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# Export Development Pilot Programme

*A Practical Market  
Access Guide for the  
Western Cape  
Crafters:  
Home Textiles &  
Soft Furnishings in  
the USA & UK  
Markets*

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# A PRACTICAL MARKET ACCESS GUIDE FOR WESTERN CAPE CRAFTERS: AN OVERVIEW OF THE HOME TEXTILES AND SOFT FURNISHINGS MARKETS IN THE US AND UK

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# **1 INTRODUCTION**

## **1.1 Purpose of the document**

This summary market guide has been developed to assist craft producers in the Western Cape to understand the opportunities in the soft furnishings and home textiles export market. It has been prepared by Kaiser Associates on behalf of the City of Cape Town and the Cape Craft Design Institute, in consultation with craft producers in the Western Cape and key role players, and forms part of the wider project to grow the craft sector in the Western Cape.

## **1.2 Other helpful publications by the City of Cape Town**

In addition to this manual, you may find the following general export assistance publications helpful:

- ? Cape Trade Guide
- ? Directory of Trade Service Providers in the Western Cape
- ? Full craft exporter's guide -available at the CCDI

## **1.3 A guide to successful export planning**

This exporters' guide encourages a **market-led planning process**. For this, the first requirement is to obtain information on the needs of the market. Secondly you need to investigate your ability to supply products that satisfy those market needs.

The process involved in making the correct export decisions, is a complex one, as outlined in the flow diagram on the next page:

