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Preparing for Free Trade:

**APPAREL RETAILING
IN THE UNITED STATES
PHASE III**

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Preparing for Free Trade:

**APPAREL RETAILING
IN THE UNITED STATES
PHASE III**

**U.S. MARKET ENTRY OPPORTUNITIES
FOR
CANADIAN APPAREL MANUFACTURERS**

Prepared for Industry, Science and Technology Canada

by

Kurt Salmon Associates-Canada, Ltd.

June 1990

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SECTION I: INTRODUCTION



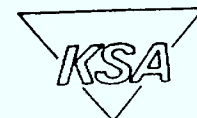
INTRODUCTION

During the 1990's, falling barriers to free trade between the United States and Canada will make the U.S. apparel retailing market increasingly accessible to Canadian manufacturers. Consequently, the Department of Industry, Science and Technology, Canada commissioned Kurt Salmon Associates - Canada, Ltd. to prepare an extensive analysis of the U.S. retail market, its structure and operations, to enable Canadian industry to better identify opportunities within the large and diverse market.

In "Apparel Retailing in the U.S." Phases I and II, Kurt Salmon Associates profiled the U.S. apparel retailing industry; an industry in which Canadian apparel imports held less than a 0.5% market share (based on U.S. retail dollar purchases) in 1989.

This report is designed to be a preliminary resource for Canadian apparel manufacturers developing U.S. market entry strategies. Combined with knowledge gathered from the Phase I and II reports, this report should provide initial guidance for approaching the U.S. apparel market. However, it is not intended to answer strategy issues for specific companies. Each interested Canadian manufacturer will need to conduct additional U.S. market research to identify those opportunities unique to their firm and any business modifications they must make to realize opportunities. U.S. market entry will usually require considerable time and financial investment. This report is best used as a means for Canadian firms to focus their resources on potential opportunities identified from market and industry observations. A market entry checklist has been included to help manufacturers focus on and develop their individual options.

SECTION II: CANADIAN STRENGTHS AND WEAKNESSES



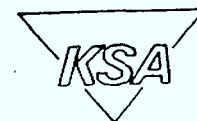
CANADIAN STRENGTHS AND WEAKNESSES

The development of an entry strategy should begin with an understanding of Canadian industry strengths that may lead to a sustainable competitive advantage in the U.S., as well as an identification of weaknesses that would suggest avoidance of certain entry strategies.

Industry-wide strengths and weaknesses of Canadian apparel manufacturers are summarized in this section from the view point of:

- Price
- Fashion
- Quality
- Capacity
- Manufacturing Flexibility
- Private Label Compatibility
- Quick Response/Electronic Data Interchange (QR/EDI) Sophistication

In general, Canadian apparel manufacturers will be uncompetitive on pricing due to cost disadvantages, but potentially competitive on service (manufacturing flexibility, proximity, etc.). Moreover, Canadian firms have the design and quality control capabilities to cater to segments of U.S. consumers. Canadians trail U.S. counterparts in the implementation of QR strategies, but many opportunities still exist for manufacturers without extensive computer capabilities.



CANADIAN STRENGTHS AND WEAKNESSES (cont.)

Price:

The Canadian apparel industry's cost structure is typically higher than that in the Far East and some less developed countries and, in many instances, that of the U.S. apparel industry. To overcome cost disadvantages, Canadian firms should tailor their merchandise offerings to compete in segments that place a higher priority on product attributes (i.e., fashion, fit, workmanship) for which price is not as critical in the purchase decision. Generally, these price ranges are the "moderate plus" or higher price brackets. Specialty Department, Independent Specialty, some Department stores, and Mail Order companies are the primary distribution channels for this better merchandise.

Fashion:

Not all fashion acceptable and popular in Canada will be as readily accepted in the U.S. In many instances, the U.S. market has adopted unique styles and silhouettes which must be understood. Most Canadian manufacturers have the ability to meet U.S. consumer fashion needs. Consumer driven market research aimed at the development of timely styles should prove more effective than product development based on trial and error.

Quality:

Canadian quality, in general, should meet or exceed U.S. consumer demands. Quality should not be taken for granted, however. It was discovered that Canadians typically perceive that their garment quality is higher and that this perception is shared by U.S. retail buyers. In fact, KSA interviewed some U.S. retailers who confirmed this image. More typically, however, U.S. buyers were unfamiliar with Canadian products, or when they did have knowledge of Canadian products, many did not rate Canadian apparel as superior to other similarly priced (international) options.



CANADIAN STRENGTHS AND WEAKNESSES (cont.)

Capacity

Canadian apparel firms have traditionally serviced the smaller Canadian apparel market, and, in general, have limited manufacturing capacity compared to many U.S. counterparts. Capacity limitations could be an obstacle to servicing some U.S. retailers. (Although capacity requirements will vary greatly between specific retailers and by product category, the Super Specialist, Department, Discounter, Chain and Resident Buying Office channels are structured towards large volume orders for most product categories.) When developing market entry strategies it will be important for Canadian manufacturers to target a niche compatible with their current and planned manufacturing capacity.

Manufacturing Flexibility

A history of operating at smaller manufacturing volumes has influenced Canadian apparel firms to become exceptionally flexible manufacturers. The management and manufacturing ability to handle small runs of multiple styles/colors on sometimes, short notice (either as an initial purchase order or on a rapid response refill basis) will be a strategic advantage when approaching some U.S. retailers. Specifically, Mail Order companies, Resident Buying Offices, Specialty Department stores, Independent Specialty stores, and Department stores will value this service.



CANADIAN STRENGTHS AND WEAKNESSES (cont.)

Private Label Compatibility:

Private label programs are maintained in all U.S. retail segments. Private label merchandise usually best lends itself to commodity type products and fashion basics so that programs can be established far in advance of season (12-18 months) without great risks of the product becoming out of date due to a change in fashion trends. Also, for most product categories, a retailer's private label is offered as a lower price, "value" alternative to nationally recognized brand name merchandise (usually priced 10-15% below the name brands). As a result of this price requirement, most private label products are sourced out of low cost countries in large volumes to take advantage of lower operating costs and to achieve economies of scale. The Canadian apparel industry is not structured to operate competitively on this basis.

Within higher value added product categories (i.e., tailored clothing and outerwear), however, retailers have developed private label programs which may present opportunities for Canadians. Within these categories, a garment's fabric and construction are of high importance, and volumes are typically smaller.

QR/EDI Sophistication:

To date, U.S. retailers have put greater pressure on their vendors to pre-mark garments with UPC tickets and participate in QR programs than Canadian retailers (with, perhaps, Eatons being the one exception). As a result Canadian apparel manufacturers, in general, are behind in necessary hardware and software investment, and experience.

