of duty-free/quota-free access for apparel made from fabric originating anywhere in the world. The Special Rule is in effect until September 30, 2025 and is subject to a cap.

The full details of the wearing apparel provisions can be on the International Trade Administration OTEXA website <http://web.ita.doc.gov>

Main features of the “wearing apparel provisions” from the ITA website:

- **APPAREL PROVISIONS.** AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries until September 30, 2025. Qualifying articles include: apparel made of U.S. yarns and fabrics; apparel made of sub-Saharan African (regional) yarns and fabrics until September 30, 2025, subject to a cap; apparel made in a designated lesser-developed country of third country yarns and fabrics until September 30, 2025, subject to a cap; apparel made of yarns and fabrics not produced in commercial quantities in the U.S.; textile or textile articles originating entirely in one or more lesser-developed beneficiary sub-Saharan African countries; certain cashmere and merino wool sweaters; and eligible hand loomed, handmade, or folklore articles, and ethnic printed fabrics.
- **QUALIFYING TEXTILE AND APPAREL ARTICLES.** The Africa Investment Incentive Act of 2006 (signed by President Bush on December 20, 2006) amended the textile and apparel portions of AGOA and is referred to as "AGO IV". The legislation extended duty-free and quota-free treatment to a wider range of eligible articles made in qualifying sub-Saharan African countries:
 - Apparel made of U.S. yarns and fabrics
 - Apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap
 - Apparel made in a designated lesser-developed country of third country yarns and fabrics, subject to a cap
 - Apparel made of yarns and fabrics not produced in commercial quantities in the United States
 - Certain cashmere and merino wool sweaters
 - Eligible hand loomed, handmade, or folklore articles and ethnic printed fabrics
 - Textiles and textile articles produced entirely in a lesser-developed beneficiary country

- **SPECIAL RULE FOR APPAREL APPLYING TO LESSER-DEVELOPED AGOA COUNTRIES.** Under a Special Rule for lesser-developed beneficiary countries, they will enjoy an additional preference in the form of duty-free/quota-free access for apparel made from fabric originating anywhere in the world. The Special Rule is in effect until September 30, 2025 and is subject to a cap (see below for details on the cap). Lesser-developed countries are those with a per capita gross national product of less than \$1,500 a year in 1998 as measured by the World Bank. AGOA IV grants lesser-developed beneficiary country status to Botswana and Namibia; [Public Law 110-436 of October 16, 2008](#) re-designates lesser-developed beneficiary country status to Mauritius, qualifying all three countries for the Special Rule. [Public Law 114-27 of June 29, 2015](#) extends the AGOA third country fabric provision until September 30, 2025.
- **TEXTILE AND TEXTILE ARTICLES (CATEGORY 0).** AGOA IV expanded AGOA benefits to textile articles originating entirely in one or more lesser-developed beneficiary sub-Saharan African country(ies). This new provision will extend preferential treatment to textile articles such as fibers, yarns, fabrics and made up goods (i.e., towels, sheets, blankets, floor coverings) and will be implemented by incorporation into the AGOA Visa Arrangement.
- **OTHER TEXTILE AND APPAREL PROVISIONS.** The Committee for the Implementation of Textile Agreements (CITA), an interagency group chaired by the Commerce Department's Deputy Assistant Secretary for Textiles and Apparel, has the authority to implement certain provisions of AGOA's textile and apparel benefits. These provisions include:
 - Determination of the annual cap on imports of apparel that is assembled in beneficiary countries from fabric formed in beneficiary countries from yarn originating either in the U.S. or in beneficiary countries. Until September 30, 2025, the statute permits lesser-developed beneficiary countries to obtain preferential treatment for apparel assembled in beneficiary countries regardless of the origin of the fabric;
 - Determination that yarn or fabric cannot be supplied by the U.S. industry in commercial quantities in a timely manner, and to extend preferential treatment to eligible apparel from such yarn or fabric (commercial availability);
 - Determination of eligible handloomed, handmade, or folklore articles and ethnic printed fabrics;
 - A "tariff snapback" in the event that a surge in imports of eligible articles causes serious damage or threat thereof to domestic industry;
 - Determination of whether U.S. manufacturers produce interlinings in the U.S. in commercial quantities, thereby rendering articles containing foreign interlinings ineligible for benefits under AGOA; and
 - Determination of whether exporters have engaged in illegal transshipment and denial of benefits to such exporters for a period of five years.
- **REGIONAL CAP.** AGOA limits imports of apparel made with regional or third country fabric to a fixed percentage of the aggregate square meter equivalents of all apparel articles imported into the U.S. Beginning October 1, 2007, the annual aggregate quantity of imports eligible for preferential treatment under these provisions is an amount not to exceed 7% of all apparel articles imported into the U.S. Of this overall amount, apparel imported under the Special Rule for lesser-developed countries is limited to an amount not to exceed 3.5% of apparel imported into the U.S. in the preceding 12-month period. Apparel articles entered in excess of these quantities will be subject to otherwise applicable tariffs. The duty-free cap is not allocated among countries. It is filled on a "first-come, first-served" basis. For the most current data on aggregate imports under the cap, visit the [OTEXA website](#) and click on "AGOA".

- **ABUNDANT SUPPLY.** AGOA IV provides for special rules for fabrics or yarns produced in commercial quantities (or "abundant supply") in any designated sub-Saharan African country for use in qualifying apparel articles. Upon receiving a petition from any interested party, the U.S. ITC will determine the quantity of such fabrics or yarns that must be sourced from the region before applying the third country fabric provision. It also provides for 30 million square meter equivalents of denim to be determined to be in abundant supply beginning October 1, 2006. The U.S. International Trade Commission will provide further guidance on how it will implement this provision. [Public Law 110-436 of October 16, 2008](#) removed the AGOA abundant supply provision that required use of regional denim fabric in denim apparel imports eligible for duty-free treatment under AGOA.
- **COMMERCIAL AVAILABILITY.** Under AGOA, the President is authorized to proclaim duty-free and quota-free benefits for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns not formed in the U.S. or a beneficiary country, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. In Executive Order 13191, the President delegated to the CITA authority to determine whether yarn or fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner and to extend preferential treatment to apparel articles from such yarn or fabric.

For details on products that receive duty-free treatment under the AGOA, see the [Commercial Availability Documents Database](#). AGOA IV provides for a process to remove designated fabrics or yarns that were determined not to be available in commercial quantities in the U.S. on the basis of fraud.

- **HANDLOOMED/HANDMADE/FOLKLORE ARTICLES/ETHNIC PRINTED FABRICS (CATEGORY 9).** AGOA provides duty- and quota-free benefits for handloomed, handmade, folklore articles, or ethnic printed fabrics, made in beneficiary sub-Saharan African countries. This provision is known as "Category 9" and it extends duty-free treatment to articles that may not otherwise qualify for AGOA if they are completely handmade and handloomed, and do not include any modern features such as elastic or zippers, etc.
- **FINDINGS AND TRIMMINGS.** An apparel article is eligible for benefits even if the article contains findings or trimmings of foreign origin, if the value of such findings and trimmings does not exceed 25% of the cost of the components of the assembled article. Examples of findings and trimmings include sewing thread, hooks and eyes, snaps, buttons, "bow buds," decorative lace trim, elastic strips, and zippers. Elastic strips are considered findings or trimmings only if they are each less than one inch in width and used in the production of brassieres.
- **CERTAIN INTERLINING.** Articles containing certain interlinings of foreign origin are eligible for benefits if the value of the interlinings (and any findings and trimmings) does not exceed 25% of the cost of the components of the assembled article. The interlinings permitted include only a chest type plate, a "hymo" piece, or "sleeve header" made of woven or weft-inserted warp knit construction and of coarse animal hair or man-made filaments. This benefit will terminate if the President determines such interlinings are made in the U.S. in commercial quantities.
- **CERTAIN COMPONENTS.** AGOA III expanded product eligibility to allow non-AGOA produced collars, cuffs, drawstrings, padding/shoulder pads, waistbands, belts attached to garments, straps with elastic, and elbow patches for all import categories to be eligible. This treatment continues under AGOA IV.

- **DE MINIMIS RULE.** Apparel products assembled in sub-Saharan Africa which could otherwise be considered eligible for AGOA benefits but for the presence of some fibers or yarns not wholly formed in the U.S. or the beneficiary sub-Saharan African country will still be eligible for benefits as long as the total weight of all such fibers and yarns is not more than 10% of the total weight of the article. AGOA III increased this percentage from 7%.

THE AGOA VISA, IS ONLY REQUIRED FOR TEXTILE AND APPAREL EXPORTS. This visa “is an arrangement that establishes documentary procedures for each shipment of AGOA-eligible products from a designated beneficiary sub-Saharan African country to the U.S. Normally, the AGOA visa stamp is issued by official authorities designated by the governments where the products are originating and is fixed on the commercial invoice. Its main purpose is to avoid transshipment of products from sub-Saharan African exporters.”

- The Kenyan authorities are required to verify that the products intended for export actually originate from Kenya. Guidelines for AGOA visa application and processing in Kenya are as highlighted below:
 - A firm visits or writes to express interest in exporting under the AGOA;
 - The Kenya representatives verify that the products intended for export originate from Kenya. This usually requires a factory visit by the authorities;
 - On confirmation of originality of the products, the exporter is included in the list of exporters and becomes eligible for an AGOA visa stamp.
 - The exporter is then required to submit three documents (with four copies each) as part of the process to apply for the AGOA visa. The documents include:
 - An AGOA visa certificate application form
 - An invoice with details of the exporter, the importer, the product quantities and values
 - A packaging list indicating the specifics of the products to be exported
 - The exporter then ships the products with the certificate and declares it to U.S. customs as duty-free under the AGOA.

NOTE:

- The AGOA visa application process is free.
- An AGOA visa is valid for 6 months.
- An AGOA visa is issued for each consignment/invoice.
- If an exporter is shipping two different consignments using one invoice, there will only be one AGOA visa.
- If an exporter is shipping two different consignments using two different invoices, there will be two AGOA visas.
- If an order or invoice changes, the exporter must apply for a new AGOA visa.

6.3. STANDARDS AND CERTIFICATIONS

- The American Society for Testing and Materials, ASTM (www.astm.com), is the recognized organization for worldwide standards. Under Section 7, titled “Textiles,” ASTM publishes and updates standards, which most buyers and importers refer to in their dealings with vendors.

- U.S. buyers, importers, brands or retailers, almost always require certifications. U.S. companies appoint audit and inspection companies to ensure that social compliance, safety, sustainability, performance and integrity specifications are achieved. (See also above Section 6.1/E.)
- Key safety and socially responsible standards are critical for working with U.S. companies. Most U.S. buyers will require either an industry recognized certification or the buying company's own team to pass an audit before doing business.
- The most recognized factory certification comes from WRAP. This is an independent, objective, non-profit team of global social compliance experts dedicated to promoting safe, lawful, humane and ethical AGOA-eligible manufacturing around the world through certification and education. The certification process is based on 12 principles and more details can be found by visiting their website at www.wrapcompliance.org. The initial step is to complete and send to WRAP an application together with the registration fee of \$1,195.
- Another certification that is required by most large stores is the Customs-Trade Partnership Against Terrorism (C-TPAT). This is extremely important in countries of unrest and/or heightened security watch. C-TPAT is a voluntary public-private sector partnership program, which recognizes that Customs and Border Protection (CBP) can provide the highest level of cargo security only through close cooperation with the principle stakeholders of the international supply chain such as importers, carriers, consolidators, licensed customs brokers, and the like. Suppliers can start their application online. More information can be found on the U.S Department of Homeland Security website <https://ctpat.cbp.dhs.gov>.
- Other product testing and inspections will be required throughout the manufacturing cycle and these are typically handled by global companies that are recognized as leaders in the process, such as: Intertek, SGS, Bureau Veritas and Asia Inspection. These procedures typically follow the ASTM standards mentioned above.