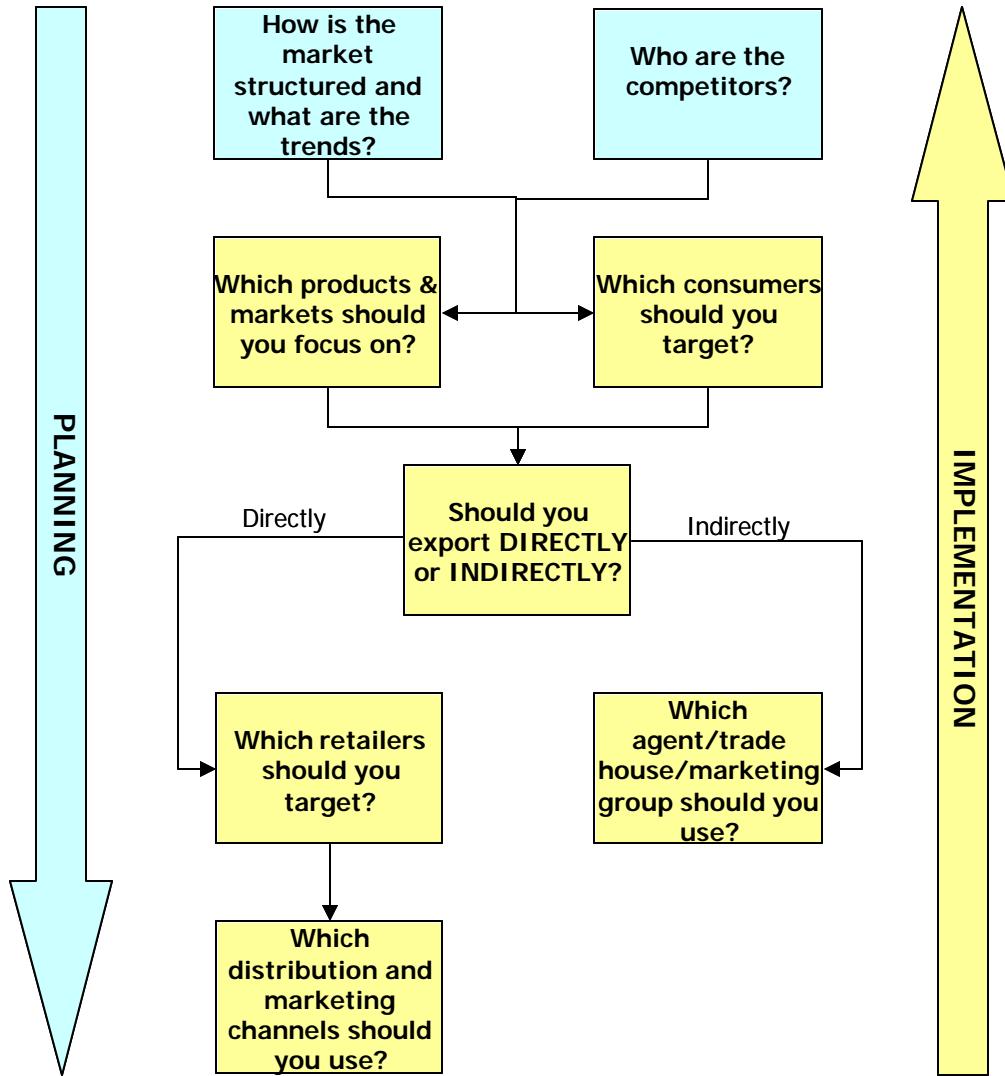


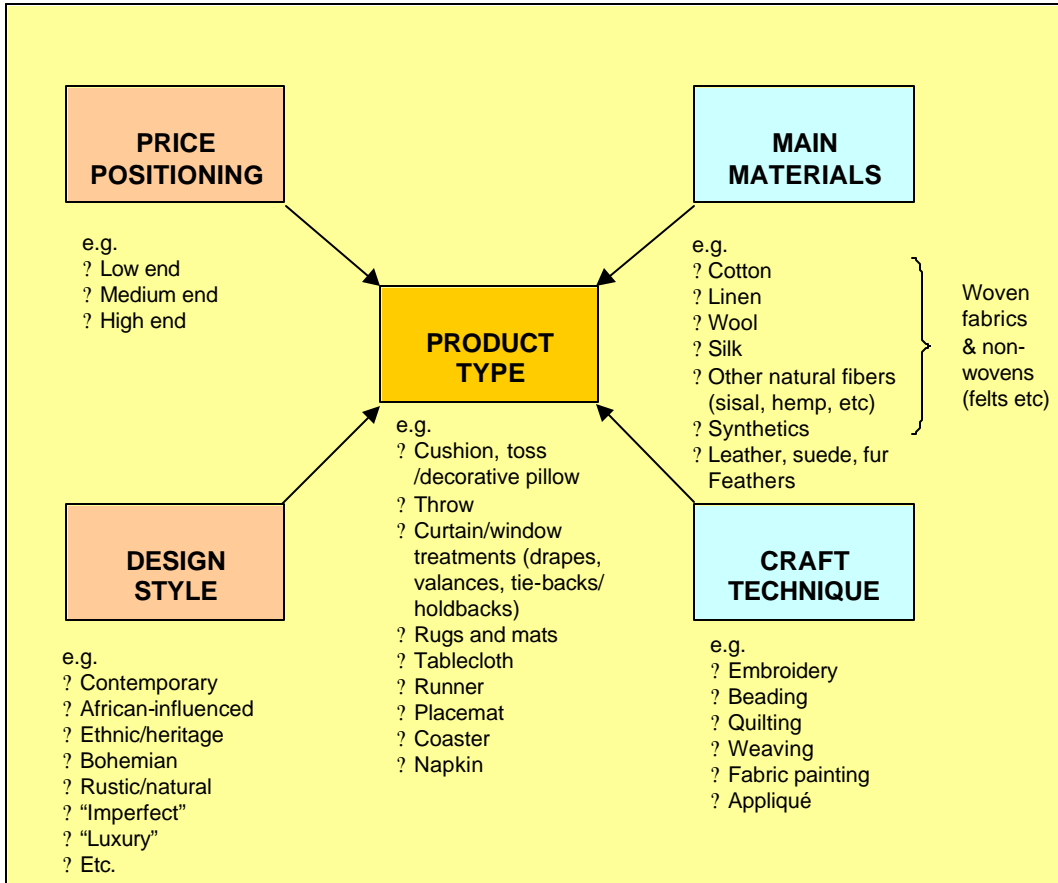
Figure 1 : Market led planning process

*Whichever export method you choose, an understanding of the target market is essential. Only by understanding what type of consumer you are targeting can you develop an appropriate product, or be in a position to assess the decisions/actions being taken on your behalf by other people involved in the marketing process.*

Should you choose to export indirectly a list of trading agents is available from the CCDI.

**1.4 Choosing the right export product**

The product choice is defined by the combination of four elements – Price, Design style, Materials & Craft Technique. See the diagram below:



**Figure 2: Choosing the right product**

Note: This manual does not cover the bed linen market.

## 2 UK MARKET

### 2.1 Overview of the UK market

The UK market for home furnishing products<sup>1</sup> was estimated to be worth £2.73 billion at retail selling prices in 2001, having experienced growth rates averaging 4% per annum between 1996 and 2001. The market has become an increasingly fashion-led market that is predicted to grow faster over the next few years due to the growth in the number of households and increasing spending capacity per capita.

Since the latter half of 1998, the UK market for soft furnishings has benefited from increased consumer spending and is showing a great potential for crafters. Value growth has been stimulated by more frequent replacement cycles as fashion trends move towards increasingly contemporary designs and styles.

### 2.2 Design/style and material trends in the UK market?

***It is particularly important for producers of home textiles and soft furnishings to understand colour, design and style trends in their target market, as this is a major decision-making factor for most buyers. These trends change rapidly, and it is therefore important to keep knowledge up to date.***

A brief description of the current trends is given below:

- ? **Luxury** (silk, satin, velvet, silk organza, suede, leather), with associated rich, jewel, metallic or lustrous colour palettes
- ? **Mid to low end** (acrylic, polyester, cotton, viscose) use of beads and tassels to reflect high-end look with the use of deep/bold coloured variations

Materials vary across the different segments of the market, however certain types feature more predominantly in the high end of the market (e.g. silk) than in the mid to low end. However, **cotton** is the most popular material overall.

The use of tassels and wooden bead finishes is becoming increasingly dominant in decorative pillows/cushions aimed at the mid, and high segments of the market, where something different is required. The increasing popularity of woollen produced items is common to both rugs and throws. The use of natural dye colours remains in demand across all segments of the market.

For trend related information buyers currently employ the following resources:

- ? Trend research organisations
- ? Trade shows
- ? Competitor analysis
- ? Magazines/Publications

***Please contact the CCDI for up-to-date information on fashion and colour trends.***

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<sup>1</sup> Home furnishings to be defined as the following - bedding, window dressings, bathroom and kitchen textiles, cushions and covers and table linen

### 2.3 What are the pricing trends and associated quality requirements?

The price points differ from one type of outlet to the next, based on the type of consumer visiting the outlet and the consumer's spending capacity. The table below gives an indication of the pricing structures in each market segment, as well as an approximation of the relative mark-ups<sup>2</sup>.

Outlet Type	Low End (£)	Medium End (£)	High End (£)	Average Mark-ups (%)
Fair Trade Organisation	< 10	10 - 25	25 - 50	400
Importer	< 10	10 - 20	20 - 40	50 - 100
Wholesaler	< 10	10 - 20	20 +	80 - 150
Retail Chain	< 5	5 - 25	25 +	200
Departmental Store	< 10	10 - 100	100 +	150 - 300/400

Please see Appendix B for some examples of price points in various retail outlets in the US.

Chain and department store retailers in the UK market operate within the price structures outlined in the pyramid below<sup>3</sup>. As a potential supplier to the UK market it is important to understand which segment of the pyramid is most applicable to your type of product range in order to identify the most appropriate target location for your product within a retailer's product range.

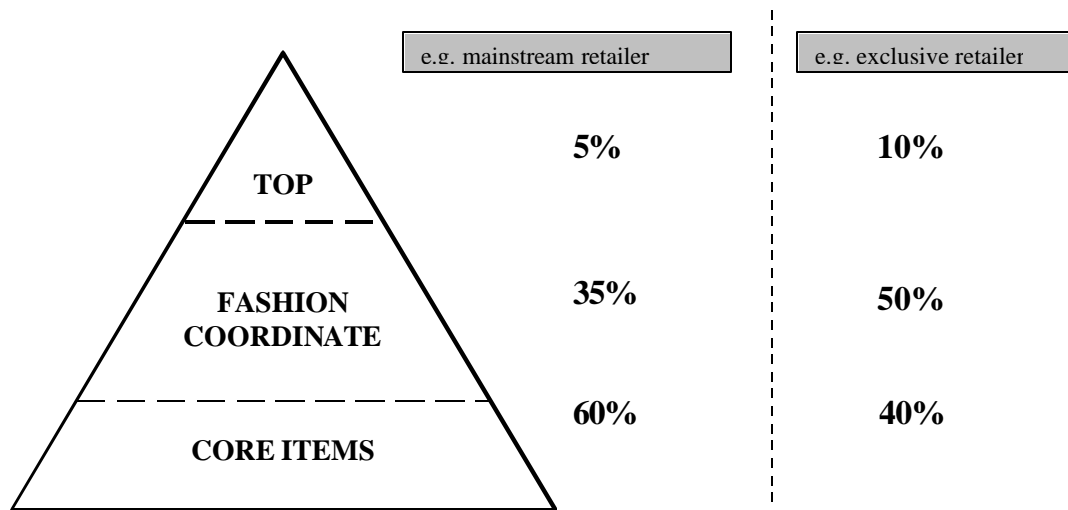


Figure 3 : Pricing pyramid

The pyramid is split into the following three categories:

- ? **Top** – represents the percentage of high-end products carried by a store in relation to its entire product portfolio
- ? **Fashion co-ordinated** – represents products that are current at a particular point in time. These stores differentiate themselves through unique offerings that are price sensitive and described as 'styling/contemporary' design items
- ? **Core items** – Refers to the low -end product ranges items that guarantee sales and remain fashionable (in most retail outlets this category represents the

<sup>2</sup> Both price brackets and average mark-ups are based on approximations made from a representative base of suppliers that fall within each of the categories.

