



**ITC**

Your partner  
in trade  
development

## The Agreement on Textiles and Clothing

### *The Challenge of a Quota-free Market How to Prepare*

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# Structure

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**How to Prepare:**

**Develop an Action Plan  
To Manage Competitive Advantage  
Based on  
Public-Private Partnership**



## Developing an Action Plan

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- Strengthen Meso-level Support
- Compare Performance: Benchmarking
- Improve Sourcing (Supply Chain Management)
- Improve Productivity
- Develop new Products & Design Capacities
- Improve Forward Integration
- Develop a Service-Oriented



## Strengthen Meso-level Support

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Strong Trade Association to:

- Develop a strong negotiation power
- Participate in trade negotiations
- Take lead role in fulfilling labour standards
- Take over regulatory functions of the Gov.  
(quota admin. bonded warehouse, etc.)
- Represent sector in national committees
- Provide strong support to members (market intelligence, trade fairs, e-portals, lobbying, etc.)



## Strengthen Meso-level Support

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Cooperation creates Synergies:

- Cooperate with “friendly competitors” of the same production chain level(e.g. subcontracts).
- Clustering, e.g. for dying, printing & finishing
- Strategic alliances between larger and smaller companies.
- Cooperate alongside the textile production chain (strategic alliances with local/regional fabric suppliers to cut down lead time).
- To streamline training programmes.



# Market-oriented Benchmarking - “The FIT”: A new ITC Tool

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- Comparing and measuring against business leaders to gain information, helping to improve performance
- A checklist to evaluate yourself against global standards and the performance of competitors
- Criteria supplied by major buyers in US/EU/ Japan
- Outcome: Performance reports vis-à-vis competitors, and
- Concrete measures to enhance competitiveness



# How to Implement the FIT in ITC Partner Countries

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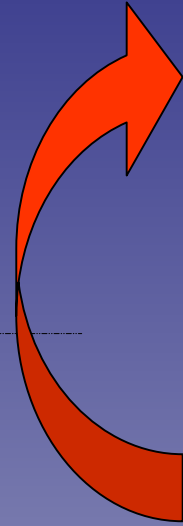
- Trade Support Institutions can partner with ITC
- TSIs house the tool and
  - conduct benchmarking surveys,
  - provide benchmarking reports to enterprises,
  - identify and manage consultancy services for enterprise improvements,
  - Network with TSIs in other partner countries.



# Develop Sourcing Capabilities ... to Increase Profit

For every 1 Dollar earned approximately 60cts is spent on inputs

Profit \$0.1
Overheads \$0.15
Labour \$0.15
Input supplies & Logistics \$0.6



Profit now <b>\$0.16!</b>
Overheads \$0.15
Labour \$0.15
Input supplies & Logistics <del>\$0.6</del> <b>\$0.54</b>

A 10 % reduction in the supply cost of materials =

A 60 % increase in its Gross profits without increasing sales

... Any reduction in purchasing and logistics costs has a direct and large impact on export competitiveness





# Sourcing: A Regional Supply Chain

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Today's Preferences-based Trading System demands regional sourcing strategies:

- Develop knowledge (database) of regional fabric & ancillary sources.
- Create strategic alliances within the region.
- Work out regional transportation logistics to allow for timely product delivery.
- Greater cooperation and information sharing: A regional Textile and Clothing Association.



# Improve Productivity

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- Enforce in-house training.
- Create training cooperation agreements between companies from different levels of the production chain.
- Develop/cooperate with training institutions
- Diversify into creative training (design, fashion)
- Combine R&D and training.



# Design/Fashion/Market Development

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## Market-driven Strategies Targeting Sales:

- Diversify products and markets.
- Improve product quality and diversify into new product lines.
- Develop more fashionable products.
- Develop small-sized fashion lines to be flexible in market penetration.
- Active product marketing, focusing on fashion, trends, formality, going beyond pure functionality.
- Create a positive country image for garment sourcing.



## Increased Competitiveness through Flexibility

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- Be able to respond to specific client demands.
- Develop capability to handle smaller & more difficult orders.
- Develop merchandising capabilities.
- Develop an efficient sales network.
- Develop synergies with buyers: to jointly develop patterns, designs, exchange of data through e-networks.



# Service Orientation: Services Expected

- E - Capabilities
- Full fabric/cloth sourcing
- Supplier-managed inventory
- Production flexibility
- Take over Design
- Product Development
- Invoicing on 90 days
- Regular/Permanent contact with retailer
- Codes of Conduct Conformity

For an example on the UK see: Peter Gibbon: At the cutting edge? UK clothing retailers' global sourcing patterns and practices and their implications for developing countries, Centre for Development Research, Copenhagen, 2002.



## Services: Build e - Capabilities

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- Receiving and processing orders
- Receiving market & sales information
- Facilitating production planning
- Handling complicated packaging instructions
- Providing customers with speedy information on production status, shipping status, inventory, etc.



## Develop an Action Plan: ITC Can Help to

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- Monitor the new political economy for T&C.
- Strengthen T&C Trade Associations
- Compare/ benchmark with others.
- Develop sourcing skills & a regional supply chain.
- Increase productivity by investing in HRD.
- Develop an active marketing approach based on a positive country image.
- Create a service-oriented mindset.



# Structure

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**Result:**

**Quick response, and  
Improved Competitiveness**