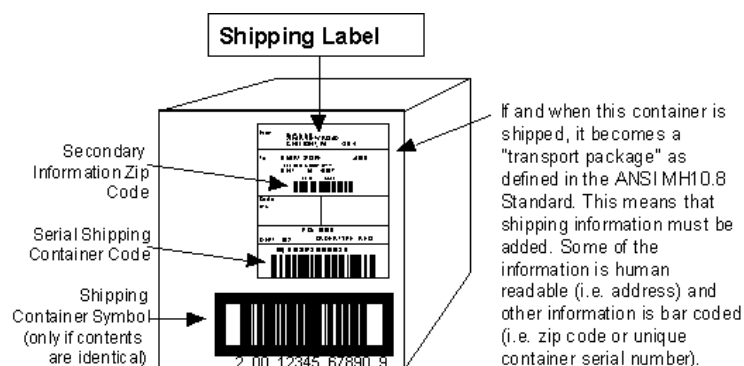
6.4. PACKAGING AND LABELING

In fulfilling the legal requirements mentioned in Section 6.1, each buyer's order will have distinct packaging and labeling requirements concurrent with their corporate guidelines for processing. Here is an example of some typical details that will be addressed when the order is placed:

- A. Labels, including those mentioned in 6.1:
 - Could be woven, heat sealed or printed,
 - Are usually designed by the "buyer,"
 - Are typically manufactured by a third "nominated" supplier from which the garment manufacturer must purchase the items except in the case of printed which could be done, with permission, by the garment manufacturer using information provided by the buyer,
 - The position of the label on the garment will be given by the buyer with respect to legal and brand requirements,
 - Tracking Labels for children's wear are required by U.S. law, and the details can be found at www.cpsc.gov.
 - The buyer approves all details before and during production
- B. Most hangtags, which are affixed to the garment:
 - May include any or all of a brand name hangtag, a performance or special feature hangtag, and/or a price hangtag or sticker,
 - Are typically attached to the garment by a Swiftach® system plastic barb, or something similar (and never with a pin which is mostly forbidden in the U.S.),

- Details of the price tag or sticker will be given by the buyer and will usually involve preprinted internal codes including a computer generated Universal Product Code (UPC) barcode and/or Radio-Frequency Identification (RFID) codes,
 - As with labels, the information and nominated supplier for procuring these items is given by the buyer at the time of order confirmation.
- C. For most packaging, the garments will be placed in an individual polybag which will then be placed in an export shipping carton.
- Each single garment is usually packed in an individual polybag. The polybag requires a substantial quality and must have the U.S. “suffocation warning” preprinted on the bag. Please refer to the CPSC website mentioned in above Section 6.1. Part E,
 - Sometimes, a buyer may require a “pre-pack” which is several specific garments in one larger bag instead of one garment per bag. This type of special packing would be fully detailed at the time of ordering,
 - The “bagged” items would then be placed into a shipping carton for export. Carton quality and dimensions would be detailed at the time of order and can vary depending on the size or order, the type of buyer, how many pieces get packed in a carton, and whether the finished goods will ship to the U.S. by air or boat,
 - The outside of the shipping carton will require a set of markings on one or more sides of the carton. The usual information is: style reference name or number, country of origin, quantity inside, carton count number the address of the consignee, and a tracking barcode ASN / UCC-128 sticker. Many SME buyers do not require this ASN/UCC-128 sticker.

Figure 24: Shipping Label



NOTE: During field visits in the region, it has been noted that polybags, cartons and some of the printed tags and stickers can be procured through local/in-country suppliers, rather than having to import them.

For all of the label and packing requirements, the buyer will typically provide a “vendor manual” with full details and contact information for each of the required items. The sophistication and intricacies are usually more profound with major U.S. buyers, as compared with small to medium ones. Vendor manuals include specific instructions on quality assurance and control, samples, purchase orders, specifications, labeling, packing, packaging, certifications, shipping documents and billing.

To be more efficient in passing information to manufacturers, many U.S. companies now post their vendor manuals on the internet. To see some of these first hand, go to google.com, type in the words “Vendor Manual Apparel” and you will see several versions.

6.5. CUSTOMS PROCEDURES

The preparation of documents is the responsibility of the supplier. Most documents are required at least in triplicate (one copy each for the producer, the buyer and the customs broker). Sometimes a fourth copy is attached to the shipment itself (either box, pallet or container). The documents needed are usually as follows:

COMMERCIAL INVOICE. This is the bill for the products from the seller to the buyer, which proves ownership and details payment arrangements. It contains all names, addresses, product details and values including the relevant HTS codes, Certificate of Origin, shipping details and a validity statement with signature.

BILL OF LADING (BoL). This is a contract form between the owner of the products and the freight carrier. There are two types:

- Straight BoL which is non-negotiable
- Order BoL which is negotiable and is used in letter of credit transactions

EXPORT PACKING LIST. This specifies the contents of the individual package, and shows the net weights in U.S. and metric value. It is often attached to the outside of the carton in a clearly marked waterproof package.

CERTIFICATE OF ORIGIN (CoO). The CoO documents the country of origin of products being imported. U.S. importers are required to have this in their possession to claim preferential treatment under AGOA, and if requested, to show to the CBP.

AGOA DECLARATION FORM. This form is used to declare AGOA duty-free status. It details the products' processing and components origin to qualify for AGOA status.

AGOA VISA. The visa is required for textiles and apparel only, as detailed in Section 6.2.

7. U.S. DISTRIBUTION

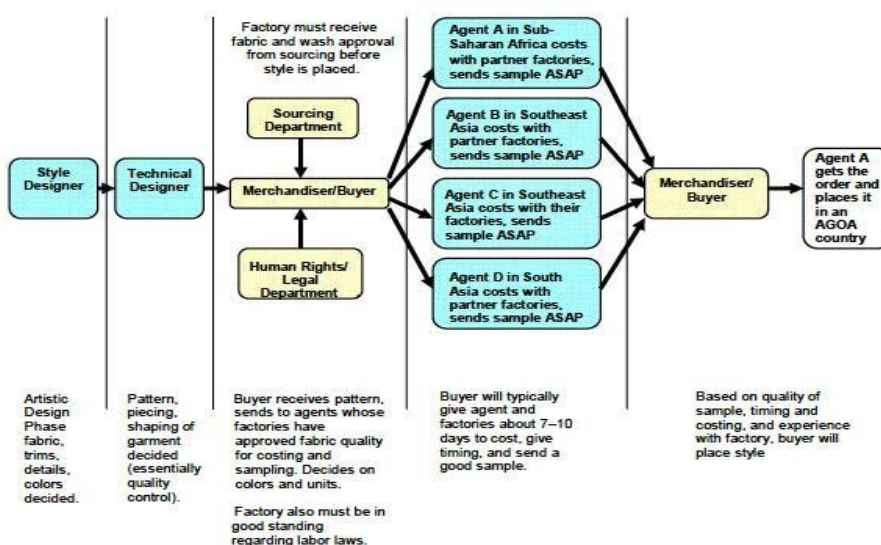
7.1. SUPPLIER SELECTION

The process of selecting a supplier can be long and somewhat complicated. Many factors are considered during the final selection process through which a buyer awards a supplier a confirmed purchase order. This process can take anywhere from weeks, to months, and even years depending on the type of company, the size of the order and the complexities of the product itself.

Bigger companies will most likely have multiple groups within the organization that give an opinion and/or stipulate where goods can and should be produced. Sometimes, there is a central “sourcing office” that is charged with scouting specific geographic regions for particular products and through which all efforts are channeled. Other companies, usually medium to small size, will choose to work with suppliers directly, or through agents that are familiar with the region.

In all cases, buyers usually communicate their product specifications by way of a technical package (referred to as “tech pack”). The buyer sends their “tech pack” to several possible suppliers to find the most advantageous option before placing an order. This process almost always involves a preliminary sample development and a costing exercise for the manufacturer to complete by a specific date. The decision making team receives and compares each offer and chooses the best one. It is important to note that not all factory submissions receive an order. The buying team decides which of the submits best meets their overall criteria and the company’s mission. This happens through a series of submissions as shown in Figure 25.

Figure 25: Process of Selection and Ore-production Process, Which Leads a Company to Place an Order with a Supplier



Source: USAID East Africa Trade and Investment Hub

7.2. CONTRACT AND PAYMENT TERMS

Contracts are issued in the textile and apparel industry as purchase orders (PO). A PO is a formal document between the buyer and seller that includes product specifications, price, quantities, delivery dates, delivery terms and shipping mode. With today's technical developments, POs are often issued electronically by way of email or other mutual communication platform.

Once the buyer issues the PO, the seller will often issue what is called a “pro-forma invoice,” which defines their understanding of the order with all quantifiable details displayed in the same general format as a “commercial invoice” which is explained in Section 6.

This pro-forma invoice is the seller's commitment to deliver the products as agreed and the document is often used as an instrument for conducting the financial arrangements. U.S. importers of textile and apparel products generally offer the following payment terms to their vendors:

- Irrevocable and transferable letters of credit, opened by U.S. or foreign banks,
- Payment of a deposit and balance transfer upon inspection and/or export delivery. The deposit amount should cover, at the least, the cost of the raw materials,
- Transfer upon presentation of documents, including BoL, and
- Open terms.

Large exporters of pre-selected products prefer transferable letters of credit. However, some small to medium exporters and the equivalent buyers will arrange other options to reduce bank fees on both sides. In all cases, the supplier should be certain they have a solid and confirmed arrangement before procuring raw materials.

7.3. DISTRIBUTION CHANNELS

Distribution channels for the global garment industry consist of various types of retail establishments, including e-commerce, through which products reach the consumer. The products targeted for Kenya exports can be found in all distribution channels.

Although the descriptive names may vary by country and market, the general distribution types remain the same. Understanding the terminology for the major distribution channels is a good place to gain this clarity in product and service expectations from the supplier.

Mass merchant and discount store – sells affordably priced products to a wide variety of consumers, often at lower prices than the typical market value. The orders from a discount or mass merchant are typically large volume for very strategic prices.

Department and chain store – sells a wide variety of goods at various prices; chain stores are retail outlets in various locations under the same brand and management; many department stores are chain stores, but not all chain stores are department stores. Volume will be varied.

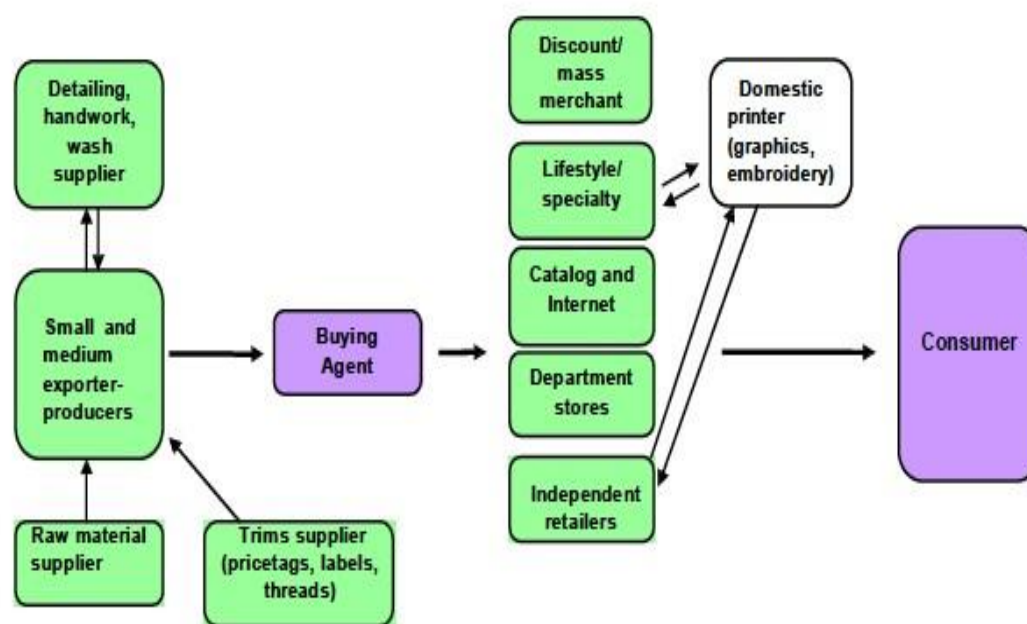
Specialty and lifestyle store – sells products within a specific given category and/or focus of activity/interest/attitude of a group or a culture. Volume will be varied.