<sup>3</sup> Pricing pyramid concept courtesy of Vivian Thornton of Link Africa

volume products which are dependent on quick turnover and therefore require consistent supply)

The real value of the pyramid is in understanding where (within these three 3 categories) you are most likely to gain access as a supplier given your particular product.

***As a South African exporter, it is critical to be able to understand and map a potential supplier's pricing pyramid in order to ensure a more accurate targeting of potential buyers.***

#### 2.4.5 Associated Quality Requirements

High-end merchandise	Mid to low-end
? High degree of differentiation - unique/special	? Price competitive
? Consistent product quality	? Over-delivery on quality relative to price
? Consistency of supply - reliable	? Ability to interpret design trends and incorporate into product development
? Innovation - creative and trend-setting	? Reliable supply
? Strong branding (critical to succeeding in the segment)	? Ability to produce medium to large volumes (500-5000+ units)

#### 2.4 What are the trade trends?

**Overall trend:** It is not possible to separate out handcrafted trade trends from the overall statistical trade trends for most products because of the way in which trade data is captured. The trends below therefore only give an indication of overall trends within the home textiles import market as a whole. Significant growth in the UK importation figures for blankets, rugs and soft furnishings was seen between 1997-2001. The highest volume of imports was in the cotton furnishings (Floor rugs) and synthetic blankets categories.

Volumes in all categories are still relatively small when compared to the rest of the world, and the United Kingdom's imports of blankets and rugs of synthetic fibres represent only 3% of world imports for this product. It is ranked 8<sup>th</sup> in world imports.

During 2001, tablecloths made from pulp, cellulose and wadding accounted for the highest import value within the table linens category. Additionally, this product category also experienced the highest growth rate of 37% for the period 1997-2001, proving to be a very popular import within the UK table linen market. UK imports for this product category represent 9% of world imports and are ranked 4<sup>th</sup> in global imports.

Table linen made from flax showed positive growth in excess of 30%, but the import value was low for 2001. This indicates that this product category is still in its early growth stages and offers possible (but limited) opportunity to exporters based on the UK's 2% share of global imports in this product category.

There was significant growth in UK imports of all categories of window treatments in 1997 – 2001. Categories of special interest (high volumes, high growth) were cotton and synthetic curtains & blinds, and cotton knitted products (high growth, low volume).

Articles made from cotton and synthetic fibres dominate the window treatments category. The United Kingdom is the 2<sup>nd</sup> largest importer of cotton products with a 12% share of the global market. The import value for this product for 2001 was \$53 million, coupled with a growth rate of 15% for the period between 1997-2001. Articles made from synthetic fibres increased by 26% during the same period. The import value of this product category was the largest within the Window Treatments group at \$58 million. UK imports represent 9% of

world imports, and it is the 4<sup>th</sup> largest global importer. Collectively these two product categories are high opportunity markets for South African exporters.

## **2.5 Who are the major competitors in the UK market?**

### **Mid to low end**

Products from China dominate the low-end segment. The South Asian countries, such as India dominate the 'low to mid' segment of the market. The extremely low cost of manufacturing in these countries (due to low labour cost and materials) makes it difficult for manufacturers from other countries to compete with them on price. The availability of high quality, domestically produced textiles in these countries has ensured a constant supply at minimal cost.

The price competitive, low end of the market is also a difficult one for SA suppliers due to the high costs of shipping, combined with SA's production costs. This makes it difficult for suppliers to be price competitive.

### **High-end**

Italy and France dominate the high-end segment of the market. Branding is a key component of the high-end products, as it promotes exclusivity. Both Italy and France have successfully branded their products.

***South African suppliers are therefore more likely to be successful in the mid to high-end market segments where the emphasis is on promoting exclusivity, often directly related to unique trademarks associated with specific countries/regions.***

***An in-depth competitor analysis is available from the CCDI.***

## **2.6 Which consumer types do you want to target?**

South African crafters need to target niche markets in order to succeed or compete against the major craft producing countries. 'Niche marketing' is the practise of targeting specific populations of people with goods designed to appeal to their specific taste and need. Two such 'niche markets' that offer opportunities for South African crafters in the UK are fair trade purchasers and ethnic consumers.

### **2.6.1 Fair Trade purchasers /ethical trade purchasers**

These purchasers have some concerns about the labour and environmental standards under which products are produced, and the degree of benefits that go to producer groups. They are also interested in cultural authenticity. They form a far smaller potential market than the mainstream consumer, but are expected to grow.

### **2.6.2 Ethnic consumers**

Ethnic consumers in the middle to high-end income brackets are increasingly demonstrating an affiliation to ethnic influenced designs that resonate with their ethnic style. Population statistics indicate that between 3.7 and 6.5 million of the British population are from ethnic minorities. Three fifths of UK minority ethnic population live in cities and Indian and Chinese

people are primarily located in the main ports. The Pie Chart given below shows the different minority groupings that live in the UK.

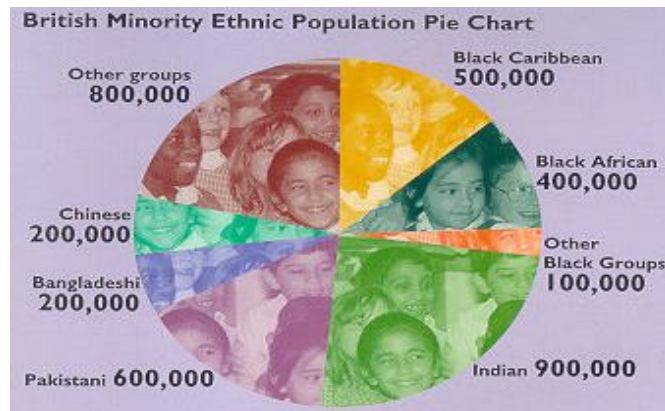


Figure 4: UK ethnic minority groupings

### Economic Activity

In 1998 2.3 million people of working age belonged to minority ethnic groups. A survey in September 2000 revealed that black Britons make a collective contribution of 5 billion GBP to the UK economy.