QR strategies have not been established in all product categories, however. Most programs have been implemented within commodity product categories that are largely refill businesses of set styles and colors (i.e., underwear, hosiery, knit shirts) that would benefit from constant monitoring and replenishment. Most seasonal fashion product categories are less appropriate for current QR programs



CANADIAN STRENGTHS AND WEAKNESSES (cont.)

QR/EDI Sophistication (cont.)

as they are largely not refill businesses (i.e., any fashion merchandise). Within these product categories the greater initiative for most retailers is to work closer to season (and therefore demand) by having manufacturers shorten their product development and production cycles. As Canadian opportunities typically reside more in seasonal fashion product segments, large investment in systems and training may be avoidable for the near term. However, QR will drive the future of retailing in the U.S. To work with the leadership firms spearheading the QR revolution within each channel today requires systems compatibility. Other retailers are following their lead. Complete point-of-sale (P.O.S.) data capture is quickly becoming universal among retailers; and, increased requirements for UPC ticketing and QR/EDI strategies will accompany this movement.



SECTION III: RETAIL CHANNEL OPPORTUNITIES



RETAIL CHANNEL OPPORTUNITIES

Canadian apparel manufacturers are not currently positioned to serve the requirements of all U.S. retail channels*. These findings are summarized on the following page. The matrix identifies those U.S. retail segments which have product requirements and merchandising attributes most suited to Canadian manufacturers' current strengths. These "target channels" include Specialty Department stores, Independent Specialty stores, some Department stores, Mail Order companies, and, to a lesser extent, those Resident Buying offices who specialize in better apparel. Discounters and Chains provide fewer opportunities for Canadian apparel manufacturers**. Opportunities within Super Specialists are limited due to high volume demands and their existing commitment to sophisticated sourcing networks within low cost countries.

Although specific retail channels offer better opportunities than others, not all companies within recommended channels provide a viable match with Canadian apparel industry strengths. Specifically, retailers who cater to the "mainstream", or mass market consumer within target channels would not be able to realize the fashion/quality value that Canadians can deliver due to price point pressures. Thus, it is through more upscale retailers (such as Marshall Field, Saks Fifth Avenue, Neiman Marcus, etc.) that the best opportunities for Canadians exist. For the remainder of this report, the terms Department store, Independent Specialty store, Specialty Department store, and Mail Order will refer to these more upscale retailers, unless identified otherwise.

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- * For a review of U.S. retail channel definitions and organization, consult "Apparel Retailing in the U.S.," Phases I and II, prepared by Kurt Salmon Associates - Canada, Ltd. available from Industry, Science and Technology, Canada.
 - * * However, opportunities within Chains may increase in the future, as, for example, J.C. Penney continues to reposition itself as a Department store. See the Phase I report for format trends among the Chains.



RETAIL CHANNEL OPPORTUNITY ANALYSIS

	SPECIALTY			DEPARTMENT STORE	DISCOUNTERS	CHAINS	MAIL ORDER	RESIDENT BUYING OFFICE
	DEPARTMENT	SUPER	INDEPENDENT					
'Moderate Plus' or Better Pricing								
High Fashion Product								
High Quality Workmanship and Fabric Demands								
Strict Adherence to Specs								
"Low" Volume Orders								
Manufacturing Flexibility Demands								
QR/UPC Cooperation Requests	Moderate	High	Low	Moderate	High	High	Moderate	None

 = Channel demands serviceable by Canadians



**SECTION IV: PRODUCT OPPORTUNITIES BY
CHANNEL**



PRODUCT OPPORTUNITIES BY CHANNEL

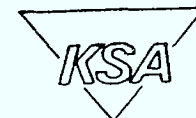
Many U.S. retailers would find value in the innovation and service Canadian apparel manufacturers are capable of providing. The following page shows those retail segments in which there is greater compatibility between retailers' product needs and Canadian industry capabilities. Due to their poor fit with Canadian strengths discussed previously, the Super Specialist, Discounter, and Chain store channels were excluded from the analysis.

Each product/channel intercept was evaluated according to:

- Product segment volume trends*
- High fashion/quality/price opportunities
- Production demands

For some product segments, it will be recommended that Canadians investigate opportunities as "specialty item" resources. Specialty items are unique garments of exceptional quality and design used by retailers to generate consumer interest on their selling floor. Retailers typically purchase these items in very low volumes. An example of a Specialty item business can be in the sweater classification where a retailer would "show piece" a limited number of unique styles among his entire assortment.

* See "Apparel Retailing in the U.S. - Phase I" - prepared by Kurt Salmon Associates - Canada, Ltd.



PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

PRODUCT	SPECIALTY		DEPARTMENT STORES	MAIL ORDER	BUYING OFFICE
	DEPARTMENT	INDEPENDENT			
Women's & Girls'					
Blazers					
Dresses					
Infantswear					
Nightwear					
Other Tailored Sep.s					
Outercoats & Jackets					
Pants & Slacks					
Robes & Loungewear					
Skirts					
Suits					
Sweaters					
Swimwear					
Leather Goods					
Men's & Boys'					
Blazers & Sportcoats					
Dress Shirts					
Infantswear					
Outercoats & Jackets					
Pants & Slacks					
Suits & Tailored Sep.s					
Sweaters					
Swimwear					
Leather Goods					

 = Good to Fair Canadian Opportunities

 = Limited Canadian Opportunities

 = Unlikely Canadian Opportunities



PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

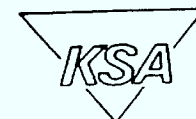
PRODUCT CATEGORY	SEGMENT C.A.G.R.* 1984-1988	OPPORTUNITY FOR COMPETITIVE ADVANTAGE	RETAIL CHANNEL(S)	MERCHANDISE STRATEGY
Women's & Girls' Blazers	- 6 %	Limited	Specialty Department Independent Specialty Department	<ul style="list-style-type: none"> • Need designer label/brand name. • Fashion niche possible in high end merchandise.
Dresses	4 %	Fair	Specialty Department Independent Specialty Department	<ul style="list-style-type: none"> • Demand exists for high fashion, high price product. • Manufacturers (including small companies) <u>responsive</u> to retailer's product and shipping requirements can compete as high service, fashion resources.
Infantswear	8 %	Good	Specialty Department Independent Specialty Department Mail Order	<ul style="list-style-type: none"> • More opportunities in fashion-influenced outerwear than in sleepwear. • Brand name important. • Opportunities in Department stores and Mail Order, if volume does not exceed capacity.
Nightwear	6 %	Unlikely	-	<ul style="list-style-type: none"> • Price is a major competitive factor. • European designers have dominant position at high end of market.
Other Tailored Separates	5 %	Fair	Specialty Department Independent Specialty Department	<ul style="list-style-type: none"> • Most opportunities at better price points with fashion items. • Responsive manufacturing service is an advantage.