Independent retailer store – is often owned by an individual, a family or a two-person partnership that is completely responsible for all parts of the business; usually a small to medium size with a single location (or not more than three). Volume will usually be small.

E-commerce/internet/catalog (B2C) – sells products by e-commerce and/or postal interaction direct to the consumer. Volume will be varied.

The chart in Figure 26 below illustrates these key distribution channels in the apparel industry, using the U.S. market as an example for how the parties interact.

Figure 26: Key Distribution Channels in the Apparel Industry



Source: USAID East Africa Trade and Investment Hub

7.4. RETAIL CHANNELS

Focusing further on how and where products move into the hand of the consumer, we can look at the retail channels with even more differentiation. Below is a list of 15 retail channel descriptive terms that encompass the U.S. landscape, along with some examples extracted from the Principle Buyers list in Section 4.4.

TABLE 3. RETAIL CHANNELS

RETAIL CHANNEL	EXAMPLES FROM MAIN BUYERS LIST
Department stores	Macy's, J.C. Penney
National chains	Kohl's, Gap
Mass merchants	Wal-Mart, Target

Trend/youth store	Hollister, Urban Outfitters
Upscale apparel chain	Orvis, Anthropologie
Moderate apparel chain	Ann Taylor, Men's Warehouse
Special size stores	Lane Bryant, DXL
Sports specialty	Dicks Sporting Goods, Academy Sports Ltd.
Children's specialty	Children's Place, Gymboree
Club Stores	Costco, Sam's Club
Off-price retailers	TJX, Burlington Coat Factory
Factory outlets	Saks Off Fifth, Century 21
Catalog	LL Bean, Land's End
Home Shopping	QVC, HSN
E-commerce*	Amazon, ASOS

NOTE: The e-commerce business landscape has been changed forever by the strong success run exemplified by Amazon's 2016 apparel sales of \$22 billion.

Amazon sales are generated online and delivered direct to consumers without any physical "brick and mortar" stores. In addition to selling major U.S. apparel brands, in 2016, Amazon launched their own apparel brands.

The retailers listed above all have their own "online" shopping websites offering most of the same merchandise available in the physical stores. The success of Amazon is pushing other retailers to enhance their omni-channel networks to maximize the integration of the physical stores experience with their website to capture more sales.

This e-tailing (online retailing) is so strong that it has forced traditional "brick and mortar" stores to close some branches because they are no longer getting enough "foot traffic". The Sourcing Journal has noted planned store closures by Macy's, J.C. Penny, Kohl's and Sears. A Sourcing Journal report dated January 5, 2017 stated: "...analytics firm Retail Next found that traffic was down 10.2% in November compared to 2015. This is just the latest – and biggest – drop for a year marked by monthly decreases when compared to the previous period."

8. SALES PROMOTION

8.1. KEY TRADE FAIRS

Major trade shows are held throughout the year in the U.S. There are specific shows that address individual market segments like children's and women's for example, as well as larger more comprehensive shows that cover all of the individual markets at one time. Trade fairs are a good way to meet potential buyers all in one place. In addition, it is a good way for a company to see what the competitive manufacturers from the same and/or different countries are offering and also, to see relevant market trends. A supplier or brand that wants to export to the U.S. should commit to attending some trade shows to exemplify desire to do business and to become recognizable in the U.S.

8.1.1. ALL-INCLUSIVE TRADE FAIRS

Three leading U.S shows for AGOA apparel manufacturers have been Sourcing at MAGIC, Sourcing at Texworld and Sourcing at Coterie. These shows are specifically set up for manufacturers to engage with buyers and developers for contracting production. They are typically not for suppliers to sell branded goods, though some Hub-sponsored suppliers have done so with success.

SOURCING AT MAGIC Apparel manufacturing, component, technology and service providers from around the world uniting the most influential fashion retail decision makers and the world's leading and most innovative fashion brands. The group serves the \$1 trillion+ worldwide fashion industry through its comprehensive MAGIC Marketplace events held in Las Vegas twice annually, and through a series of 16 focused shows held in New York City throughout the year. Events cover all major fashion categories – men's, women's and children's apparel, accessories and footwear.

Las Vegas – February and August – all products www.magiconline.com/sourcing-at-magic

TEXWORLD USA /APPAREL SOURCING will display the products of more than 350 exhibitors. The attendees will get to exhibit cotton, denim, embroidery, fibers, functional fabrics, knits lace, linen, prints, silk, silky aspects, wool, activewear, children and infantwear, juniorwear, ladieswear, bridal and cocktail wear, menswear, sportswear, swimwear and lingerie.

New York – January and July – all products www.apparelsourcingshow.com

SOURCING AT COTERIE will host a juried selection of world-class factories and fabric providers. This exclusive sourcing event will connect the most influential luxury and designer brands to a curated selection of manufacturers specializing in lower minimums and high-quality production. In addition to the sourcing section, there is a juried branded section for those suppliers that also have their own brand.

New York – September – emphasis on women's apparel www.enkshows.com/sourcing-coterie

8.1.2. PRODUCT SPECIFIC AND LIFESTYLE TRADE FAIRS

In recent communications with several Kenyan suppliers, it has been noted that the “right kind of buyer” has not been visible and/or accessible at the above mentioned all-inclusive sourcing shows. This has prompted a review of “general trade show” effectiveness versus attending a “specialty/lifestyle” show. Instead of hoping that a “denim” buyer shows up to Sourcing at MAGIC, it would be wiser to attend a show specifically for denim. There are also many SMEs that need an opportunity to engage with specific buyer types. Here are leading specialty or lifestyle shows in the U.S. that should be considered by all Kenyan apparel suppliers:

KINGPINS'S concept is simple. The denim industry is a small, tight, low-key community built on heritage, passion, innovation and connection. It is a productive and progressive member of the indigo

community interested in bringing sustainability to the industry. Its reach is bigger than ever and with core values and an intimate approach to the denim trade. This is a juried show and exhibitors must be accepted by a review board.

New York – November and May – Denim about kingpins www.kingpinsshow.com

OUTDOOR RETAIL'S largest sports product trade show's number one priority is to provide outdoor gear manufacturers the most cost/time efficient means of connecting with outdoor sports specialty retailers, manufacturer representatives and the media for unmatched selling opportunities and exposure. From small shops and regional chains, to the largest national and international retailers, it attracts thousands of buyers and senior level decision makers that are looking for outdoor products, services, brands, fresh ideas, apparel launches, and outdoor innovation.

Las Vegas – January and July – Outdoor wear www.outdoorretailer.com

CHILDREN'S CLUB is an international exhibition featuring every category of children's clothing from newborn to age 12, layette items, fashion accessories, footwear, toys and gifts. Children's Club is an excellent opportunity to be seen by the medium to better children's specialty retailers and boutiques. This is a juried show and exhibitors must be accepted by a review board.

New York City and Las Vegas – August and February – Children's wear
www.ubmfashion.com/shows/childrens-club

NY NOW is the leading tradeshow for the home, lifestyle and gift market, with an extensive range of innovative products across their comprehensive collections – Home, Lifestyle and Gift – as well as new exhibitors which now includes apparel. It offers opportunities to source in the HANDMADE Collection for artisanal cross-category crafts, from production designer maker to global handmade resources. And if you're a volume import buyer, attend Artisan Resource, featuring 100 overseas artisan enterprises, consists of companies who have been carefully selected for their demonstrated export capacity and commitment to eco-friendly, design driven products which keep artisan craftsmanship, authentic techniques and cultural heritage alive.

New York – February and August – Home, Lifestyle and Gift Market www.nynow.com

THE SWIM SHOW is the largest of its kind in the world and attracts more than 7,500 brands and buyers from 60 countries across the world. This year's show offers more women's swimwear than ever, including expanded men's and children's swimwear collections, resort and lifestyle and accessories for all occasions. Collections cater to designer boutiques, resort shops, specialty stores, surf shops, department stores, mass merchants and more. This is a juried show and exhibitors must be accepted by a review board.

Miami, Florida – every July – Swimwear and related lifestyle products www.swimshow.com

Figure 27 below is a list of some potential buyers that go to the various trade shows. Not all of these buyers attend every show, however, there are thousands of other wholesale apparel buyers not on this list that look for suppliers at these shows.

Figure 27: Examples of U.S. Buyers That Attend Trade Shows

Target	Dkny	Macys	Samsung
Macy's	Dolce Vita	Madewell	Saville Row
Abercrombie and Fitch	Donna Karan	Madison 88	Seamless
Adidas	Draper James	Marc Jacobs	Tavik
Aeropostale	Dressbarn	Mara Hoffman	The Arrivals
Alchemy	Eileen Fisher	Marchesa	Tibi
Alexander Wang Inc.	Elie Tahari	Marciano	Sears
Alexis	Erin Fetherston	Marissa Webb	Spanx Inc.
Alfani	Ernest Alexandra	Marc By Marc Jacobs	Sperry
Alice+Olivia	Eros Clothing	Matouk	Splendid
Almost Famous Clothing	Express	Members Only	St John Knits
American Apparel	Gap	Michael Kors	Supima
American Eagle Outfitters	Guess	Modern Muse	Supreme
Bill's Khakis	Gymboree Corporation	Monique Lhuillier	Talbots
Andrew Marc	Hanes Brands	Mood Fabrics	Tamara Mellon
Ann Taylor Loft	Hanky Panky	Nanette Lepore	Target
Anna Sui	Hasbro	Nasty Gal	The Children's Place
Anne Klein	Haute Hippie	Natori	The Natori Company
Anthropologie	Headrush Apparel	Nautica	The North Face
Aritzia	J Crew	Negative Underwear	Theory
Banana Republic	J. Jill	Nordstrom	Thom Browne
BCBG Max Azria	Jack Spade	NY & Company	TJX (TJ MAXX)
Bcbgeneration	JC Penney	Opening Ceremony	Tommy Hilfiger
Bebe.	Jill Stuart	Pamela Rolland	Tory Burch
Belk	Joie	Parker	Victorinox Swiss Army
Bonobos	Jonathan Simkhai	Parsons School Of Design	Tracy Reese
Brooks Brothers	Jordache Enterprises Inc.	Perry Ellis	Tumi Outerwear
Buffalo Jeans	Joseph Ribkoff	Public School	Uniqlo
Calvin Klein	Kate Spade	QVC	Urban Outfitters
Calvin Klein Jeans	Keds	Rachel Roy	Van Heusen
Chicos	Kendall + Kylie	Rag & Bone	Vera Bradley
Club Monaco	Kenneth Cole	Ralph Lauren	Victoria's Secret
Coach	Kohls	R. Lauren Denim & Supply	Victoria's Secret Pink
Cole Haan	Lafayette 148	Rebecca Minkoff	Vince.
Converse	Lane Bryant	Rebecca Taylor	Vineyard Vines
Cythnia Steffe	Levi Strauss & Co.	Reebok	Walt Disney Entertainment
David's Bridal	Lilly Pulitzer	Reformation	White House / Black Market
Derek Lam	Loft	Rei	Elizabeth & James
Diane Von Furstenberg	London Fog	Romeo and Juliet	Harley Davidson
Dillard's	Lord & Taylor	Saks Fifth Avenue	Jones New York
Laundry By Shellie Segal	Lululemon Athletica	SSENSE	

A manufacturer participating in any trade show must be well prepared with “best in show” samples representing their capabilities. A first time exhibitor should get some one-on-one coaching and advice from an experienced professional from the U.S. to prepare before attending a trade show. This is necessary to ensure that the product presented is relevant to the U.S. market, and that the communications about products, prices, services, constraints, and other critical details are clear and concise for the U.S. market. This includes having ready:

- Well-made samples, presented in an organized and professional way, hanging or folded in the exhibitor's booth.
- Clearly tagged samples marked clearly with fabric composition and construction, finishing details, and country of origin.
- A ready fact sheet for all samples presented with attractive price indications and general Minimum Order Quantity (MOQ) suggestions for striking up a conversation or negotiation with a perspective buyer.