#### 2.7 On which retail outlets do you want to focus?

**NB: Crafters should seek assistance from the CCDI or other related institutions to assist in the preparations for meeting a retailer for the first time**

##### 2.7.1 Recommended retail stores are listed below:

- ? **Besmo** (<http://www.besmo.com>)
  - o Importer/wholesalers and distributors of African giftware, tableware and decorative accessories
  - o Currently stock 700 lines (30 from South Africa)
  - o Operates one large distribution warehouse and exports to numerous destinations in the European Union
  - o Great opportunities for exclusive and branded South African craft products.
- ? **Conran** (<http://www.conran.co.uk>)
  - o 10 Stores in major global capitals, London, New York and Tokyo
  - o Focus on innovative designer homewares
  - o Multiple purchasing channels – via mail order, on-line and in store
  - o Very good potential for SA craft products.
- ? **Marks & Spencer** (<http://www.marksandspencer.com>)
  - o One of the UK's leading multinational retailers of clothing, foods, homeware and financial services
  - o Over 300 UK stores and serves 10 million customers a week
  - o Highly label and brand conscious
  - o Quality driven and price competitive crafters could get niche market opportunities

**(SA equivalent retailer is Woolworth's:**

- One of South Africa's leading multinational retailers of clothing, foods, home ware and financial services
  - Own branding and private label
  - Offers a distinctive style of apparel and home ware under its own label )
- ? **Debenhams** (<http://www.debenhams.com>)
- 102 stores across the UK and have approximately 13% of the UK market share
  - Have own-bought brands, exclusive designer ranges and leading international brands
- Exclusivity an extremely important differentiating factor with half its merchandise available only at Debenhams
- Possibility of niche opportunities for Western Cape crafters if can match design style and meet quality requirements
- ? **British Home Stores** (<http://www.bhs.co.uk/>)
- 138 outlets across the country
  - Offers clothing for the family and a wide range of homeware
  - Niche opportunities for SA crafters within the mid end of the market

### 2.7.2 High street departmental fashion retailers (great niche opportunities for small volume, quality competitive crafters)

- ? **Liberty** (<http://www.liberty.co.uk/>)
- Aimed at high quality design led merchandise
  - Central store in London, with additional 2 satellite stores
  - Offers a mix of fabric, fashions, home wares, and gifts
  - Driven by individuality, innovation and is considered a leader in design creativity and style
- (Closest SA equivalent retailer is **Stuttafords** <http://www.stuttafords.co.za>)
- :
- High-end product merchandise
  - Aims to promote an image of exclusivity by targeting the high-end of the market
  - Offers a mix of fabric, fashions, home wares, and gifts)
- ? **Beales** (<http://www.beales.co.uk>)
- ? **Laura Ashley** (<http://www.laura-ashley.com/>)

### 2.7.3 Independent retailers (Great niche opportunities for small volume, quality competitive crafters)

- ? **Designers Guild** (<http://www.designersguild.com>)
- ? **General Trading Co.** (<http://www.general-trading.co.uk>)
- ? **Copes** (<http://www.copes.co.uk>)

### 2.7.4 Fair trade organisations

***The primary objective of a fair trade organisation is to pay the manufacturers a fair wage relative to that particular country, and to ensure long-term developmental needs are addressed (offer excellent opportunities for emerging crafters).***

- ? **Traidcraft** (<http://www.traidcraft.co.uk>)

- Most trading partners are community-based enterprises and associations of small holder producers
  - Products sold through Fair Traders, mail order catalogues and mainstream/independent retail outlets
  - These provide excellent opportunities for South African crafters.
- ? **Tearcraft** (<http://www.tearcraft.org>)
- Operate as the fair trade catalogue of Tearfund
  - Focus on both traditional and modern gifts

### 2.7.5 Mainstream department and chain retail stores selling multiple product ranges (not recommended because of their high volume demands)

- ? **House of Fraser** (<http://www.houseoffraser.co.uk>)
- ? **John Lewis** (<http://www.johnlewis.com>)

### 2.7.6 Mail order (Not recommended because they offer limited opportunities for crafters because of their high volumes and relative sensitivity to price)

- ? **The White Company** (<http://www.thewhiteco.com>)
- ? **McCord** (<http://www.mccord.uk.co>)

## 2.8 Which marketing & distribution channels are most appropriate?

### 2.8.1 Direct exporting

Direct exporting involves a producer dealing with the practicalities of exporting themselves i.e. working with a logistics service providers and importers and/or wholesalers and end retailers. Craft producers may choose this option if they have the necessary skills, resources, market contacts and time in-house to manage this process, particularly if they want to maintain control of the process and reduce the number of players taking a share of the profit margin. This can be illustrated as follows:

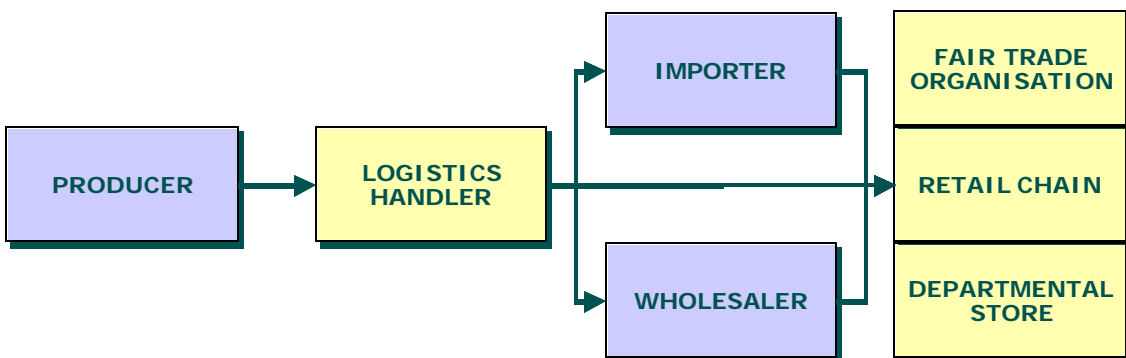


Figure 5 : Direct distribution options

### 2.8.2 Indirect exporting

Indirect exporting involves an intermediary that acts as a link between the manufacturer and the buyer. The intermediary may do everything on behalf of the manufacturer, from marketing the product to selling the product to the buyer, or may only play some of these

roles. Craft producers may use this option if they do not have the time, desire experience or skills to manage the process themselves. This is illustrated below:

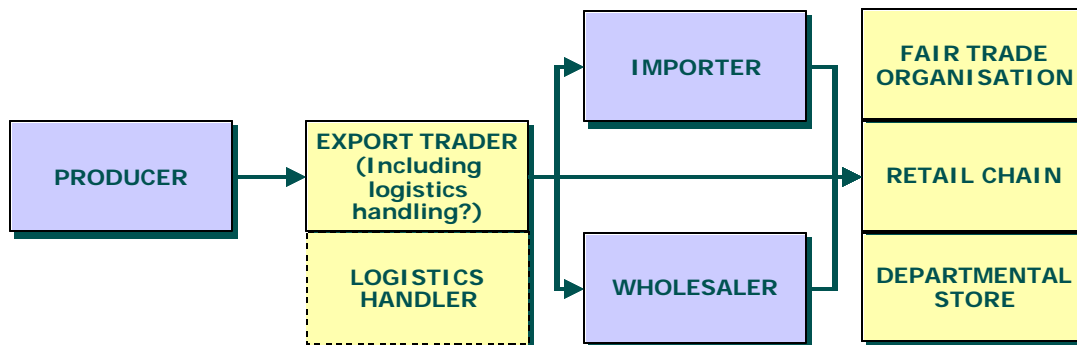


Figure 6: Indirect distribution options

Contact the CCDI for a list of recommended online trading houses, agents and intermediaries.