*Compounded Annual Growth Rate



PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

PRODUCT CATEGORY	SEGMENT C.A.G.R. 1984-1988	OPPORTUNITY FOR COMPETITIVE ADVANTAGE	RETAIL CHANNEL(S)	MERCHANDISE STRATEGY
Women's & Girls' (cont.)				
Outercoats & Jackets	- 1 %	Good	Specialty Department Independent Specialty Department Mail Order Resident Buying Office	<ul style="list-style-type: none"> • Opportunities in high-end fashion woolen coats and cold-weather parkas. • Product requirements will usually vary by geographic region. • Leverage Canadian cold weather image.
Pants & Slacks	3 %	Limited	Specialty Department Independent Specialty	<ul style="list-style-type: none"> • Domestic branded and private label competition is strong. • Opportunities may exist in high-end private label woolens within Specialty retailers.
Robes & Loungewear	- 5 %	Unlikely	-	<ul style="list-style-type: none"> • Price sensitive, low fashion industry.
Skirts	8 %	Fair	Specialty Department Independent Specialty Department Mail Order	<ul style="list-style-type: none"> • Opportunities for fashion product supported by high service (responsive manufacturing, rapid reaction to market trends). • Synergies expected when coordinated with other sportswear items.
Suits	- 3 %	Fair	Specialty Department Independent Specialty Department	<ul style="list-style-type: none"> • Stagnant to declining segment. • Niche position possible in high-end woolens. • High quality and service will be an advantage.



PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

PRODUCT CATEGORY	SEGMENT C.A.G.R. 1984-1988	OPPORTUNITY FOR COMPETITIVE ADVANTAGE	RETAIL CHANNEL(S)	MERCHANDISE STRATEGY
Women's & Girls' (cont.)				
Sweaters	7%	Good	Specialty Department Independent Specialty Department Mail Order Resident Buying Office	<ul style="list-style-type: none"> • Limited opportunities in cotton or synthetics due to strong foreign competition. • Opportunities for high quality, design oriented product, especially woolens. • Canadian manufacturers will benefit from cold weather image.
Swimwear	1%	Limited	Specialty Department Independent Specialty Department Mail Order	<ul style="list-style-type: none"> • Strong brand competition within segment. • Brand image (fashion and/or performance) is key, especially within youth and young adult. • Opportunities may exist for high-end product targeted to an adult consumer.
Leather Goods		Good	Specialty Department Independent Specialty Department Mail Order Resident Buying Office	<ul style="list-style-type: none"> • Opportunities for both high quality, high fashion jackets, as well as accessories.



PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

PRODUCT CATEGORY	SEGMENT C.A.G.R. 1984-1988	OPPORTUNITY FOR COMPETITIVE ADVANTAGE	RETAIL CHANNEL(S)	MERCHANDISE STRATEGY
Men's & Boys' Blazers & Sportcoats	- 4 %	Fair	Specialty Department Independent Specialty Department	<ul style="list-style-type: none"> • Design and quality can be point of differentiation in a tight market • Market segment exists for high price point product. • Best opportunities exist with high-end woolens
Dress Shirts	2%	Unlikely	-	<ul style="list-style-type: none"> • U.S. market demands single needle construction. • Conceivable opportunities within high-end niche, but would require development of a designer label.
Infantswear	10%	Good	Specialty Department Independent Specialty Department Mail Order	<ul style="list-style-type: none"> • More opportunities in fashion influenced outerwear than in sleepwear. • Brand name important. • Opportunities in Department stores and Mail Order if volume does not exceed capacity.
Outercoats & Jackets	1%	Good	Specialty Department Independent Specialty Department Mail Order Resident Buying Office	<ul style="list-style-type: none"> • Limited opportunities in rainwear due to well established brand names within segment (i.e., London Fog). • Opportunities exist for suppliers of high quality, woolen top coats and car coats, as well as cold-weather parkas at better price points.



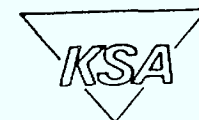
PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

PRODUCT CATEGORY	SEGMENT C.A.G.R. 1984-1988	OPPORTUNITY FOR COMPETITIVE ADVANTAGE	RETAIL CHANNEL(S)	MERCHANDISE STRATEGY
Men's & Boys' (cont.)				
Pants & Slacks	1%	Limited	Specialty Department Independent Specialty	<ul style="list-style-type: none"> • Industry segment well serviced and price competitive at all levels. • Possible opportunities in high quality, fully-lined woolen dress pants within Specialty retailers - a small segment of the market.
Suits & Tailored Separates	2%	Good	Specialty Department Independent Specialty Department	<ul style="list-style-type: none"> • Canadians have favorable reputation for design capabilities and quality standards to service U.S. market. • Opportunities with high-end product, primarily within Specialty retailers.
Sweaters	6%	Good	Specialty Department Independent Specialty Department Mail Order Resident Buying Office	<ul style="list-style-type: none"> • Limited opportunities in cotton or synthetics due to strong foreign competition. • Opportunities for high quality, design oriented sweaters, especially woolens; less for basic commodities. • Potential exists for "specialty item" products. • Canadian manufacturers will benefit from cold-weather image.



PRODUCT OPPORTUNITIES BY CHANNEL (cont.)

PRODUCT CATEGORY	SEGMENT C.A.G.R. 1984-1988	OPPORTUNITY FOR COMPETITIVE ADVANTAGE	RETAIL CHANNEL(S)	MERCHANDISE STRATEGY
Men's & Boys' (cont.)				
Swimwear	2%	Limited	Independent Specialty Mail Order	<ul style="list-style-type: none"> • Strong brand competition within segment. • Brand image (fashion and/or performance) is key, especially within youth and young adult. • Adult styles are usually basics.
Leather Goods		Good	Specialty Department Independent Specialty Department Mail Order Resident Buying Office	<ul style="list-style-type: none"> • Opportunities for high quality, high fashion jackets. • Price is key with accessories (commodity items)



**SECTION V: TACTICAL CONSIDERATIONS COMMON
TO ALL CHANNELS**



TACTICAL CONSIDERATIONS COMMON TO ALL CHANNELS

The careful tailoring of each Canadian manufacturer's marketable strengths to those U.S. retailers which would benefit from and find value in their capabilities will be paramount to a successful market entry attempt. Although each retail format has different needs and concerns, some common issues can be identified within each channel. These common issues are discussed in this section. Tactical concerns specific to each individual target retail channel which should be considered by Canadian vendors when exploring and developing entry opportunities will be discussed in following sections. Discussion will be limited to the Independent Specialty, Specialty Department, Department, Mail Order, and Resident Buying Office channels, and will be structured around the issues of:-

- Market Focus
- Sales Force & Relationships
- Merchandising Packages
- Distribution Concerns
- Electronic Linkages



TACTICAL CONSIDERATIONS COMMON TO ALL CHANNELS (cont.)