- Information with details about air and sea freight company options, flight and sailing schedules, estimated rates, forwarding company's and any other logistics detail you can provide. This will help ease the uncertainty with a new buyer that is not familiar with the region.

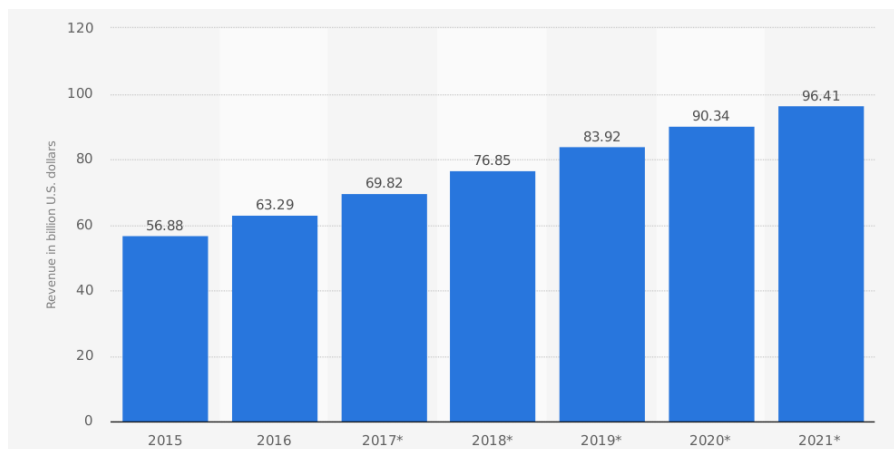
The cost of U.S. trade shows vary, and more detailed information can be found on individual websites. In addition, the supplier will need to finance the cost of travel, accommodation, meals, visa, and shipping/clearing of their samples.

8.2. OTHER TRADE PROMOTION

The use of the internet has completely changed how the apparel industry communicates, including trade promotion.

At the retail level, apparel online sales and other omni-channel experiences are serving the consumer's needs like never before and the growth projections clearly define the upward trend. The statistics shown below represent U.S. revenue generated and projected with online apparel and accessories retail sales between 2015 and 2021. In 2015, retail e-commerce revenues from apparel and accessories sales amounted to \$56.9 billion.

Figure 28: Apparel, Footwear and Accessories Retail E-Commerce Revenue in the U.S. from 2015-2021 (in Billion U.S. Dollars)



Source: www.statista.com

At the factory level, targeting retailers and brands that have a strong online/omni-channel presence will provide more opportunities for growth. Manufacturers can promote their online presence through social media platforms such as Facebook, Twitter and LinkedIn. On May 4, 2016, LinkedIn published an interesting article on brand promotion titled “6 Powerful Ways Apparel Makers can gain from Digital Social Media.” <https://www.linkedin.com/pulse/6-powerful-ways-apparel-makers-can-gain-from-digital-gopalakrishna>. The article highlights these opportunities for the suppliers:

- Stand out from the crowd
- Share the expertise
- Build a strong collaborative culture
- Communication – fast, easy, real time

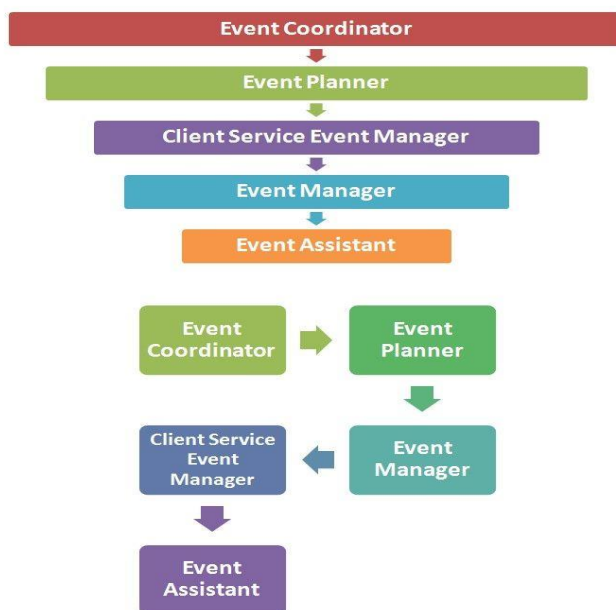
All manufacturers should invest in a professional and user-friendly company website highlighting what they make, who they sell to, special accolades or services, certifications and up-to-date contact

information. Apparel makers can take their digital presence to the next level by promoting on their own websites and on social media platforms. Most factories are already using Skype, WhatsApp, Facetime and other digital real time video communication tools with buyers for clarification and approvals throughout the production process. This saves cost and time.

Trade promotion that does not involve the internet is also important. This is at the supplier level and includes:

1. A printed “company profile” with some pictures and facts about the operation.
2. A catalog with product listing. This is a sensitive subject as competitors could obtain and use the graphic publications to copy the products. To avoid this, manufacturers should only share their catalog with relevant and vetted buyers. It can be difficult to decide how much information to share with a new contact, especially at a trade show.
3. Printed business cards for all individuals from the factory that interact with prospective U.S. buyers. The card should include: the person’s name, title or area of responsibility, contact information (email, phone, Skype etc.), company address company website and/or social media links and company logo.
4. If attending trade shows or a buyer visit to the factory, visual references such as signs, banners, copies of certificates, honors and press releases to show to perspective buyers the factory’s accomplishments are impressive.
5. Trade show registrations can be tricky to navigate as most of it is done on line. In the U.S., there are many layers of job titles that take care of different functions. Figure 29 shows an example:

Figure 29: Example of Functions of Trade Show Staff



hierarchystructure.com

It is wise to seek experienced individuals to help with trade show registration.

Promoting a factory or brand by internet or conventional means should be creative and easily accessible to an interested buyer. A buyer that cannot easily access a supplier on the internet will be less likely to attempt to engage in business.

9. COMPETITION

9.1. KEY COMPETITORS

The OTEXA statistics show that the major competition comes from the top three countries: China, Vietnam and Bangladesh. The assortment of countries after that is vast, with those that enjoy trade preference gaining most.

For **Cotton Apparel Category 31**, Otexa data shown below indicates that the top three are still China, Vietnam and Bangladesh, followed by countries that mostly have trade preference programs other than AGOA, and have easy access, fast transit and ease of sharing raw materials due to close proximity to the U.S. The East African countries of Mauritius, Kenya, Madagascar, Ethiopia and Tanzania are in the bottom portion, with Madagascar, Ethiopia and Tanzania showing growth, and Mauritius and Kenya declining.

For **Synthetic Apparel Category 61**, Otexa data shows only two countries with significant shares – China and Vietnam. The next group consists largely of countries with trade preference programs other than AGOA, and easy access, fast transit and ease of sharing raw materials due to close proximity to the U.S. The East African countries of Mauritius, Kenya, Madagascar, Ethiopia and Tanzania are still in the bottom portion, but show an interesting dynamic. While Kenya ranks higher in volume, it is showing a calendar year decrease. The other four East African countries are all lower volume, but they are showing calendar year increases. The greatest duty saving for the U.S. under AGOA is in synthetics. For some products the competition for new U.S. business could be in Africa.

Figure 30: Major Shippers Report U.S. General Imports – Category 31: Cotton Apparel Products

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MAJOR SHIPPERS REPORT U.S. General Imports By Category, 5/2017 Data											June 30, 2017
Category 31: COTTON APPAREL PRODUCTS Data in Million \$\$\$											
	Calendar Years			Year-to-Date		Year-Endings			YE		
5/2017 Country	2015	2016	5/2016	5/2017	% Change	5/2016	3/2017	4/2017	5/2017	% Change	% Share
WORLD	41475.884	38224.049	15342.914	14792.755	-3.59	40556.500	37820.141	37728.001	37673.891	-7.11	100.00
CHINA P	12153.782	10764.887	3862.287	3691.689	-4.42	11813.642	10576.217	10614.115	10594.288	-10.32	28.12
VIETNAM	4637.948	4571.150	1847.653	1907.828	3.26	4586.709	4617.788	4638.091	4631.326	-0.97	12.29
ENGLDSH	4160.705	4121.154	1773.288	1657.352	-6.54	4195.775	4031.724	4009.662	4005.218	-4.54	10.63
INDIA	2531.726	2446.244	1160.704	1124.579	-3.11	2532.589	2406.194	2397.916	2410.120	-4.84	6.40
INDNSIA	2368.259	2091.598	894.928	846.634	-5.40	2261.995	2072.116	2062.858	2043.304	-9.67	5.42
MEXICO	2178.234	1923.919	776.219	730.856	-5.84	2088.939	1900.572	1876.514	1878.556	-10.07	4.99
HONDURA	1446.235	1362.445	498.268	510.659	2.49	1402.126	1370.403	1367.460	1374.836	-1.95	3.65
CAMBOD	1424.353	1200.698	483.994	457.763	-5.42	1322.758	1184.905	1185.566	1174.467	-11.21	3.12
PAKISTN	1267.975	1141.411	447.909	441.810	-1.36	1219.748	1146.751	1137.829	1135.311	-6.92	3.01
NICARAG	1003.103	966.320	384.766	404.038	5.01	1000.307	981.317	985.647	985.593	-1.47	2.62
SALVADR	1075.792	982.664	394.925	361.362	-8.50	1056.137	981.882	954.310	949.101	-10.13	2.52
SRI LKA	1035.559	966.771	420.523	379.579	-9.74	1022.280	950.752	936.405	925.826	-9.44	2.46
GUATMAL	788.914	663.585	295.279	248.419	-15.87	767.563	636.750	620.405	616.725	-19.65	1.64
HAITI	642.850	553.401	229.368	210.568	-8.20	624.207	543.720	542.297	534.601	-14.36	1.42
PERU	472.032	451.491	204.622	194.892	-4.76	478.705	444.515	441.343	441.761	-7.72	1.17
DOM REP	398.384	428.224	165.976	159.610	-3.84	404.070	417.830	416.975	421.858	4.40	1.12
PHIL R	436.860	344.981	153.601	125.576	-18.25	395.402	329.044	321.116	316.956	-19.84	0.84
JORDAN	284.325	289.103	114.450	139.373	21.78	271.990	307.324	312.595	314.027	15.46	0.83
THAILND	393.711	329.803	135.065	114.428	-15.28	365.875	316.561	314.662	309.166	-15.50	0.82
MALAYSA	371.557	323.467	131.050	111.432	-14.97	354.428	312.929	311.299	303.849	-14.27	0.81
ITALY	320.171	294.803	131.144	136.793	4.31	310.006	296.119	297.709	300.452	-3.08	0.80
EGYPT	377.547	295.080	128.825	130.683	1.44	349.705	295.657	294.108	296.939	-15.09	0.79
TURKEY	247.044	260.396	105.210	123.446	17.33	256.237	266.176	271.712	278.632	8.74	0.74
MAURIT	203.013	184.689	66.769	49.211	-26.30	199.010	166.738	165.860	167.131	-16.02	0.44
KENYA	168.686	166.366	75.407	61.855	-17.97	168.777	155.282	150.233	152.815	-9.46	0.41
PORTUGL	81.654	93.787	37.921	46.478	22.56	87.544	99.672	100.914	102.344	16.91	0.27
LESOTHO	111.404	100.997	36.778	36.341	-1.19	110.549	100.352	100.085	100.561	-9.03	0.27
KOR REP	102.752	91.461	32.279	29.313	-9.19	99.341	90.142	87.917	88.495	-10.92	0.23
CANADA	83.748	75.473	30.565	28.141	-7.93	83.004	74.001	73.166	73.049	-11.99	0.19