### 2.8.3 Trade Shows of high Importance:

#### **Spring Fair – Birmingham (NEC)**

([www.springfair.com](http://www.springfair.com))

*Buyer profile:* A full spectrum of buyers attend the show, from those looking for small volume handcrafted to the high volume buyers.

*Dates:* 1 – 5 February 2004

*Cost:* Cost is standard at £ 210/sq meter, with the minimum shell size being 24 square meters

#### **Autumn Fair – Birmingham (NEC)**

([www.autumnfair.com](http://www.autumnfair.com))

*Buyer profile:* Retailers, wholesalers, manufacturers and distributors of gifts and home accessories from all over the world

*Dates:* 7 – 10 September 2003

*Cost:* Cost is standard at £183/sq meter, with the minimum shell size being 24 square meters

#### **Design Interiors – Birmingham (NEC)**

([www.thefurnitureshow.co.uk](http://www.thefurnitureshow.co.uk))

*Buyer profile:* Top-end retailers and contract buyers from both the UK and overseas markets, interior designers, decorators, architects

*Dates:* 18 – 21 January (2004)

#### **DECOREX International (London)**

([www.decorex.com](http://www.decorex.com))

*Buyer profile:* Aimed at the top-end retailers and contract volume buyers from both the UK and overseas markets from especially the hospitality industry, as well as interior designers, decorators and architects

*Dates:* 21 – 24 September 2003

#### 2.8.4 Trade shows of medium importance

- ? EFFDA - Ethnic Furniture Fabrics & Decorative Arts
- ? Soft Furnishing Trade Show
- ? Live Crafts Show
- ? TWISTED THREAD - Knitting & Stitching Show
- ? Art Craft & Gifts Show
- ? Spring Art Craft & Gift Show
- ? Belfast Craft Fair
- ? Highland Trade Fair (Gifts)

*More detailed information on these trade shows is available from the CCDI*

#### 2.8.5 E-marketing

This provides buyers with information in one resource thereby attracting more buyers and building this niche market.

*Contact the CCDI for a list of recommended online trading houses, agents and intermediaries.*

#### 2.8.6 Targeted direct marketing to buyers

Buyers are likely to have an initial screening on the basis of the fit of your product and price. The initial screening may be done off the basis of photos. Many will then have another level of screening in relation to:

- ? Quality standards
- ? Reliability of supply
- ? Production volumes
- ? Ability to interpret design briefs

#### 2.8 What are the tariff and non-tariff barriers?

The **EU Free Trade Agreement** with South Africa means that many goods from South Africa are entitled to either duty free access into the United Kingdom or preferential market access. Tariffs relating to particular items are in the process of being phased out by either 2003 or 2006. The details of these tariffs are set out in Appendix A. In addition, there are a range of non-tariff barriers and **UK Consumer Protection regulations** that must be complied with, as infringements can lead to serious penalties being levied on both suppliers, and retailers stocking these products. **(For further details on the above, please see Appendix A)**

*Exporters should study these barriers (restrictions to the import process) before committing to an export programme to make sure that their product, labelling and packaging can comply with any regulations, as well as retailer-specific requirements.*

#### 2.8.7 Sources of additional information

To investigate which South African goods qualify, exporters can refer to Customs Notice 828 that can be found at: <http://www.hmce.gov.uk>. If trying to source additional information on tariffs and other charges, such as tax (different to import duty) and local excise duty, South

African exporters can contact the UK Customs and Excise on a general enquiry e-mail address: [enquiries.lon@hmce.gov.uk](mailto:enquiries.lon@hmce.gov.uk). An in-depth version of these regulations can be purchased at TSO Customer Services on 0944 870 600 5522 or e-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk).

If in doubt as to which category a specific product would be grouped into, a supplier can contact, HM Customs & Excise classification help-line on + 44 (0) 1702 366077 to obtain the UK product classifications. If trying to source additional information on tariffs and other charges, such as tax (different to import duty) and local excise duty, South African exporters can contact the UK Customs & Excise at the e-mail address: [enquiries.lon@hmce.gov.uk](mailto:enquiries.lon@hmce.gov.uk).

#### **UK Department of Trade and Industry**

Tel: 0944 207 215 5000

E-mail: [dti.enquiries@dti.gsi.gov.uk](mailto:dti.enquiries@dti.gsi.gov.uk)

[www.dti.gov.uk](http://www.dti.gov.uk)

#### **UK Department of Trade and Industry Consumer Safety Unit**

Tel: 0944 207 215 0366

Fax: 0944 207 215 0357

#### **British Standards Institute**

Tel: 0944 208 996 9001

Fax: 0944 208 996 7001

E-Mail: [info@bsi-global.com](mailto:info@bsi-global.com)

[www.bsi-global.com](http://www.bsi-global.com)

## **3 US MARKET**

### **3.1 Overview of the US market**

The United States is easily the world's single largest market for consumer goods and demand has largely been satisfied for decades by mass production resources. The US Home Furnishings category alone (comprising Furniture & Accessories, Home Textiles, House wares, Home Appliances, Table-Top, Floor & Wall Décor, and Consumer Electronics) had a 1999-estimated wholesale value of \$146 Billion, with a 13.5% growth rate. Paradoxically, the dominance of mass-produced goods within the marketplace has created significant opportunity for handcrafted merchandise in many categories as consumer look for interesting new products to consume. However, this opportunity is one filled with challenges for the handcrafters.

For instance, handcrafted products in the above categories, which were imported from Africa, Central & South America, developing Asia (China, Pakistan, etc.) accounted for less than one-half of 1% of the total estimated US demand in 1999.

***However large the US appears from outside its borders, crafters must understand that the US craft market is made of many different segments, in which there are varied qualifying levels of distribution based on price, quality, style, availability and other factors.***

Craft retailing differs from region to region based on cultural and other contributing factors. As a result certain themes and designs that sell well in one area of the US, based on a regional appeal, might not sell well at other regions. For example, contemporary styles might sell well in metropolitan areas such as New York and Los Angeles while traditional designs sell well in states such as Connecticut, Massachusetts and Maine.