Market Focus

As discussed earlier, most U.S. market entry opportunities for Canadian apparel firms exist in the "moderate plus" and better price segments. At these price points, value added from garment styling, quality, and high manufacturer service levels may be achieved.

Each Canadian apparel firm exploring the U.S. market should complete a thorough evaluation of its product design capabilities, quality level, and financial position. Such an exercise will determine if it can fulfill the requirements of its "target" U.S. retailers and if it wishes to attempt market entry through either investment in brands, a joint venture, or private label partnerships.

The objective of branding is to provide the manufacturer with control over the distribution of its product. Branding develops a consumer franchise through investments in advertising and other promotion, thereby creating a retailer need for a manufacturer's product and removing some of the cost competition encountered with private label options. Such a direct consumer franchise should provide more distribution stability long term.

Brand creation is a long term investment; and the best way to build shareholder value. However, annual investment costs in the U.S. to establish a brand can be several million dollars. Therefore, careful targeting of investment to segments in which it will have the greatest impact is required.

TACTICAL CONSIDERATIONS COMMON TO ALL CHANNELS (cont.)

Sales Force and Relationships

Manufacturers pursuing private label opportunities will not need a U.S. sales force. Most retailers will prefer to work directly with management. Thus, management can approach targeted U.S. retailers and Resident Buying Offices themselves and establish relationships more effectively than through a sales force.

Branded manufacturers have two sales force options:

- Manufacturer's Representatives are independent individuals who will represent several manufacturers' brands within a geographical region where they have many retail contacts and a well-developed knowledge of the area's needs. Most of their contacts are with Independent Specialty stores. Manufacturer's representatives offer an inexpensive sales force option since they eliminate the need for a sales office and operate on a commission basis. Company sales forces, however, afford the manufacturer more control over his product's distribution.
- Company Sales Forces are dedicated to the promotion of the company's clothing lines only. In this way, the company representatives have no distractions from optimizing their sales efforts of the product and bring the manufacturer one step closer to the retailer, allowing for more contact and faster service. The disadvantages of a company sales forces lie in the difficulty of assembling them:

- recruiting and educating experienced salespersons
- economically justifiable on major retail accounts only

and their additional costs:

- sales representatives normally receive compensation in the form of a salary and a commission based bonus schedule.
- maintenance of U.S. sales office(s).

Both branded and unbranded manufacturers should maintain a consistent presence at market shows. Buyers in all retail channels attend shows to discover new resources and ideas, and to place orders.



TACTICAL CONSIDERATIONS COMMON TO ALL CHANNELS (cont.)

Sales Force and Relationships (cont.)

Different individuals (GMM, DMM, Buyers, etc.) will need to be approached at each targeted U.S. retailer to explore partnership opportunities. An effective method for learning the name and position of whom should be approached while generating top level awareness of a company is to send an introductory letter to the appropriate GMM of targeted U.S. retailers* explaining your firm's capabilities and requesting to whom further correspondence should be directed. This will allow all levels of a retailer to get behind a manufacturer without offending anyone by going over or under them.

Merchandising Packages

Specific tactical recommendations will be made by target channel in the following sections**. One comment can be made common to all channels, however. When first attempting market entry, Canadian firms will most likely be considered "fringe" suppliers by U.S. retailers. Canadian vendors must be prepared for this treatment (which can include "last minute" orders, stiff financial conditions, and cancellations) and tailor strategies to foster closer, long-term relationships.

- "No risk" product testing would encourage experimentation by some retailers. This option should not be offered readily, however, as some retailers perceive this form of testing as a sign of manufacturer weakness.
- Leverage flexible manufacturing abilities and other convenience services, where possible.
- Exclusivity guarantees.
 - Exclusivity is important to retailers in all channels as a means of differentiating themselves from their competition.
 - Exclusivity is especially valued by the "target" segments of the Canadian industry due to their high fashion, high quality, high price orientation.

* See Section IV, "Trade Associations and Store Directories," of "Apparel Retailing in the U.S. - Phase I," prepared by Kurt Salmon Associates - Canada, Ltd., for a listing of U.S. store directories.

** Please refer to "Apparel Retailing in the U.S. - Phase II" prepared by Kurt Salmon Associates - Canada, Ltd. for a background discussion on merchandising practices by retail channel.



TACTICAL CONSIDERATIONS COMMON TO ALL CHANNELS (cont.)

Distribution

The procedures and details of importing to the U.S. must be researched thoroughly before attempting delivery. Customs declaration procedures and freight regulations must be met and garment requirements, such as flammability standards of infantswear, must be adhered to. Oversights will lead to shipping delays and missed delivery dates (and, possibly, returned merchandise or retailer charge backs).

U.S. retailers are less likely to engage in repeat business with manufacturers who miss shipping windows.

Resources for information regarding importing procedures and regulations include:

- U.S. Customs Office
- Canadian Government Trade offices
- Freight forwarding companies
- Other Canadian manufacturers who have experience servicing the U.S. market

Electronic Linkage

As discussed in Section II, the QR/EDI programs in fashion goods are relatively rare or nonexistent compared to the "automatic replenishment" and other systems established in many hard goods and soft goods categories which are largely refill businesses. Within the fashion driven product segments discussed in Section IV which hold promise for Canadians, therefore, QR/EDI participation may at times amount to no more than UPC pre-ticketing of garments. Each U.S. market entry opportunity will have to be evaluated on a case by case basis to determine the systems requirements and associated costs of doing business with each particular retailer.

TACTICAL CONSIDERATIONS COMMON TO ALL CHANNELS (cont.)

Electronic Linkage (cont.)

Canadian manufacturers who develop relationships in the U.S. should conduct an assessment of the future technological requirements of doing business with current partners and make plans to meet any systems advancements.

Before studying the following sections, it is helpful to review the "Channel Profiles" portions of "Apparel Retailing in the U.S. - Phase II" prepared by Kurt Salmon Associates - Canada, Ltd. as this discussion is designed to augment and reinforce those discoveries, rather than review them.