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	Calendar Years			Year-to-Date		Year-Endings			YE		
Country	2015	2016	5/2016	5/2017	% Change	5/2016	3/2017	4/2017	5/2017	% Change	% Share
HONG KONG	78.070	75.745	29.998	27.021	-9.92	77.586	72.870	72.644	72.768	-6.21	0.19
COLOMB	86.682	70.478	26.883	28.648	6.57	80.388	71.037	71.624	72.244	-10.13	0.19
MADAGAS	19.890	48.139	18.048	31.760	97.91	30.039	60.737	62.720	63.951	112.89	0.17
CHINA T	62.766	56.341	21.339	20.099	-5.81	56.782	54.266	54.808	55.101	-2.96	0.15
MOROC	38.848	54.917	24.987	22.147	-11.36	48.876	52.897	52.085	52.077	6.55	0.14
ROMANIA	48.436	48.804	21.900	23.053	5.27	47.841	49.167	49.666	49.957	4.42	0.13
JAPAN	29.434	40.012	15.138	19.492	28.37	33.705	43.292	43.765	44.306	31.45	0.12
FRANCE	42.669	33.699	16.232	17.065	5.13	39.480	34.011	33.970	34.532	-12.53	0.09
OMAN	0.846	7.003	1.890	28.448	1405.09	2.463	27.643	28.951	33.561	1262.47	0.09
U KING	44.761	33.975	14.485	12.673	-12.51	39.118	33.967	31.971	32.163	-17.78	0.09
BURMA	12.093	14.917	5.742	9.255	61.19	12.492	17.208	17.275	18.430	47.53	0.05
ETHIOPI	8.248	13.934	5.767	9.618	66.78	10.644	16.562	16.417	17.785	67.09	0.05
TANZANIA	3.840	8.032	2.914	5.061	73.71	5.069	10.343	10.211	11.179	120.53	0.03
BAHRAIN	36.057	49.757	39.956	0.001	-100.00	51.373	22.753	14.568	9.802	-80.92	0.03
MACAU	10.657	6.477	2.475	1.560	-36.97	8.720	6.193	6.054	5.562	-36.21	0.01
NEPAL	7.764	5.858	3.022	2.162	-28.45	7.604	5.118	4.914	4.998	-34.27	0.01

Figure 31: Major Shippers Report U.S. General Imports – Category 61: Man-made Fiber Apparel Products

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MAJOR SHIPPERS REPORT U.S. General Imports By Category, 5/2017 Data										
Category 61: MAN-MADE FIBER APPAREL PRODUCTS Data in Million \$\$\$										
Country	2015	2016	5/2016	5/2017	% Change	5/2016	3/2017	4/2017	5/2017	YE 5/2017 % Change % Share
WORLD	38740.238	37991.748	14134.109	14452.328	2.25	38994.859	38113.445	38200.623	38309.967	-1.76 100.00
CHINA P	16049.106	15109.41	5121.887	5073.265	-0.95	16022.829	15009.254	15046.835	15060.795	-6.00 39.31
VIETNAM	5631.002	5927.652	2184.680	2441.879	11.77	5805.636	6078.776	6153.392	6184.850	6.53 16.14
INDONESIA	2387.237	2434.037	1021.559	1006.402	-1.48	2425.515	2430.907	2430.307	2418.880	-0.27 6.31
MEXICO	1197.437	1307.002	511.589	617.511	20.70	1185.602	1368.317	1369.371	1412.924	19.17 3.69
HONDURA	1225.153	1190.165	454.079	451.803	-0.50	1217.726	1182.305	1188.088	1187.889	-2.45 3.10
ENGLDISH	1158.890	1096.202	435.064	438.345	0.75	1160.577	1102.031	1096.935	1099.483	-5.26 2.87
INDIA	966.438	1039.321	486.429	496.190	2.01	1001.275	1044.179	1043.815	1049.082	4.77 2.74
JORDAN	933.390	939.304	316.149	342.684	8.39	917.328	953.956	953.487	965.840	5.29 2.52
SALVADR	869.244	952.460	369.114	376.874	2.10	919.487	958.234	951.920	960.220	4.43 2.51
SRI LKA	974.112	964.167	421.722	416.369	-1.27	998.829	974.317	970.480	958.814	-4.01 2.50
CAMBOD	1043.188	932.322	386.519	363.358	-5.99	1016.033	917.368	911.426	909.161	-10.52 2.37
GUATMAL	584.990	680.168	261.199	314.044	20.23	626.182	720.126	726.586	733.014	17.06 1.91
PHIL P	609.086	559.272	230.151	200.188	-13.02	591.376	549.398	537.760	529.309	-10.50 1.38
THAILND	600.655	547.007	228.211	205.263	-10.06	594.651	530.505	525.491	524.059	-11.87 1.37
NICARAG	458.973	502.181	191.598	190.215	-0.72	490.137	504.189	502.528	500.799	-2.18 1.31
EGYPT	438.843	369.475	166.574	147.808	-11.27	427.824	353.751	349.034	350.709	-18.02 0.92
DOM REP	342.161	324.136	120.908	126.642	4.74	335.138	327.158	326.269	329.870	-1.57 0.86
HAITI	234.404	292.449	111.776	140.871	26.03	260.503	308.411	319.915	321.544	23.43 0.84
CANADA	347.059	307.126	119.864	112.907	-5.80	341.445	300.763	299.474	300.170	-12.09 0.78
ITALY	289.188	283.999	112.129	108.492	-3.24	290.820	279.932	281.008	280.361	-3.60 0.73
LESOTHO	188.284	194.614	67.786	69.436	2.43	192.441	190.847	191.821	196.264	1.99 0.51
CHINA T	255.875	188.048	77.465	66.706	-13.89	229.120	180.822	177.484	177.290	-22.62 0.46
MYNIA	199.380	194.032	88.889	71.476	-4.06	184.437	169.075	170.465	176.818	-4.13 0.44
TURKEY	145.536	152.930	63.249	64.278	1.63	158.079	153.665	153.808	153.959	-2.61 0.40
KOR REP	140.255	144.886	52.297	49.749	-4.87	139.261	142.074	140.466	142.338	2.21 0.37
COLOMB	125.881	120.141	51.172	49.966	-2.36	125.969	120.294	118.628	118.935	-5.58 0.31
PERU	84.971	107.758	41.876	49.506	18.22	90.200	111.693	114.507	115.387	27.92 0.30
PAKISTN	162.621	117.360	50.951	48.693	-4.43	142.380	114.207	112.991	115.102	-19.16 0.30
MALAYSA	149.174	103.913	40.441	42.285	4.56	133.797	104.164	104.927	105.758	-20.96 0.28

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June 30, 2017

MAJOR SHIPPERS REPORT U.S. General Imports By Category, 5/2017 Data										
Category 61: MAN-MADE FIBER APPAREL PRODUCTS Data in Million \$\$\$										
Country	2015	2016	5/2016	5/2017	% Change	5/2016	3/2017	4/2017	5/2017	YE 5/2017 % Change % Share
HG KONG	68.397	81.052	30.350	28.182	-7.15	76.849	80.065	80.051	78.883	2.65 0.21
PORTUGL	68.346	75.522	30.030	32.189	7.19	73.180	78.915	77.394	77.681	6.15 0.20
BURMA	28.666	57.102	14.915	31.737	112.78	38.662	67.378	71.572	73.923	91.20 0.19
MOROC	73.664	63.160	26.766	30.165	12.70	70.151	65.121	65.534	66.560	-5.12 0.17
ROMANIA	67.051	70.989	25.239	20.767	-17.72	70.748	67.556	67.069	66.517	-5.98 0.17
MDAGAS	26.383	52.408	18.678	27.033	44.76	37.962	55.443	55.246	60.768	60.03 0.16
FRANCE	53.923	51.075	21.374	24.320	13.78	52.635	53.137	53.352	54.021	2.63 0.14
ISRAEL	57.145	55.057	28.639	24.716	-13.70	58.564	53.068	52.608	51.134	-12.69 0.13
BULGAR	29.955	31.475	13.183	12.084	-8.34	31.678	30.501	30.407	30.376	-4.11 0.08
TZANIA	23.476	27.923	10.534	10.352	-1.73	26.497	28.281	27.639	27.741	4.70 0.07
U KING	30.962	26.317	10.949	8.489	-22.47	29.292	23.888	23.636	23.857	-18.55 0.06
ETHIOP	9.365	18.471	5.910	9.116	54.24	11.204	20.213	20.085	21.677	93.48 0.06
SPAIN	18.952	20.466	8.433	8.611	2.10	20.097	20.372	20.562	20.643	2.72 0.05
OMAN	8.032	17.027	2.415	5.512	128.27	8.505	19.253	20.209	20.125	136.63 0.05
C RICA	35.226	24.421	11.470	6.629	-42.21	32.468	21.367	20.625	19.579	-39.70 0.05
POLAND	13.557	16.004	6.042	6.786	12.31	15.290	17.141	17.008	16.748	9.53 0.04
GERMANY	17.395	16.602	5.893	5.401	-8.36	17.125	16.374	16.414	16.109	-5.93 0.04
MAURIT	10.008	10.530	4.022	5.621	39.76	9.939	10.723	11.672	12.129	22.04 0.03
BAHRAIN	90.001	30.559	22.000	0.004	-99.98	85.687	15.961	12.473	8.563	-90.01 0.02
ARAB EM	6.581	4.887	1.412	1.924	36.27	5.706	5.102	5.004	5.399	-5.39 0.01
GHANA	6.448	5.991	3.891	2.981	-23.39	8.138	5.320	5.032	5.081	-37.57 0.01
ECUADOR	3.325	3.047	0.967	1.151	19.11	3.226	3.199	3.386	3.231	0.17 0.01

Competition in some categories could be considered from apparel Made in USA, which has been a relatively hot topic over the past few years. Though there are some well-known name brands making T-shirts in the U.S. like American Apparel, American Giant, Bella & Canvas, and other apparel from All American Clothing, Haspel, Karen Kane, Gitman Bros. and Hickey Freeman.

The Made in USA movement is more of a “niche” business, versus highest volume. A *New York Times* December 28, 2016, Business Day article talks about Made in U.S.A. for the high-end Ivanka Trump brand being “costly and impractical.” The article quotes statistics from the American Apparel and Footwear Associations stating, “In retail, where margins are slim, overseas manufacturers are crucial to profits. Most of the clothing Americans buy at Walmart, Macy’s and Target are made abroad, including 97 percent of apparel...”

Furthermore, an L.A. Times published an article on December 14, 2016 entitled “In L.A.’s garment industry, ‘Made in the USA’ can mean being paid \$3 an hour” exposes Labor Department findings, not just in L.A., that “worker abuse and wage theft is rampant in the U.S. garment industry. The report revealed that 85% of garment industry employers studied were violating federal minimum wage and record-keeping laws.”

The current U.S. government administration is promoting more manufacturing in the U.S., the existing Made in U.S.A. supply chains are still focused on special interest and niche business and are not yet ready for the biggest volumes in apparel.