In recent years, the industry has faced many changes, including the consolidation among retailers through the growth of retail chains, catalogue showrooms, and TV home shopping networks; a decline in the number of wholesalers; reduced tariffs; increased imports; economic depression etc. Consumers in most categories have become very price sensitive. Crafters therefore need to be creative and focus on serving niche markets.

The major product groupings in home textiles and soft furnishings that are used by the NAICS (North American Classification System) are listed below:

- ? Home furnishings
  - o Toss/decorative pillow
  - o Throw
  - o Cushions-patterned/plain/textured
  - o Floor pillows

- ? Table linens
  - o Tablecloth
  - o Runner
  - o Placemat
  - o Coaster
  - o Napkin
  
- ? Flooring
  - o Rugs
  - o Mats
  
- ? Curtain/window treatments
  - o Drapes
  - o Valances
  - o Curtains/Blinds
  - o Tie-backs/holdbacks

### 3.2 What are the design/style and material trends in the US market?

It is particularly important for producers of home textiles and soft furnishings to understand design and style trends, as it is a major decision-making factor for most buyers. These trends change rapidly, and it is therefore important to keep knowledge up to date.

The US is vast and its sheer size means that enormous cultural variations occur from state to state. These factors have led to the development of a US market that is both broad and fragmented. Styles, designs and trends also differ from region to region. It is particularly vital for crafters to be aware of these variations.

A wide range of materials are used in the US home textiles market. There are two trends, both of which incorporate strong textural dimensions that encourage touch.

- ? **Luxury** (silk, satin, velvet, silk organza, suede, leather), with associated rich, jewel, metallic or lustrous colour palettes
- ? **Natural** (natural fibres such as cotton, linen, hemp, flax, sea grass) with associate natural colour palettes (earth, sea, forest related) with an emphasis on natural dyes

The dominant craft techniques in decorative pillows and table linen are beading and embroidery, while occasional examples of patchwork and ribbon work are found. Both China and India dominate as suppliers of beaded and embroidered items, particularly in the luxury fabrics such as silk which tie well to their "traditional" products.

**The current trend amongst many of the larger retailers is an increased focus on own brand/private label, which creates an opportunity for suppliers that do not have their own brand.**

Trend related information with reference to design; style and material can be accessed through the following resources:

- ? Trend research organisations
- ? WGSN-World Global Sourcing Network
- ? "Home Textiles Today"
- ? Trade shows
- ? Competitor analysis
- ? Magazines (design, homeware, fashion/style)

### 3.2.1 Contacts and sources of further information

#### *US Home Textiles Trends*

#### **Home Textiles Today (information on trends, major players, retailers etc)**

Website: <http://www.hometextilestoday.com/>

Free daily email update: subscribe via <http://www.hometextilestoday.com/subscribe.asp>

Or get e-mail assistance at [letters@reedbusiness.com](mailto:letters@reedbusiness.com) or by fax at 630-288-8394.

### **3.3 What are the pricing trends and associated quality requirements?**

The current recession in the United States has put a lot of pressure on most retailers, resulting in many liquidations and closures. As a result, in a highly competitive retail market, retailers push their suppliers to provide at lower cost. For many of the large "value" or discount retailers, they make profit from selling large volumes rather than high mark-ups on individual items. On the other extreme, the very high end of the market (which is a much smaller but more lucrative side of the market) is more concerned about quality and branding than price. In between these two extremes are a range of variations, which South African crafters will need to explore to find the potential opportunity for them. **Please see Appendix B for some examples of price points in various retail outlets in the US.**

*The price trends in the US market indicate that most South African crafters are unlikely to be able to compete in the low end of the market. South African crafters therefore need to position themselves in the medium to high end of the market in order to be able to compete and make exporting worthwhile.*

#### **3.3.1 Associated Quality Requirements**

**Medium to high end** requirements include:

- ? Quality of materials
- ? Quality of workmanship
- ? Reliability of supply
- ? Excellent design application
- ? Branding - much of the high-end market for home textiles and soft furnishings in the mainstream retailers is depending on brand names and designer labels, or acceptance as a supplier of own brand/private label goods.

### **3.4 What are the trade trends?**

It is not possible to separate out handcrafted trade trends from the overall statistical trade trends for most products because of the way in which trade data is captured. The trends below therefore only give an indication of overall trends within the home textiles import market as a whole.

#### **3.4.1 Rugs made from cotton and synthetic fibre**

##### ? **Import value trends**

- o Rugs made from synthetic fibres account for the largest value of imports
- o The US imports of synthetic rugs represented 20% of world imports for this product, making it the world's largest importer of this product
- o Cotton rugs, showed an import value of \$89 million and once again the US was ranked as the largest world importer (accounting for 34% of global imports)

##### ? **Import growth trends**

- Both product categories showed very positive growth between 1997 -2000. With growth of cotton rug import exceeding 30%., and growth in synthetic fibre rugs of 22% for the same period.
- However, the product category blankets and travelling rugs had the highest growth of 66%

**NB:** This indicates an **opportunity** with high potential for exporters to supply the US market with this item, as the demand for these imports is extraordinarily high.

### 3.4.2 Furnishing made from cotton and textiles

#### ? Import value trends

- o The largest import product category of furnishings for 2001 was articles made from cotton, which totalled \$115 million
- o In terms of growth, two product categories showed growth in excess of 30%, i.e.:
  - ? Furnishing articles nes, of synthetic fibres, not knitted or crocheted (630493)
  - ? Furnishing articles nes, of other textile materials, not knitted or crocheted (630499)
- o In addition, the US imports 29% of the total world imports for this of furnishings made from textiles, making it the world's largest importer of products that fall into this product category

#### ? Import growth trends

- o Imports of table linen were relatively low, apart from those made from cotton
- o Table linen of cotton, not knitted accounted for over \$232 million worth of imports and the second largest import product category, table linens of man-made fibre not knitted accounted for over \$57 million
- o The US's imports of the product category table linen made from cotton, represents 38% of world imports for this product, and once again it ranks 1<sup>st</sup> in world imports
- o The growth in imports for the period between 1997-2001 was 16%
- o Overall, the growth of US imports of Table Linens product categories has achieved double-digit figures

### 3.4.3 Window treatments

The US import values of window treatments are generally larger than the imports of table linens, with window treatments made from synthetic fibres and from cotton dominating US imports by both value and growth

#### ? Import value trends

- o The largest import value in this product group was \$200 million for the window treatments made from synthetic fibres
- o The next largest import category was for window treatments made from cotton, which accounted for approximately \$138 million
- o The US was the world's largest importer of both product categories

#### ? Import growth trends

- o Additionally, both product categories experienced high growth for the period between 1997-2001. Window treatments made from synthetic fibres grew by 24% and those made from cotton grew by 33%
- o Window treatments made from textile materials other than those made from synthetic fibres or cotton, grew in excess of 50% in 2001

**NB:** *In terms of offering export opportunities for South African suppliers, the high growth in window treatments made from synthetic fibre indicates great potential for crafters.*

### 3.5 Who are the major competitors in the US market

#### Mid to low end

Products from China dominate the low-end segment. The South Asian countries, such as India dominate the 'low to mid' segment of the market.