SECTION VI: INDEPENDENT SPECIALTY STORES



INDEPENDENT SPECIALTY STORES

Independent Specialists are typically small in size and have limited financial means relative to the other U.S. retailers. As a result, Independent Specialists are under pressure to maintain their competitiveness versus other retail formats with greater available resources at hand. Historically, they succeeded by having an in-depth knowledge of their regional customer and by delivering consistent service tailored to their needs. Canadian vendors are uniquely qualified to assist better retailers within this segment, as exemplified by the many potential product opportunities identified in Section IV (see Matrix, P. 14). In fact, Independent Specialty stores represent many of Canadian manufacturers' best opportunities for consistent U.S. sales flow as these retailers value close relationships with trusted manufacturers. Focused product and service will assist entry attempts.

Market Focus

Product Unique styles help drive Independent Specialty store sales as these retailers attempt to differentiate themselves from their competition and excite shoppers by offering unique assortments. For each product category identified on P. 14, the delivery of fashion garments (not basics) will benefit Canadian manufacturers entering this segment.

Since all Independent Specialty stores are regional, it will be necessary for Canadian manufacturers to understand regional variations in product requirements.

Quality High quality garments are very important to Independent Specialists

- Consistently high quality garments are an important element of the service level better Independent Specialty stores offer their customers.

Adherence to rigid quality standards will maintain profitable, long-term relationships facilitated through effective quality controls.



INDEPENDENT SPECIALTY STORES (cont.)

Market Focus (cont.)

- Price Canadian manufacturers can best enter better U.S. Independent Specialty stores with "high" price point merchandise, justifying their prices with fashion, quality piece goods, construction, and service.
- Volume Canadian apparel manufacturers can approach Independent Specialists with few fears of over-taxing their capacity.
- Service Independent Specialists will value the personal, flexible and rapid service Canadians are able to provide.
- Quick manufacturing response time for rapid refills (of few units in many styles/colors) as well as fast action in response to emerging fashion trends.
 - A niche could be developed as a "European quality" manufacturer with "domestic service".
 - These retailers in particular value merchandise exclusivity.



INDEPENDENT SPECIALTY STORES (cont.)

Sales Force and Relationships

Independent Specialists value long-term relationships with their resources. Canadian manufacturers have the opportunity to develop and maintain such relationships, and a steady sales flow, by providing focused product and high service to this retail segment.

Private Label Companies attempting private label market entry strategies should directly approach potential retailers without the use of a salesman.

- Independent Specialists, like all retailers, like to know they are dealing directly with people who can respond to their concerns.
- Relationships can be maintained largely via telephone from Canada. In-person visits will have to be made periodically and when necessary.

Branded For firms planning branded entry strategies, Independent Specialty stores are the only channel for which manufacturer's representatives are recommended as a sales force option.

- Many Independent Specialty stores maintain long-term trusted relationships with veteran representatives.
- These representatives frequently make significant contributions to the selection of a store's assortments.
- Some Specialty store buyers perceive the merchandise these representatives offer as "pre-screened" for their business.

Since Independent Specialists value relationships, they dislike being "institutionalized":

- Impersonal service such as centralized telephone customer service systems.



INDEPENDENT SPECIALTY STORES (cont.)

Merchandising Packages

Merchandising packages for Independent Specialty stores should be focused around the knowledge of their limited financial means relative to other retail formats due to their size.

- Limited resources to finance inventories.
- Require 55-60% original mark-up in order to support mark-downs (which are not as frequently shared with manufacturers as in, e.g., Department stores.)

Merchandising packages tailored to Independent Specialists needs will help build relationships (consult "Apparel Retailing in the U.S. - Phase II" Section V for an accounting of Independent Specialty store merchandising requests). Specific advantages (not requirements) to any merchandising package would include:

- 60+ day payment terms
- Guaranteed margin arrangements
- Rapid refill programs



INDEPENDENT SPECIALTY STORES (cont.)

Distribution Concerns

- Independent Specialists will not require exceptional shipping and marking requirements.
 - More drop shipping will be required to Independent Specialists than to other channels due to the fewer number of "doors" per store.
 - Most Independent Specialists will be flexible on pre-ticketing and shipping container marking requests.
- Independent Specialists value on-time delivery.
 - On-time delivery will become even more important as Independent Specialists continue to operate closer to need.
- Late shipments can severely jeopardize the establishment of long-term partnerships.

Electronic Linkages

- Independent Specialists do not generally engage in sophisticated electronic links with their vendors.
 - However, there will be increasing use of electronic cash registers for inventory management purposes. This implies a growing need for some type of product coding (i.e., UPC pre-ticketing).



SECTION VII: SPECIALTY DEPARTMENT STORES



SPECIALTY DEPARTMENT STORES

This group of retailers includes some of the most prestigious names in the industry (e.g., Neiman-Marcus, Saks Fifth Avenue) and embraces the world of fashion and luxury. With their greater notoriety and larger sales volume than most Independent Specialists, Specialty Department stores are well serviced by a host of vendors, and are also limiting the number of "fringe" vendors they employ. However, potential does still exist for Canadian apparel manufacturers, especially as "specialty item" resources, as Canadian industry strengths are a match with the needs of better stores in this segment. Canadian products receiving exposure within this segment represent the best method of developing a fashion image for the industry as a whole.

Market Focus

Product Like Independent Specialists, Specialty Department stores strive to set themselves apart by injecting new and unique fashions into their assortments. Accordingly, if Canadian vendors utilize their design and responsive manufacturing capabilities to quickly produce interesting variations on popular styles (either as a branded firm or as a private label resource), they could be valuable vendors to Specialty Department stores. Other options to gain entry into Independent Specialists include joining in partnerships to promote Canadian vendors, or forming joint partnerships with American/European companies.



SPECIALTY DEPARTMENT STORES

Market Focus (cont.)

Quality High quality piece goods and construction, in combination with the design elements discussed above, are of major importance, and will help Specialty Department stores capture healthy margins (52+%) with Canadian products.

Price Canadian strengths are in garments targeted to the 'moderate plus' or better price points. Due to the competition among vendors to service Specialty Department stores, the greater the fashion/quality value offered, the better a product should be received by these "target" retailers.

- High fashion, high quality, high priced garments, will develop an "up-market" reputation for a manufacturer from which it is possible to move "down-market". The reverse is more difficult, especially for branded manufacturers.



SPECIALTY DEPARTMENT STORES (cont.)

Market Focus (cont.)

Volume Volume orders exceeding capacity can be a reality for basic products within Specialty Department stores. The high fashion, high quality, high priced type garments discussed above, however, are not ordered in high volumes.