9.2. CRITICAL SUCCESS FACTORS AND PERFORMANCE ON EACH FACTOR

Looking at the global competition, there are key factors to consider when evaluating performance and success:

1. Accessibility to raw materials (yarns, fabrics, trims, packaging)
2. Favorable trade agreements with the U.S. (CAFTA, NAFTA, PNTR and others)
3. Certifications from recognized industry organizations (e.g. WRAP)
4. Readily available services (testing, inspection, air and sea freight forwarders)
5. Ready access to air and sea ports
6. Geographic logistics (proximity to the U.S. – fast transit time)
7. Manufacturing process and a skilled labor force (cutting, sewing, dyeing, special fibers, finishing details)
8. Experience and understanding of the U.S. industry standards (communications, quality control, packaging, labeling, documentation, tech packs, development, order process, seasonal calendars)
9. Long standing business agreements with major U.S. buyers (confidence and loyalty)
10. Special initiatives and/or “niche” opportunity
11. Political stability, safety and security in the region
12. Strategic pricing (large – medium – small volumes)

Analyzing each of the 12 components, Kenya may already have and/or can work to offer a competitive strategic advantage:

TABLE 4. KENYA'S PERFORMANCE ON CRITICAL SUCCESS FACTORS

COMPETITIVE KEY FACTOR	TOP 10 AND OTHER KEY COUNTRY SUCCESS FACTORS	KENYA'S POSITION
1. Accessibility to raw materials (yarns, fabrics, trims, packaging)	<p>The top key countries have an abundance of raw materials and processing units readily available or in close proximity. This includes: yarn spinners, dye houses, washing facility, knitters, weavers, printers, embroidery, trims suppliers (zippers, snaps, buttons, interlinings), packaging supplies (cartons, polybags, tapes, ticketing machinery). This accessibility allows for quick acquisition which shortens the "total package" garment production lead time.</p> <p>AGOA countries have less abundance of readily available raw materials, although some of the vertical manufacturing facilities have an advantage with yarns and fabrics. As more U.S.-based companies produce on the continent, suppliers of component parts (trims and packaging) that meet the U.S standards need to be developed.</p>	<p>All of Kenya's suppliers must import either yarn or fabric or both. This creates a need for cost and time efficient transit from Asia which is where the majority of fabrics and yarn originate.</p> <p>All of Kenya's suppliers import the majority of notions and trims based on the buyer's nominated supplier – usually Asian.</p> <p>Most of the suppliers are able to use packaging and shipping materials from local suppliers that meet the needs of U.S. buyer qualities.</p> <p>Most of the suppliers have their own washing facilities as required for their product category.</p> <p>Most of the suppliers have their own embroidery machines as needed for their category.</p>
2. Favorable trade agreements with the U.S.	<p>There are 7 primary active agreements that can give the Top 10 and other competitive countries an advantage when working with U.S. import buyers:</p> <ul style="list-style-type: none"> • NAFTA – North American Free Trade Agreement (Canada and Mexico) • CAFTA – Central America Free Trade Agreement (Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua, and the Dominican Republic) • CBTPA and HOPE/HELP – The Caribbean Basin Trade Partnership Act and Haiti's HOPE/HELP • TPA – Trade Promotion Agreement (Peru) • QIZ – Qualifying Industrial Zone (Egypt in particular) • FTA – Free Trade Agreement (Morocco) • PNTR – Permanent Normal Trade Relations (with China) <p>Notes:</p> <p>All of the agreements (except PNTR) have specific yarn, fabric and/or other provisional component required to gain duty-free saving.</p> <p>CBTPA often has in-country social alliance support.</p> <p>There are several other agreements for countries like Burma and Bahrain, among others, but these countries have limited product opportunity.</p> <p>PNTR is well-established though there is no duty saving.</p> <p>The previous agreements, written but not passed, known as TPP and Transatlantic Trade Investment Partnership (TTIP) had been a large focus for many U.S. companies. They were gearing up, predominantly in Vietnam, to take eventual advantage of potential duty savings. However, the agreements were rejected, and this is a huge opportunity for AGOA countries to gain new U.S. buyers who were counting on</p>	<p>Kenya has AGOA. AGOA is a unilateral preference program that provides qualifying sub-Saharan African countries with duty-free and quota-free treatment for eligible apparel articles exported to the U.S. through September 30, 2025.</p> <p>Unlike other country agreements, the AGOA program allows apparel to be made in the designated countries using third country yarns and fabrics.</p> <p>This gives the U.S. buyers the advantage to use raw materials of their choosing, which is a more attractive opportunity than other preferential agreements.</p> <p>The duty savings for the target product exports are listed in Section 2 of this report.</p> <p>The AGOA Rules of Origin are listed in Section 6.2 of this report.</p>

	TPP (Vietnam in particular), for duty benefits that won't be available.	
3. Certifications	<p>The Top 10 and other key countries have a long history with the U.S. market. To get the big business, a factory would have to be certified for various U.S. Compliances including Social Compliances.</p> <p>The most well know certifier is WRAP, and the C-TPAT is additional insurance that the goods are secure.</p> <p>Some of the biggest U.S. companies like Nike, Adidas, Levi's Walmart, PVH and many others, will additionally do their own assessments to meet individual criteria.</p> <p>There are some specialty certificates needed for niche business such as "organic" cotton. The recognizable certification worldwide is The Global Organic Textile Standard (GOTS).</p> <p>AGOA countries now have ample access to WRAP and C-TPAT certifications. This is a very important step toward attracting new U.S buyers' interest.</p> <p>Those factories engaged in organic cotton should have GOTS certifications for the U.S. market.</p>	<p>Many of the Kenyan suppliers are not yet WRAP approved, nor do they have the C-TPAT certificate.</p> <p>SMEs in particular are at risk for non-compliance because the cost to certify is too high and they have not enough volume to offset the expense.</p> <p>The children's wear market in the U.S. is an export opportunity, however, the factory compliance requirements are severe and need to be addressed. This needs professional analytics and in some cases funding.</p>
4. Readily available services	<p>Top 10 and other key countries have a well-developed infrastructure for needed services like:</p> <ul style="list-style-type: none"> • Testing and inspections: For fabric, trims and garments to ensure they meet U.S. and buyer specific standards. Well-recognized companies for U.S. buyers include: Intertek, SGS, and Bureau Veritas. All of these have websites describing their services (see end notes annex). • Air and sea freight services and freight forwarders: Based on geographic locations and global infrastructure, the Top 10 and other competitive countries have multiple options for ground transportation and more access to sea and airports. • Kenya and AGOA countries need clear options to offer potential buyers. Using support services to help define best practices for testing, inspection, freight routes and services, will allow the factories to assure new buyers that they are ready and able to compete for their business. 	<p>Kenyan companies in particular will need to develop service options tailored to individual factories, based on their size and geographic location.</p> <p>Improved rail service and direct flights to the U.S. will begin to offer a layer of competitiveness.</p> <p>Larger factories will have buyers more likely to require detailed testing and specialized inspection, which will lengthen the lead time due to sending submits out for testing.</p> <p>Some large suppliers do preliminary testing in-house to better prepare for success when sent to a nominated third party.</p> <p>The raw materials imported from a third party country, will likely have had testing on those components in the originating country.</p> <p>Large factories will utilize sea shipments which are most cost effective to the U.S., but take a very long time.</p> <p>SMEs, whose customer base will be more specialized, will often have air freight built into their plans due to the smaller quantities and higher prices.</p> <p>The national freight carriers, both air and sea, should work on a strategy for daily consolidated shipments in and out.</p> <p>Development of air and sea freight services and freight forwarders is a cross-sector constraint</p>
5. Ready access to air and sea ports	<p>Top 10 and other key countries have the immediate advantage with easy access to air and sea ports. Ground access to and from the ports is well developed.</p> <p>This established infrastructure creates opportunity for optimum speed getting goods to the U.S. market.</p> <p>AGOA countries need to analyze by country and by factory, location and best routes in and</p>	<p>Kenyan factories will have to tailor distinct routing options with associated transit times based on geographic location, access to road and rail services, and the size of potential U.S. business.</p> <p>Closest airport and transit routes/timing for receiving imported raw materials and exporting finished goods for small to medium companies in the U.S.</p>

	<p>out. Each AGOA country will have to analyze this separately.</p>	<p>Closest seaport and transit routes/timing for receiving large orders of imported raw materials and exporting larger orders of finished goods to the U.S.</p> <p>Best road and rail routes/timing to move the goods from Point A to B.</p> <p>Transportation infrastructure is a cross-sector constraint.</p> <p>The local EPZ and transportation ministry must work together to develop a network of services for both large companies and SMEs, with competitive freight rates to attract U.S. buyers. Also needed is a ready infrastructure of well vetted freight forwarders.</p>
<p>6. Geographic logistics and transit times to the U.S.</p>	<p>Top 10 and other key countries have ocean transit times from as little as 20 days to as many as 45 days. There are multiple carrier choices as well as container sizes and co-load shipping options.</p> <p>For air shipments, the choices are endless and can be door-to-door in as little as 3-5 days or less when using international carriers such as DHL or FEDEX for specialty orders.</p> <p>AGOA countries do not have the same options. Madagascar and Ethiopia, which have been developing an infrastructure for U.S. business for some time, are now working with a respectable 27 days on the water to the U.S. East Coast.</p>	<p>Kenya, and the Port of Mombasa, need a best route scheme to offer U.S. buyers best exports times and rates by sea.</p> <p>The bulk production lead times will be longer than average, and this must be calculated up front when working with buyers.</p> <p>A welcome opportunity for the SMEs is that smaller U.S. companies, with typically higher price points, often allow for air freight in their pricing strategy which offers a more competitive opportunity in transit times.</p> <p>Kenya, and the national airlines need to devise air freight incentives for both small and medium companies for both importing goods from Asia, and exporting goods to the U.S.</p> <p>General cost of freight to the U.S. will be greater than other countries.</p> <p>Transit times and rates for both air and sea should be readily available in simple terms to work with new buyers to the region.</p> <p>Logistics and transportation is a cross-sector constraint.</p>
<p>7. Manufacturing process and a skilled labor force</p>	<p>Top 10 and other key countries have a long history working with U.S. buyers. They know how to meet buyers' expectations and reach the needed quality of goods requirements. Cutting edge developments with special fibers, new knitting and weaving techniques, dyeing options, fabric treatments and other processing can be offered to the buyers on a regular basis based on global market trends.</p> <p>U.S. buyers use past experience to know which countries, and in particular, which factories perform best with certain products more than others, and they can focus their development efforts accordingly. In addition, these Top 10 and other key countries have experience and equipment to handle finishing details like buttons and button holes, shirt placket construction, stitching styles, detailed handiworks and the overall level and speed of the cutting and sewing machinery required in the manufacturing process which has been tailored to the needs of the U.S. market. Even Egypt, which enjoys U.S. business because of duty savings under the QIZ program, has found a way to offer its skills to major U.S. customers in areas such as R&D, technologies and design.</p> <p>AGOA countries have been making progress – maximizing their individual areas of expertise, upgrading machinery and training their labor</p>	<p>Kenya has a special opportunity with the U.S. market. It is relatively well known, has a tourist trade, and the city culture is conducive to a modern crowd.</p> <p>Roads and transport systems, as well as major air and sea ports are relatively easy for travelers.</p> <p>There are clusters of both large and small manufacturing capability, which creates a strong platform for approaching U.S. buyers of various types.</p> <p>Kenya also has an abundance of SMEs like Tosheka Textiles, Kiboko Leisurewear, Textile Loft and Vivo Activewear among others, which exemplify female entrepreneurship which is of interest to many U.S. buyers.</p> <p>To conquer the lack of enough skilled labor, Kenya has sought the support of USAID/EATIH, and together with Kenya's Ministry of Industry, Trade and Cooperatives, the Kenya Manufacturers, and apparel companies, they will set up and outfit seven training centers that will focus on recruitment, training and job placement in the apparel sector. More details on this can be found at https://sourcingjournalonline.com/us-bets-apparel-sourcing-africa-grant-create-2000</p> <p>Training is a cross-sector constraint.</p>

	force to build a strong infrastructure that meets the needs of the U.S.	
8. Experience and understanding of the U.S. industry standards	<p>Top 10 and other key countries have decades worth of experience and understanding about the U.S. market industry standards in key areas:</p> <ul style="list-style-type: none"> • Written and verbal communications • Quality control of the manufacturing components and process • Packaging requirements for shipping • Labeling requirements to meet government standards • Documentation for imports and tracking • Development and technical packages • Order process and procedure • Seasonal calendars • Overall working culture and expectations of U.S. buyers <p>AGOA countries will learn and master these critical steps with each new buyer encounter. Understanding begins with clear communication.</p>	<p>Kenya needs to have trained merchandizers in the factory offices that are familiar with and dedicated to U.S. clients and culture.</p> <p>Training is critical for all companies large and small to better understand U.S. procedures, requirements, and expectations.</p> <p>Training is a cross-sector constraint.</p>
9. Long standing business agreements with major U.S. buyers	<p>Top 10 and other key countries have earned a high level of confidence and loyalty from their buyers season after season. This is more evident with big companies than in the small ones.</p> <p>The U.S. buying structure does not typically allow the “designer” or “fashion buyer” to make manufacturing decisions. Instead, it is often a team of senior level executives that work together evaluating options based on individual company criteria (see Section 7.1).</p> <p>Most always at the top of the evaluation priority list is sector risk, corporate social responsibility and price margins.</p> <p>Kenya and AGOA countries have some negative risk issues in the eyes of the U.S. buyer. Even industry supporters, like the Sourcing Journal, puts out bad press like this June 19 article titled “Is the US Looking to END AGOA?” https://sourcingjournalonline.com/is-the-us-looking-to-end-agoa-td/</p> <p>But other countries, even those in the Top 10 list like Pakistan and Bangladesh have issues, and they are still Top 10.</p> <p>Confidence and loyalty will be gained with successful developments and order implementations. It takes many people working together with full commitment and understanding of the process, which can differ from buyer to buyer.</p>	<p>Kenya has a unique opportunity to start U.S. business with small to medium sized companies, which will show results faster than the large volume companies.</p> <p>The manufacturing requirements for SMEs are sometimes more flexible, the lead times may be longer, and the prices are often more negotiable. They also do not require as much up front certifications, providing the supplier can accommodate those compliances required by law.</p> <p>Getting a single small order, and executing well, builds loyalty and affords bigger opportunities in the future.</p> <p>It is very important that Kenyan suppliers make themselves accessible to the U.S. buyers on a consistent basis – season after season – in the U.S. at trade shows, buyer visits and industry events.</p>
10. Special initiatives and/or “niche” opportunity	<p>Top 10 and other key countries have reached their high export levels through numerous combinations of measures. However, the increasing pressure on the U.S. market to bring consumers back to the stores, while meeting certain price goals, has given the buyers good reason to look beyond their existing sourcing matrix.</p> <p>Key suppliers that have “special” or “niche” products will continue to thrive. Some U.S. companies have their eye on social initiatives</p>	<p>Kenya can readily compete with other nations and set themselves apart with focus on lucrative product categories and SMEs.</p> <p>In addition, there are several female entrepreneurs that would be attractive to SME buyers in the U.S., especially like minded U.S. companies that want to produce in the region for social benefit, female empowerment and other “special initiatives” or mission goals.</p>