Low labour costs and the availability of high quality; domestically produced textiles in these countries are key sources of competitiveness. The price competitive, low end of the market is also a difficult one for SA suppliers due to the high costs of shipping, combined with SA's production costs. This makes it difficult for suppliers to be competitive in pricing.

### **High-end**

Italy, France and Portugal dominate the high-end segment of the market. Branding has been the main source of competitiveness for these three countries as it is an integral part of the high-end product. Branding (associated with a 'tradition' of handcrafting excellence) is essential to transacting in the high-end market segment that is aimed at promoting exclusivity.

Other smaller competitors include Guatemala, Egypt, Mexico and the Philippines.

### **3.6 Which consumer types do you want to target?**

South African crafters need to target niche markets in order to succeed or compete against the major craft producing countries. 'Niche marketing' describes the practise of targeting specific populations of people with goods designed to appeal to their specific taste and need.

### 3.6.1 Fair Trade purchasers /ethical trade purchasers

These purchasers have some concerns about the labour and environmental standards under which products are produced, and the degree of benefits that go to producer groups. They are also interested in cultural authenticity. They form a far smaller potential market than the mainstream consumer, but are expected to grow.

### 3.6.2 African-Americans

African-American consumers in the middle to high-end income are increasingly demonstrating an affiliation to African-made products, which nevertheless resonate with their style. They tend to be seeking a stronger ethnic influence on design style than the mainstream consumer market.

The following cities have a high proportion of blacks or African-Americans relative to other race groups, and may therefore have retailers more aligned to African-American preferences:

- ? Gary, Indiana (84%)
- ? Detroit, Michigan (81.6%)
- ? Birmingham, Alabama (73.5%)
- ? Jackson, Mississippi (70.6%)
- ? New Orleans, Louisiana (67.3%)
- ? Baltimore, Maryland (64.3%)
- ? Atlanta, Georgia (61.4%)
- ? Memphis, Tennessee (61.4%)
- ? Washington, DC (60%)
- ? Richmond, Virginia (57.2%)

However, there are few black households that are classified as having high incomes, and many of those that are classified as high income choose not to live in primarily African-American areas.

It is therefore more difficult to pinpoint how to target these consumers at a general level. South African crafters wishing to target the African American market will have to do careful research in order to establish how best to reach these mid- to high-end consumers for their specific product in a region within the US.

### 3.6.3 Homeware buyers and gift purchasers

The items classified under "homeware and gifts" are wide ranging. They can be made from a wide variety of raw materials, ranging from paper to metal, and they can range from purely decorative to utility products. Therefore, there is a clear overlap with products falling under different categories such as household articles, home decorations (including small furniture), toys, fancy jewellery, arts and antiques and garden articles.

The criterion for buying by the consumer is whether it will fit into his/her particular fashionable style, or whether it represents a certain image that may be useful as a gift. A remarkable common characteristic in all these articles is their decorative and/or emotional value; consumers seem to purchase them just because of this feature.

Homeware purchases are viewed as becoming an increasingly important segment in the gift market, as many US residents increasingly see their homes as a "retreat" where they can feel secure and pampered. Gifts may be purchased in major mass retailers, specialist chains and

department stores, but may also be done in the thousands of small, independent gift stores across America.

### 3.7 Which retail outlets do you want to focus on?

South African crafters wanting to succeed in US markets need, in addition to a good, well-packaged and well-priced product, efficient and effective business systems.

***NB. Crafters should utilise the CCDI/City of Cape Town to help profile and approach retailers, rather than approaching individually.***

#### 3.7.1 Recommended retail stores are listed below:

***Most of these retailers have online product catalogues, which may give you an idea of their product style and pricing.***

- ? **ABC Carpets and Home** (<http://www.abchome.com>)
  - o Independent New York Department Store with 8 outlets
  - o Very exclusive, considered a style trend setter
  - o Carried designer labels, unique items across a wide range of home ware
  - o Styles and trends include exotic, ultra-modern
  - o Offers excellent opportunities for crafters who can compete on price, and quality
  - o South African equivalent retailer is Home Fabrics (<http://www.homefabrics.co.za>) - A leading converter and distributor of furnishings textiles in South Africa
- ? **Pottery Barn** (<http://www.potterybarn.com>)
  - o Includes physical stores, catalogues and on-line shopping
  - o Large range of handcrafted home textiles and soft furnishing items, with a large proportion currently imported
  - o Primarily medium end of price range
  - o Possible opportunity for Western Cape crafters if can compete on quality and price
- ? **Crate & Barrel** (<http://www.crateandbarrel.com>)
  - o Around 115 stores in more than 20 US states and the District of Columbia
  - o Product range includes furniture and home ware, around 30% of which is unique to the chain
  - o Also have a catalogue business (around 15 million catalogues circulated annually and online sales
  - o Offers niche opportunities for SA crafters
- ? **Pier 1 Imports** (<http://www.pier1.com>)
  - o Wide range of home ware products (over 5 000 items)
  - o Over 1000 stores in the US and Canada
  - o Emphasis placed on handcrafted items and natural materials
  - o Style influenced by cultural design styles, but primarily fashion trend oriented, not concerned about authenticity
  - o Low to medium -end focus
  - o Strong possible opportunity for Western Cape crafters in terms of style, if can compete on price
- ? **Gracious Homes, New York** (<http://www.gracioushome.com/products.htm>)
  - o Wide range of home ware and appliances
  - o Mid-end, therefore opportunities for SA crafters
- ? **Lowe's** (<http://www.lowes.com>)
  - o Around 850 superstores in 45 states
  - o Target market is DIY and professional home improver
  - o May provide future opportunity for SA crafters in "home fashion" section
- ? **May Department Stores** (<http://www.mayco.com>)
  - o Product focus is designer-label apparel, shoes, cosmetics, and home furnishings to middle- and upper-middle income buyers
  - o Operates around 445 department stores in 37 states under various brands

- Possibility of niche opportunities for Western Cape crafters if can match design style and meet quality requirements (price less of an issue given high-end focus)

### High-end department fashion retailers

(Dominated by specialist departmental stores that will be differentiated by focusing on addressing a particular price segment (i.e. high-end product merchandising). Highly label and brand conscious. Store numbers range from around 5 - 100. Aim to promote an image of exclusivity by targeting the high end of the market.