Relatively small Canadian manufacturers have the opportunity to avoid large volume orders while finding a resource niche in Specialty Department stores; the "Specialty item" business.

- Possible "Specialty item" opportunities include (but are not limited to):
 - Dresses and gowns
 - Outercoats and jackets
 - Fine Sweaters
 - Swimwear
 - Leather jackets

Service Specialty Department stores will value the high service levels many Canadian manufacturers are able to provide.

- Manufacturing Flexibility
 - Rapid refills
 - Fast action response to emerging trends
- Exclusivity
- Small manufacturing runs of numerous styles/colors



SPECIALTY DEPARTMENT STORES (cont.)

Sales Force and Relationships

Specialty Department stores will typically be less loyal than Independent Specialists. Buyers need to attain performance goals for their department(s) and, therefore, must drop consistently poor performing products regardless of relationships or other factors. Healthy relations with a retailer are valuable, however, as they can result in "second chances" for manufacturers when problems arise.

Private Label Manufacturers should approach Specialty Department store buyers directly.

- Servicing Specialty Department stores will demand frequent contact.
 - Weekly performance reports.
- This contact can be done via telephone from Canada, with in-person visits, when necessary.

Branded

The use of Manufacturer's Representatives will largely be ineffective when approaching and servicing Specialty Department stores.

- In general, Specialty Department stores will not deal with "middle men".

Company sales forces will not be necessary.

- Buyers are concentrated in fashion centers - New York, Los Angeles, etc.
- Market shows play an important role for contacting accounts and selecting merchandise.

A sales office might be required, or valuable, in improving service.

- Specialty Department stores do not wish to 'search' for their vendors when discussion is needed.
- Faster personal service can be rendered.



SPECIALTY DEPARTMENT STORES (cont.)

Merchandising Packages

Flexibility with terms will be most attractive to Specialty Department store buyers.

- Shared markdowns.
- Liberal return policies.

Canadian manufacturers should be careful not to give up too much to gain an account, however.

- Specialty Department stores will be demanding partners. Leverage product and service advantages against financial demands where possible.

No risk, in-store testing can assist in the development of lasting relationships.

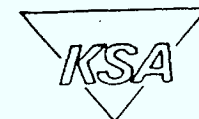
Distribution Concerns

Most Specialty Department stores utilize Central Distribution Centers (DC's) for receiving shipments. Drop shipping is used only in special circumstances.

Each retailer will have unique shipping and receiving requirements. Canadian manufacturers will have to comply with these preferences. Areas of variability include:

- Customized pre-packaged assortments.
- Shipping container marking and invoicing.
- Pre-ticketing requirements;
 - UPC labeling.
 - Some retailers have customized code systems which would require investment in software to gain compatibility.

Late deliveries will bring returns and/or markdown demands. Specialty Department store retailers will in most cases work with vendors to make their shipping and delivery requirements manageable. Special consideration from these retailers is unusual unless you offer a desirable product line.



SPECIALTY DEPARTMENT STORES (cont.)

Electronic Linkages

Specialty Department stores, although currently behind in electronic linkages, are moving in the direction of utilizing the technologies of EDI and UPC bar coding. Today, these systems are few, especially in the fashion products where most Canadian opportunities exist.

- UPC labeling and P.O.S. computer equipment is being implemented by most major players in this channel.

Currently, large investments in technology should not be a requirement to service this retail segment, but the industry is changing and electronic linkages will grow in importance.



SECTION VIII: DEPARTMENT STORES



DEPARTMENT STORES

Canadian apparel manufacturers are generally better positioned to serve "upscale" Department stores carrying high fashion merchandise at "better" and "designer" price points, such as Bloomingdales, Marshall Field, Bullocks, and Macy's than more "mainstream" Department stores such as Dillards or Mercantile stores. Smaller, Independent Department stores carrying the appropriate mix of upscale merchandise would also be suitable targets for Canadian market entry attempts, and should not be overlooked.

Market Focus

Product

Department stores, as a rule, are especially well serviced by their vendors. Moreover, many stores also have well established private label programs and associated sourcing networks. As such, these factors present barriers to market entry through this channel. However, like Independent Specialty and Specialty "upscale" Department stores, Department stores also search for unique and exciting fashions to support customer enthusiasm for their assortments and to differentiate themselves from their competition.

Thus, the opportunity exists for Canadian manufacturers to establish themselves, long-term, as vendors committed to the timely production of desirable fashions. Focused product development will be key to the development and maintenance of a presence within Department stores.

Quality/Price

The delivery of quality/price value is probably the best platform on which Canadians can begin building a competitive advantage, and is likely the most credible factor they can market. As a result, price points will tend to be in the "moderate plus" price brackets.



DEPARTMENT STORES (cont.)

Market Focus (cont.)

Volume

Volume demands of Department stores can potentially overwhelm Canadian manufacturers' capacity. Therefore, it will be important for Canadians to position themselves with only selected Department stores so as to not overwhelm capacity. Canadians should avoid concentrating their business with only 1 or 2 accounts, however; Department store buyers have been known to suddenly drop vendors.

Service

Successful product, flexible production, and on-time delivery will all be aspects of preferred service to Department stores. Developing exclusive product, especially for a "specialty item" business would also be a valuable service. Manufacturers' who target this channel will most likely enter Department stores as "fringe" resources (a vendor category that these retailers, in general, are attempting to keep at a minimum). Only service will stabilize relationships over time.



DEPARTMENT STORES (cont.)

Sales Force and Relationships

Like Specialty Department stores, Department stores will not exhibit the same loyalty as Independent Specialists. Sales performance and, therefore, profitability will drive relationships.

Department stores prefer to be serviced by company representatives who can produce results rapidly. Accordingly, manufacturers' representatives are not recommended as a suitable sales force for branded Canadian companies. A branded or non-branded manufacturer's management alone may be sufficient to promote and service some Department stores since buyers attend most market shows. Telephone communication should suffice to handle most complications. When servicing a retailer by telephone, the vendor must always be reachable to limit frustration.

Merchandising Packages

Most Department stores will be demanding partners; all will welcome merchandising techniques designed to support their margins and decrease their inventory risks. The major areas are:

- Shared markdowns
- Attractive return policies
- Liberal co-op allowances
- Exclusivity

Vendors will be required to concede to some of these terms. They may result in unprofitable deals, which should be avoided. High service and attractive merchandising packages (combined, of course, with desirable product) will help Canadian manufacturers gain U.S. accounts and then progress out of "fringe" status and into more stable relationships.



DEPARTMENT STORES (cont.)