	<p>such as the Smallholder Farmers Alliance and Impact Farming in Haiti.</p> <p>AGOA countries represent what is being called “the new frontier” in sourcing. The AGOA benefit that eliminates duty is already an attractive opportunity, but it is not enough on its own.</p> <p>Each AGOA country, and the individual factories need to exploit the product(s) they do best. A jeans maker in Kenya should focus on that particular U.S. market and perfect it. In addition, there are social initiatives that resonate well with the U.S. market. Family or female-owned companies are sought after, as well as community support projects.</p>	
11. Political stability	<p>Top 10 and other key countries have had generally stable political environments, which have helped to solidify trade agreements and beneficial working relationships between international manufacturers and U.S. buyers. However, there is no guarantee that any one country will remain in safe standing forever. Recent political uprisings and dangerous conditions for foreign travelers has cramped some business in countries like Turkey and Pakistan. This issue is ever changing and is always under scrutiny by U.S. companies.</p> <p>AGOA countries have had their share of uprisings that have hampered growth of apparel exports to the U.S. Madagascar, which had a thriving business many years ago, lost their beneficial status for many years. They have since been reinstated under AGOA.</p> <p>Even Ethiopia, which is currently the leader at the forefront of export growth to the U.S. market, had unsafe conditions quickly develop recently, in September of 2016, which created a cautious stance on the part of some U.S. buyers. U.S. companies will always look to avoid any territory that could expose their people or their business to unsafe or harmful situations.</p>	Kenya’s political climate will always be under the same watchful eyes of U.S. companies as the rest of the world.
12. Strategic pricing	<p>Top 10 and other key countries have reached massive volumes based on the U.S. market’s need for speed to market and often low cost. Lower cost does not mean lower quality. Volume orders create aggregate savings to the cost of the garment. That being said, every order, for every company has the potential to be scrutinized for best pricing at any given moment. Fluctuations in currency, the price of raw materials, demand, speed to market, design changes, seasonal changes, legal requirements and any number of details contribute to the cost of the garment. There are very specific costing formulas used in U.S. retail and wholesale that are unlike anywhere else in the world. The Top 10 and others have found a way to meet the criteria.</p> <p>AGOA countries entering the U.S. market would be best prepared by solidifying their own costs and overheads in order to offer U.S. buyers a clear and transparent costing platform. To that will be added the required raw materials costs. The buyers will know these component costs, if they are by nominated third party. In starting with a new buyer, “open costing” is highly recommended and working together, the</p>	<p>Kenya will have the ability to work on strategic pricing for the U.S. market especially for those products from the larger vertical factories. The maximum benefit will come from open costing and discussion with buyers on a style by style basis. Smaller U.S. brands may have more flexibility in the design and cost of the items. Understanding U.S. industry terminology and costing formulas will be key to the growth of both big and small factories. Working with professional organizations to become educated in U.S. terminology and protocols in preparing costing for first time customers would be wise. This could help avoid costly misunderstandings or miscalculations.</p> <p>Large U.S. companies expect to negotiate with large manufacturers for discounts.</p> <p>Exporters should be aware that U.S. companies impose stiff penalties on suppliers for defects, mistakes and/or delivery issues.</p> <p>While volume quantity is a key factor in strategic pricing, it is successful order execution that will benchmark success and bring U.S. imports from Kenya.</p>

	<p>buyer and the factory can work together to achieve the desired prices targets.</p> <p>The price on a single garment can vary dramatically from store to store, buyer to buyer, brand to brand and so on.</p> <p>For example: a women's cotton blend V neck T-shirt, knitted, in the same store, has vastly different retail prices to the consumer. This has to do with the name brand value, the quality, the volume quantity purchased and the trims of the item.</p>	<p>Correctly matching buyers and sellers is paramount to a successful and profitable relationship for all.</p> <p>Knowledge about key factors like U.S. import requirements, AGOA procedures, quality controls, and freight costs if applicable, is needed.</p> <p>Training is a cross-sector constraint.</p>
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10. RECOMMENDATIONS

10.1 SUGGESTED BUYERS

There are multiple opportunities for buyer linkages. The Apparel Sector Specialist conducted various interviews with an assortment of potential buyers to get their perspective on the opportunities and experiences with the Kenyan apparel suppliers visited in-country and ready for export.

The buyers, in general, were concerned because some of the factories were unfamiliar to them. They wanted to know who the suppliers are doing business with in the U.S. and whether the suppliers WRAP were certified. Since the buyers were not planning any trips to the region, they sought to know how they would see products made by the factory. They inquired about lead times (raw materials in, production time, goods transit time out, and if there were any relevant freight forwarders). Some smaller companies wondered if the factories SMEs would be at any trade shows in the U.S.

There are major certified suppliers in Kenya that are well-known in the U.S., most likely due to Asian corporate offices feeding business into the Kenya supply chain. However, their production capacity is too full to take on new customers and the lead times are quite long. One of the buyers said, “You have to wait in line and we can’t risk not getting our goods on time.”

Buyers that expressed interest included:

- **Uniform by Liberty and Justice** – is currently producing in three East African countries including Bedi Investments, Kenya. They are a growing business and sell their goods online and also through Bloomingdales, a major department store in the U.S. They are interested in expanding productions and will be introduced to both divisions of Manchester Outfitters for the coming season.
- **LittleTreeHouse** – is currently producing in Kenya, using fabric from Uganda. They are a new online children's business and working with Kiboko Leisurewear. The factory needs help to become compliant for U.S. children's wear.
- **Greater Good/Global Girlfriend** – both divisions are currently producing in African countries. The Greater Good's current T-shirt supplier charged some extras due to small quantities (and these excess charges are internal and not a result of air freight or government fees). They would therefore be open to finding alternative suppliers.
- **Target Stores** – this will take quite some time as all “big box” major retail stores have many layers of decision makers before even the first developments are started. The likely entry point will be through an Asian supplier – like New Wide Apparels, EPZ or Mombasa Apparels, EPZ.

All Kenyan suppliers can make new buyer contacts at appropriate U.S. trade shows. They need to travel to the U.S., engage in buyer conversations, see their competition and understand the culture of the U.S. market. Table 5 shows suggested trade shows for each visited supplier relative to their product categories. Trade shows are a first step to meet suitable U.S. buyers, and perhaps follow up with on-site pre-arranged one-on-one U.S. company meetings.

Table 5: Kenya - Visited Suppliers – U.S. Trade Show

KENYA – VISITED SUPPLIERS – U.S. TRADE SHOW		SUPPLIERS VISITED BY U.S. BASED TRADE LINKAGE CONSULTANT	
SUPPLIER NAME	PRODUCTS	TYPE	U.S. TRADE SHOW SUGGESTION
Africa Apparels	Bottoms and denim, blouses, scrubs, T-shirts	Knit & Woven	Sourcing at MAGIC
Alpha Knits	Knitwear (sweaters) and other promotional items	Sweaters	Sourcing at MAGIC, Sourcing at Coterie
Bedi Investments	Woven tops, bottoms, outerwear	Woven	Sourcing at MAGIC
Hela Intimates	Men's underwear and woven bottoms	Woven	Sourcing at MAGIC
Manchester Knits, Ltd (Division of Manchester Outfitters)	All sportswear, uniform driven but can do an array of products	Knit & Woven	Sourcing at MAGIC, Sourcing at Coterie, Outdoor Retailer
Manchester Outfitters Knits, Ltd	New facility for flat knits (fully fashion to follow)	Sweaters	Sourcing at MAGIC, Sourcing at Coterie, Outdoor Retailer
Mombassa Apparel EPZ Ltd (Division of Atraco)	Bottoms, jackets, knitwear, swimsuits, children's wear	Knit & Woven	Sourcing at MAGIC, Sourcing at Texworld, Outdoor Retailer
New Wide	Synthetic knitwear, with some light wovens	Knit & Woven	Sourcing at MAGIC, Sourcing at Texworld, Outdoor Retailer
Simba Apparel EPZ	Menswear, denim, quilted jackets, hospital, industrial, corporate uniforms	Woven	Sourcing at MAGIC, Sourcing at Texworld
UAL (United Aryan)	Bottoms and denims, shirts, undergarments and knits	Knit & Woven	Sourcing at MAGIC, Sourcing at Texworld, Kingpins for Denim
Panah Ltd	High fashion womenswear	Woven	Sourcing at Coterie
Soko EPZ	Fashion women's wear focus	Knit & Woven	Sourcing at Coterie
Tosheka Textile	Women's clothing & accessories, Focus on sustainable vegan silk	Knit & Woven	NY NOW, Sourcing at Coterie
Textile Loft	Custom and small batch orders and fabric supplier to local designers	Woven	NY NOW, Branded at Coterie
Vivo Activewear	Women's sportswear with Activewear edge	Knit	NY NOW, Branded at Coterie
Thika Cloth	Fabric mill	Woven	Sourcing at Texworld
Kiboko Leisurewear	Woven and knit apparel - focus on children's wear	Knit & Woven	Sourcing at MAGIC, Sourcing at Texworld

10.2 EXPORT STRATEGY – ACTION PLAN

There are 10 recurring topics that need attention:

1. Improve understanding of the AGOA process by SMEs
2. Technical training for the big company workforce
3. Management and administrative training specific to U.S. for all
4. Attend U.S. trade shows to gain U.S. buyer linkages
5. Solicit financing for travel, infrastructure and compliance issues
6. Develop market-ready products ready to sell in the U.S., based on trend
7. Implement marketing schemes including website development
8. Certifications for the big companies
9. Understand the U.S. buying process and time lines
10. Improve shipping and logistics

From the buyer's point of view, there are recurring themes regarding East Africa:

Most major U.S. companies use Asia-based buying offices to negotiate and oversee all production matters. This type of support is not available in Kenya. The buyers have a comfort level sourcing through their predominantly China offices, and it will be hard to compete with key assets in Asia:

1. Abundance of certified vertical factories that reduce the lead time for production orders
2. Short transit time to the U.S. ports (20 days to the West Coast)
3. Competitive pricing
4. Company staff in-country that oversees all elements
5. Easy access for the staff should they want to visit the factories for product developments and/or problem solving
6. Long standing and confident relationships with same suppliers
7. Can ship LCL sea freight containers or even economical air freight if needed
8. Suppliers have U.S. based support staff and/or make regular visits to the buyers for consistency and growth opportunity

With the new U.S. government position on China imports, diversity in sourcing strategy is paramount. Achieving big business and duty-free savings under AGOA would be great. But to get to that reward, there is a long ladder of actions and achievements that are required, and many factories are unaware of the protocols or do not have the understanding of the U.S. process.

Here are some of the buyer's critical points:

One big challenge to the process is the suppliers' understanding of the U.S. product development process and timing. With a large U.S. apparel company, the time from start (sourcing team meets the factory) to finish (goods produced, packed and successfully shipped and received by the U.S. buyer) could be a process as long as 2-3 years. Starting from the first meeting where the U.S. buyer meets the factory, assesses potential and moves to sample development, each step of the way undergoes a series of internal reviews by appointed decision makers. Every U.S. company has a specific approval process that escalates in hierarchy as final production decisions are made. Along the process, different teams of specialists interact with the suppliers on their component parts.

For the purpose of this interview, the Sector Specialist talked through a typical process chain of players:

- A “sourcing” team meets/approves working in a specific factory, then
- A “design” team initiates a development package, then
- A “technical” team will be in charge of providing size specifications, then
- A “merchandising” team will step in to coordinate pricing, and interact with a “planning” team for how much to buy and for what delivery, then
- A “production” team will coordinate the actual PO with quantity and required delivery, then
- A “finance” team will coordinate payment terms, then
- A “logistics” team will coordinate ship mode, then
- A “traffic” team will follow the goods from point of export, to point of import, and then to the company’s warehouse or processing center.

Each step of the way requires constant monitoring, review and approvals by management teams before moving forward to the next step. This process can take a very long time when the stakes are high for large “programmed bulk” orders. It is necessary for the supplier to have the understanding, patience, and financial stability to see the process through without becoming frustrated. The process is long, but the rewards can be great.

Another huge challenge is the sampling process. If samples are requested, they must be made exactly as required and finished by the given due date. Late or poorly executed samples can kill a deal before it even starts, or in some cases, if already within the production process, can result in cancelled orders due to failed execution. In the early stages of the process, U.S. buyers will usually develop with multiple vendors, and a supplier that fails at this stage will be dropped from the vendor matrix for that product. If an order has been given and the supplier is sending production samples that are incorrect or late, the buyer can cancel or demand discounts to accommodate errors or delivery slides. A supplier must have the staff and infrastructure to carefully monitor the sample process.

Pricing is critical in the buying process. Therefore, a supplier that carefully constructs their costing in a fair and transparent manner will have a better chance at success. Once a price is quoted to a U.S. buyer, it cannot be raised higher (unless there is a critical change made by the buyer and all agree that the price will change accordingly). Timely communication of prices is also important. If the factory cannot provide prices within a few days after sample completion (or sooner), the buyer is likely to drop that vendor from consideration. Most buyers are on a tight schedule and have to give samples and prices “together” to the required decision makers for consideration.

Late or poor communication is a detriment to healthy growth. Each side is responsible for communications to and from each other in a professional and timely manner. Geographic time differences, various holidays in each country, weekends and other factors all contribute to what is considered acceptable waiting time between questions asked and answered. U.S. buyers expect response time, with answers, to be immediate. Therefore, suppliers must train themselves and their staff to respond quickly. In addition, the responding party from the supplier must be able to communicate clearly and from a knowledgeable platform of experience.

The end goal of the process is for the buyer to award a bulk order to the seller. The supplier may have high expectations for the order coming soon after the process starts, which will likely not be the case. The orders typically come at the end of a very long process, and often times the supplier becomes disillusioned. In addition, the orders from the buyer may come smaller than expected or even as a “test order,” and the supplier may be unhappy with the quantity. The supplier should understand that the buyer will want to grow the relationship based on a series of successes and even a small order, if

executed well, builds a strong foundation for long-term business together. Following the buyers Time and Action Calendar and being on time for all dates will win confidence and loyalty.

Figure 32: Example of a Time and Action Calendar

Time and Action Calendar						
Order No.: 1223		Style No.:SP13009	P.O. No.:4565		Order Quantity: 10000	Season: SS 2013
Fabric details: 100% cotton, Plain woven, solid dyed fabric, 145 GSM			Product detail: Mens formal shirt		Manufacturing country: Bangalore, India	Delivery date: 1st March 2013
Destination port: New York		Shipment port: Chennai, India		Buyer Country: USA		
No.	Activity			Planned date	Actual	Deviation (no. of days)
1	Buyers enquiry and specification (Proto kit) receives			01-06-2012		
2	Pattern is made according to specification			04-06-2012		
3	Proto sample submission			09-06-2012		
4	Proto sample approval			29-06-2012		
5	Order conformation			29-06-2012		
6	Trims and Art work sent for approval			14-07-2012		
7	Lab dip send for approval			14-07-2012		
8	Request for sample of trims and fabric send			30-06-2012		
9	Sample lot of trims entered in to store			20-07-2012		
10	sample lot of finished fabric {yardage} entered in to store			22-07-2012		
11	Meeting with sampling and all other department			20-07-2012		
12	Fit samples sent to buyer			27-07-2012		
13	Approval of fit sample			22-08-2012		
14	sales man samples sent to buyer			27-07-2012		
15	Approval of sales man sample			22-08-2012		
16	P.O. raised by buyer			23-08-2012		
17	Trims and Art work approved			15-08-2012		
18	Approval of Lab-dip			20-08-2012		
19	P.O. raised for fabric and trims by merchandiser/sourcing team			26-08-2012		
20	FPT send to buyer			31-08-2012		
21	Approval of FPT			15-09-2012		
22	Ad/photo shoot samples sent to buyer			29-07-2012		
23	Approval of Ad/ photoshoot			22-08-2012		
24	All fabric inhouse			03-10-2012		
25	All trims inhouse			01-10-2012		
26	Fabric and trim quality and quantity measured			05-10-2012		
27	Size set samples sent to buyer			08-10-2012		
28	Approval of Size set sample			25-10-2012		
29	GPT submitted to buyer			08-10-2012		
30	GPT approved by buyer			30-10-2012		
31	Planned cut date			31-10-2012		
32	Cut panels send to embroidery			01-11-2012		
33	Emboidery completed			07-11-2012		
34	Pilot run			03-11-2012		
35	Pre-production meeting			06-11-2012		
36	PP samples sent to buyer			03-11-2012		
37	Approval of PP sample			12-11-2012		
38	Production start date			15-11-2012		
39	TOP samples sent to buyer			17-11-2012		
40	TOP sample approval			21-11-2012		
41	Production end date			15-12-2013		
42	Finishing and packaging start			17-11-2012		
43	Finishing and packing completed			18-12-2012		
44	Buyer Quality Audit			19-12-2012		
45	Shipment sample sent to buyer			19-12-2012		
46	Ex Factory			20-12-2012		
47	Ex Country			26-12-2012		

II. APPAREL PROPOSED ACTION PLAN

OBJECTIVES	PROPOSED KEY ACTIONS	OUTPUTS	TIME FRAME		KEY STAKEHOLDERS	LEVEL OF RESOURCES REQUIRED	COMMENTS
			S-T	M-T			
Improve understanding of the AGOA process for SMEs	Engage USAID Hub Country Representative for guidance Produce a simple and easy to read AGOA Handbook	Explanations and document examples for understanding the process	X		Ministry Office	Low	This is directed toward the SMEs.
Technical training for the big company workforce	Engage organizations to train incoming workforce to enhance the foundation of growth for the big companies	Gain technical training in production techniques and other related areas including “bid” sample making	X	X	Ministry Office/Private Sector	Medium to High	This is directed toward the big companies who need to nurture a sustainable work force. This would be an expansion of Kenya’s current program. The teaching staff must include experienced and hands on industry professionals, knowledgeable in the U.S. market requirements.
Management and administrative training for all	Engage individuals or organizations from the U.S. to train Kenya’s management, merchandizers and administration	To learn U.S. buying and import process decision making and expectations including communications and costing for the U.S. market	X		Private Sector	Low to Medium	This is directed toward all exporters who want to master the U.S. market. They must become confident, proactive and consistent.
Attend U.S. trade shows	Coordinate and develop a specific trade show agenda for Kenyan suppliers. The timing must be planned and coordinated for travel arrangements including visas	The Kenyan suppliers must make an effort to travel to the U.S. and make themselves visible and accessible on a consistent basis to engage buyer confidence and trust	X		Private Sector	Low to Medium	This is directed to all suppliers that want to export to the U.S. They must travel to the country for better understanding of the market, and to engage in face-to-face meetings.

OBJECTIVES	PROPOSED KEY ACTIONS	OUTPUTS	TIME FRAME		KEY STAKEHOLDERS	LEVEL OF RESOURCES REQUIRED	COMMENTS
			S-T	M-T			
Solicit financing	More accessible financing options and even government supported initiatives are needed to help some suppliers travel to the U.S., improve infrastructure and attain the needed certifications and/or compliances (like WRAP, C-TPAT, and children's factories need needle detectors)	Funding will provide a platform for growth individually based on each suppliers needs	X	X	Private Sector	Medium to High	All factories need to travel to the U.S. All factories need to be certified to do business with U.S. customers. The level of certification and compliancy details will vary by company size and product category.
Develop market-ready product for the SMEs	Engage sector specialist to guide product development and share trend research for product offering suitable for the U.S.	Sample lines that are well merchandized, priced right and marketable meeting buyer expectations and win orders	X		Private Sector	Low	SMEs need guidance with their designed products for sale in the U.S.; medium to large companies need analysis to maximize their product offerings and not get stuck in over saturated commodities.
Implement marketing schemes including website development	Engage companies to develop marketing platforms, website and social media	Suppliers can promote their brand and/or capabilities to the U.S. market	X		Private Sector	Low to Medium	This is directed toward all exporters who want to promote themselves and interact with the US market.
Certifications for big suppliers	Engage with WRAP office, C-TPAT on line, and specialists in children's wear (if relevant) to get compliant and certified	U.S. compliance requirements	X		Private Sector	Medium	This is for most medium to large companies, and all children's wear companies.

OBJECTIVES	PROPOSED KEY ACTIONS	OUTPUTS	TIME FRAME		KEY STAKEHOLDERS	LEVEL OF RESOURCES REQUIRED	COMMENTS
			S-T	M-T			
Understand the U.S. buying process	Engage with EATIH and/or U.S.-based professionals to understand the different buying levels and entry points for suppliers	Understanding the U.S. market, who and how to engage different levels of buyer. There are retail buyers, wholesale buyers, buying agents, national brands, private brands and many more gateways to the U.S.	X		Private Sector	Low to Medium	Every supplier must analyze their product, capabilities and infrastructure and then work one-on-one with knowledgeable U.S. contacts to help engage U.S. buying entities that match.
Improve logistics	Cross-sector constraint	Need better air freight rates for SMEs and readily available freight forwarders and shipping agents that can proactively service the U.S. Market	X	X	Ministry office/ Private Sector	Medium to High	The long lead times and unfamiliar logistics services must be addressed to maximize U.S. market.

12. FINAL SUMMARY STATEMENT

It is important to remember when looking at the U.S. apparel and textile market, it is a never-ending opportunity for sourcing. There is room for everyone.

- Properly matching a “buyer” to the right “factory” happens on an individual basis.
- First-hand discussions and assessments need to be made for each potential buyer linkage, matching mission statement goals, volume capacity, quality and price which will lead to successful collaborations and years of growth.
- Kenyan suppliers must make the investment to travel to the U.S., and make themselves visible and accessible to U.S. companies through trade shows and pre-set buyer meetings. It will not happen on its own. Having a U.S. office or sales person that is knowledgeable and experienced will help build buyer confidence.
- Volume quantity does matter, however, it is not the only criteria for a good working relationship between buyer and seller. All successful results are measurable. Let the factory team – large, medium, small – work through their infrastructures on one good order, perfecting the process to produce quality and timely goods. With just one success, confidence will rise, word will spread, and output volume will gradually increase to accommodate additional customers. To reach higher and maintainable levels, factories need a fail-safe internal system.
- Since the current edition of AGOA continues through 2025 allowing duty-free imports with liberal fabric options, it is imperative to educate factories as well as U.S. buyers of this highly competitive cost benefit that U.S. buyers can take advantage of right away.

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