Distribution Concerns

Each Department store will have custom requirements, regarding packaging, shipping and receiving. Canadian apparel exporters will have to comply with these regulations. (See page 39 for areas of variability between stores.) Most Department stores utilize centralized Distribution Centers and only use drop shipping under special circumstances.

Department stores deal swiftly with late deliveries. Shipping windows missed by 24 hours can, in some stores, result in refused merchandise or steep markdowns. Canadian manufacturers who service this channel must take extra care to anticipate and arrange for all potential importing delays to avoid penalties.

Electronic Linkages

Most Department stores are behind in their implementation of Quick Response (QR) strategies, but they are planning for the future. Presently, UPC coding is becoming more common and some Department stores already require pre-marking with UPC labels. Canadian apparel exporters should be prepared to handle the UPC needs of these retailers now and begin preparing for Department stores' future QR/EDI expectations.



SECTION IX: MAIL ORDER



MAIL ORDER

Product opportunities in the Mail Order/Catalog channel are limited relative to those in Independent Specialty, Specialty Department, and Department stores. Fewer opportunities exist because some products categories (e.g., men's and women's suits) do not lend themselves well to direct mail distribution. In other categories, assortments are more basic and, therefore, sourced in large quantities in various countries having low production costs. Market entry may be further complicated since Mail Order companies typically maintain long-term relationships with few vendors, and some companies rely heavily on Far East sourcing networks. However, Mail Order retailers would benefit from the quality and responsive manufacturing capabilities of Canadian apparel manufacturers, and therefore, opportunities to enter the U.S. markets exist in this channel.

Costs associated with U.S. market entry through Mail Order should be lower than the other channels discussed due to lower product development, sales, and merchandising expenses.

Market Focus

Product Most Mail Order companies focus upon a particular consumer, end-use, or lifestyle (Specialty catalogs), have an in-depth knowledge of their customer's tastes and preferences and, accordingly, develop most of their products internally.

Product development expenses will be largely avoided by Canadians in these circumstances, as they will only have to consistently produce quality product to customer specifications. Potential also exists to leverage the U.S. impression that Canadians are "cold weather" specialists with high performance outdoor products applicable to sports, recreation, or extreme weather.

The majority of apparel in catalogs is unbranded, sold under the Mail Order companies' own name, which are as important to consumers as many national brands.



MAIL ORDER (cont.)

Quality Strict adherence to rigid fit, sizing, and color specifications is a requirement for servicing Mail Order.

- Mail Order companies must operate with high service levels (consistent high quality product, shipped to customers promptly) in order to maintain customer satisfaction. These retailers measure service level according to "Initial Fill Rate" (IFR), or the percentage of items in stock and ready to ship when an order is received. A strong IFR is 85%.

Price As in other channels, Canadians will not be able to compete on price in basic fashions. Entry attempts should be positioned with higher-end products offering design/quality/performance value.

Volume Risks of Mail Order over-taxing Canadian manufacturers' capacity are minimal due to this segments purchasing procedures.

- A Mail Order company's buying process essentially involves manufacturers committing open capacity to forecasted product demand. Insufficient capacity should be identified before deals are signed.

Service The ability to handle small runs on short notice and to change production schedules mid-season are very attractive selling features to Mail Order companies. Responsive manufacturing abilities should be highlighted when approaching these retailers.

Mail Order companies typically operate ahead of season compared to other retail channels. For example, catalogs offering Fall merchandise are mailed to consumers in June and July. The ability of vendors to adapt to their unique calendar is important to these retailers.



MAIL ORDER (cont.)

Sales Force and Relationships

A U.S. sales force and sales office (and their associated costs) should not be necessary when approaching Mail Order companies.

- Management should be able to approach Mail Order companies directly.
- Consistent availability (telephone, fax machine) and in-person visits, when necessary, should provide sufficient communication.

Mail Order companies value long-term relationships with vendors who are attentive to servicing their needs.

Merchandising Packages

Mail Order companies require few merchandising concessions.

- No co-op advertising with private label.
- Shared markdown monies are rare.
- Returns are rare.

Guaranteed price arrangements will be attractive to Mail Order retailers.



MAIL ORDER (cont.)

Distribution Concerns

Similar to Department store channels, Mail Order will have rather inflexible shipping and receiving requirements, pertaining to:

- Shipping container marking and invoicing.
- Garment labeling and packaging.

Mail Order companies utilize central distribution (DC's). Drop shipping is not applicable.

On-time delivery is critical.

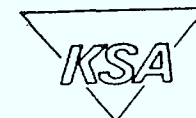
- Catalogs are already out when shipments are scheduled to arrive. Late shipments delay fulfillment of customer orders.

Rapid reorder abilities are desirable to Mail Order companies.

Electronic Linkages

Most Mail Order companies have not implemented sophisticated QR/EDI systems with their vendors, but many are now in the process of doing so.

- Use of UPC bar coding is increasing rapidly. QR/EDI implementation will play an important role in Mail Order companies' attempts to shorten product development lead times (currently 12-18 months). Resources with the abilities to meet these priorities will be more attractive business partners.



SECTION X: RESIDENT BUYING OFFICES



RESIDENT BUYING OFFICES

Although Resident Buying Offices are not technically a retail distribution channel, they still represent a unique U.S. market entry option. Resident Buying Offices are owned by member retail company shareholders and function as agents to provide merchandising and sourcing support on their behalf.

Expenses associated with U.S. market entry through Resident Buying Offices will be small in relation to other entry options: product development cost are minimal, branding is unnecessary, a U.S. sales force or office is not needed, investment in QR/EDI systems will be rare, and inventory financing costs will be low (typically payment is through letters of credit). However, Resident Buying Offices usually deal in large volume orders of fashion basics and other commodity items, areas where most Canadians will have difficulty competing with low cost countries on price. Thus, fewer entry opportunities will exist through Resident Buying Offices for Canadian manufacturers than in the retail channels discussed previously. This channel should not be overlooked by Canadians, however, as Resident Buying Offices are always searching for new resources and run some programs for better merchandise classifications in which Canadians can add quality/design value.

Market Focus

Product Resident Buying Offices develop custom specifications their garments, thus product development requirements of manufacturers are minimal. The key for Canadians attempting market entry will be to identify product opportunities which lend themselves to Resident Buying Office sourcing, yet avoid commodity behavior. Opportunities are likely to be few, but potential exists in outercoats, sweaters, and leather goods.



RESIDENT BUYING OFFICES

Quality Success servicing Resident Buying Offices will require the consistent delivery of garments constructed to specifications (ideally zero defects or deviations).

Quality and low price is key to Resident Buying Offices. Most employ Product Engineers who inspect the manufacturing facilities of prospective resources before any serious negotiations occur. Established Quality Control procedures which these inspectors look for during a tour will help to develop relationships.

Price Resident Buying Offices exist because they can offer member retailers lower prices on selected items than if each were to source the item themselves. Therefore, pricing must be aggressive.

Volume Resident Buying Offices usually utilize Letter-of-Credit purchasing. Garment specifications, volume, and delivery schedules are all established up front. There are no refills in this channel. Thus, because exact volumes are known before deals are signed, a Canadian manufacturers' available capacity will rarely be exceeded.

Service Resident Buying Offices will require minimal service from Canadians. Their three primary requirements are:

- Best price at net.
- Garments that meet specifications.
- Dependable, on-time shipping.

Additionally, Resident Buying Offices would like their vendors to always be available when they wish to contact them.

- This need can generally be fulfilled by telephone.



RESIDENT BUYING OFFICES

Sales Force and Relationships

Resident Buying Offices value long-term relationships and typically maintain relatively low vendor turn-over rates. An extensive sales force or a U.S. sales office will not be necessary. Canadian management should approach Resident Buying Offices directly to explore possibilities. Consistent fulfillment of the three key service concerns listed above should build and maintain relationships.

Success in servicing Resident Buying Offices could serve as a relatively inexpensive means of establishing a "quality manufacturer" image for Canadian firms in the U.S. market.

Merchandising Packages

Resident Buying Offices operate a relatively "no-nonsense" business - markdowns and returns (for other than quality problems), and discounts are rare. Resident Buying Offices will work hard to get a vendor's best quote.

Distribution Concerns

Product will frequently have to be invoiced and prepacked for shipment according to individual member company specifications. Delivery will be to individual retailer Distribution Centers or boarder transfer locations. Drop-shipping is uncommon. On-time delivery is key to the maintenance of long-term relationships.

Electronic Linkages

Canadian manufacturers should not have to invest in QR/EDI systems to properly service Resident Buying Offices. Electronic linkages are not an important issue now or in the future as these ties are usually established directly with retailers. Resident Buying Offices are not retailers.



SECTION XI: JOINT VENTURES



JOINT VENTURES

Market entry through Joint Venture partnerships can be an attractive opportunity for some manufacturers, and may serve as an efficient tool to overcome entry barriers for manufacturers with limited resources.

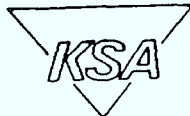
Brand entry is expensive:

- Advertising and promotions.
- Sales force and office requirements.
- Negative initial cash flow due to 2-3 year investment period.

Conversely, Private Label does not offer long-term stability within U.S. markets:

- Cost competition with other manufacturers creates constant pressure to hold onto accounts.

Canadian manufacturers having limited financial resources should consider two Joint Venture partnership options which might fit with their growth requirements:



JOINT VENTURES (cont.)

1. Team with a current branded manufacturer with an established U.S. distribution network and high consumer recognition in a targeted retail channel and extend their brand into a new product category. Joint Venture partners could be either U.S. or International manufacturer.

Advantages

- Established brand name.
- Established U.S. distribution network.
- Shared expenses.

Disadvantages

- Advertising costs will remain high to introduce new product category.
- Does not establish proprietary brand.
- May be difficult to find compatible Joint Venture partner.

2. Team with another Canadian manufacturer to create a branded apparel line to be introduced within the U.S. markets.

Advantages

- Pooled financial resources.
- Shared expenses.
- Broader scope of clothing line.

Disadvantages

- Difficult selection process
 - Management compatibility
 - Manufacturing consistency
- High costs, even though expenses would be shared.
- More risks involved with launching a new brand than extending an existing one.

SECTION XII: MARKET ENTRY CHECKLIST



MARKET ENTRY CHECKLIST

The following checklist summarizes many of the critical issues that must be addressed by Canadian manufacturers to determine if entry into the U.S. market is sensible and feasible.



MARKET ENTRY CHECKLIST (cont.)

EXTERNAL EVALUATION

CATEGORY

ISSUE

Retail Channel Marketing

- Does your company have sufficient product knowledge of the U.S. market? ☐
- Which retail channel is best suited for your merchandise line? ☐
- Which U.S. retailers have the stability and growth potential to provide long term opportunities? ☐
- What combination of in-depth market and product knowledge will be required to represent your company in the U.S.? ☐
- How quickly can relationships be established with retailers? ☐
- Would it be more advantageous to employ an experienced representative to manage a U.S. sales office? ☐
- Should you focus regionally or nationally? ☐



MARKET ENTRY CHECKLIST (cont.)

EXTERNAL EVALUATION (cont.)

<u>CATEGORY</u>	<u>ISSUE</u>	
Product Positioning	• Do you have a clear understanding of target U.S. consumers and their styling preferences?	<input type="checkbox"/>
	• What is the niche you plan to fill in the retailer's assortment? What is your competitive advantage to gain and keep the retailer's acceptance?	<input type="checkbox"/>
	• Who will you be up against to gain floor space and open-to-buy? What are their strengths and weaknesses?	<input type="checkbox"/>



MARKET ENTRY CHECKLIST (cont.)

INTERNAL EVALUATION

CATEGORY

ISSUE

Product Specifications

- Will your fabric be accepted and, in some instances, meet safety requirements?

☐

- Can you meet or exceed sizing and quality specifications for a private label program?

☐

Manufacturing Capacity

- Given your current production capacity, how much capacity can be allocated for the U.S.? What production trade-offs will have to be made? Will expansion or an acquisition be necessary? How soon?

☐

- Can you adapt merchandise specifications for the U.S. within current production schedules and procedures?

☐

- How responsive can your production be for quick reorders?

☐

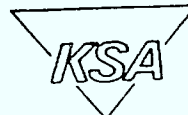
- Can you meet different schedules for seasonal requirements in U.S. climate zones?

☐

MARKET ENTRY CHECKLIST (cont.)

INTERNAL EVALUATION (cont.)

<u>CATEGORY</u>	<u>ISSUE</u>	
Pricing	• Is your production sufficiently efficient to price your merchandise competitively?	<input type="checkbox"/>
	• Is there an opportunity to develop premium pricing through unique styling, quality/workmanship or performance?	<input type="checkbox"/>
Financial Resources	• Are you prepared to commit to long-term investment of management time and financial resources to build market share and retail relationships?	<input type="checkbox"/>
	• Would a Joint Venture partnership be more advantageous than direct marketing and distribution?	<input type="checkbox"/>



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Kurt Salmon Associates.
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apparel retailing in the
BTCD c. 1 aa ISTC

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