- ? **Dillard's** (<http://www.dillards.com>)
- ? **Coldwater Creek** (<http://www.coldwater-creek.com>)
- ? **Neiman Marcus Group** (<http://www.neimanmarcus.com>)
- ? **Saks Department Stores** (<http://www.saksincorporated.com>)

### SA equivalent retailer is Stuttafords (<http://www.stuttafords.co.za>)

- High-end product merchandise
- Aims to promote an image of exclusivity by targeting the high-end of the market
- Offers a mix of fabric, fashions, home wares, and gifts

### 3.7.2 Gift Stores

There are altogether 40 000 independent gift stores in the US. Founded in 1952, the *Gift Association of America* is the oldest and largest trade association comprised of retail stores and wholesalers in the gift industry. It has around 600 retail members, as well as over 50 wholesale members. These consist of gift stores, boutiques.

***NB: Gift stores may hold great opportunities for small volume, unique products but SA crafters have to establish relationships with distributors and differentiate themselves and to get access to this niche market***

***Details of distributors and individual members of the Gift Association are available from the CCDI.***

### Fair Trade Organisations

Members of the Fair Trade Federation have committed themselves to principles of fair wages, cooperative workplaces, consumer education, environmental sustainability, financial and technical support, respect for cultural identity and public accountability.

***NB: This niche market may offer good opportunities in particular for community-based and emerging crafters for small and low cost items***

Below are details of Ten Thousand Villages, the largest Fair Trade wholesaler and retailer:

### Ten Thousand Villages (<http://www.tenthousandvillages.com>)

Ten Thousand Villages has over 180 stores across the USA. They sell a wide range of fair trade products, including the following home textiles/soft furnishings items:

- ? Tabletop - tablecloths, placemats, napkin
- ? New bathroom line, shower curtains doing the best, think people may be using as normal curtains
- ? Bed covers started about two years ago (taking off, but slower)
- ? Cushion covers
- ? Wall hangings
- ? Christmas items e.g. woven textiles make into patchwork

They have a purchasing guidelines document that influences all relationships with producers (see extract below).

1. Artisans will be from poorer sectors of society and will be unemployed or underemployed. Preference is given to artisans living in less developed or developing countries.
2. Artisans should be paid fairly for work done based on local economic conditions.
3. Preference is given to:
  - a. Community groups with whom Mennonite Central Committee (MCC) already works;
  - b. Fledgling organizations or groups that demonstrate concern for workers and encourage worker/employee participation in decision-making and ownership; e.g., cooperatives and associations of producers;
  - c. Groups that involve people who are most disadvantaged; e.g., disabled, refugees, minorities. Ten Thousand Villages will ask the local MCC office, an MCC partner organization or another MCC/Ten Thousand Villages trusted organization to contact potential new artisan groups and make recommendations to Ten Thousand Villages before placing an order.
4. Purchases from artisans will be made as directly as possible. When direct purchases are not possible, Ten Thousand Villages will work with trusted intermediaries who agree with and follow Ten Thousand Villages guidelines.
5. Preservation of the environment is important. Ten Thousand Villages will buy products made from materials and processes that do not threaten the local environment.
6. Provide services to artisans when possible and appropriate; e.g. product design and development, marketing advice, assistance to diversify and expand markets locally and internationally, business assistance.
7. Promote traditional and indigenous arts and crafts where economically feasible.
8. Good quality control and sound business practices are expected of all artisan groups.
9. Promote better understanding among North Americans about the environment and living situations of artisans.

Ten Thousand Villages provides themes and colour palettes, and provides support to producers in product development where required.

While Ten Thousand Villages is not actively seeking new producer groups (they place on emphasis on being able to provide sustainable orders to producers and are therefore very cautious about bringing in new producers), it is willing to discuss the possibility of the participation of appropriate Western Cape Crafters. It currently only has one South African producer group from KwaZulu-Natal.

For details on members of the Fair Trade Federation that deal with home textiles and soft furnishings crafts, visit their Website: <http://www.fairtradefederation.com>

### 3.7.3 Other retailers (not recommended)

#### Catalogues and TV home shopping

The catalogue and home shopping trade is well established in the US market. The companies below have a primary focus on catalogues and home shopping.

**NB:** *Not recommended – very price sensitive and large volumes, no real opportunities for handcrafted items.*

? **Cornerstone Brands** (<http://www.cornerstonebrands.com>)

? **Hanover Direct** (<http://www.hanoverdirect.com>)

- ? "Domestications" (<http://www.domestications.com>)
- ? Lillian Vernon (catalogue & store) (<http://www.lillianvernon.com>)

**Mainstream department and chain retail stores selling multiple product ranges**

**NB:** Not recommended – price sensitive, large volumes, no real opportunities for handcrafted items.

- ? JCPenney department stores (<http://www.jcpenney.net>)
- ? Federated Department Stores (<http://www.federated-fds.com>)
- ? Bloomingdales (<http://www.bloomingdales.com>)
- ? Bon Marche (<http://thebon.dailyshopper.com>)

**3.8 Which marketing & distribution channels are most appropriate?**

**3.8.1 Direct exporting**

The direct selling of products from manufactures to buyers without the involvement of the middleman. This can be illustrated as follows:

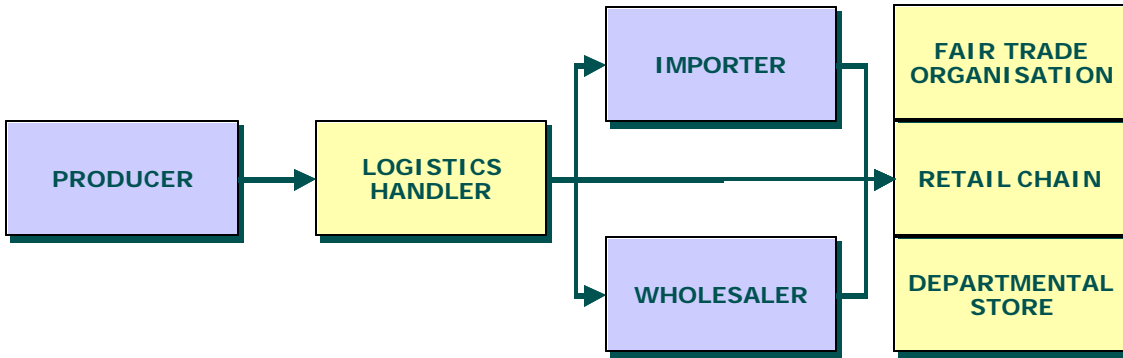


Figure 7 : Direct distribution options

**3.8.2 Indirect exporting**

Involves an intermediary that acts as a link between the manufacturer and the buyer. The intermediary does everything on behalf of the manufacturer, from marketing the product to selling the product to the buyer. This is illustrated below:

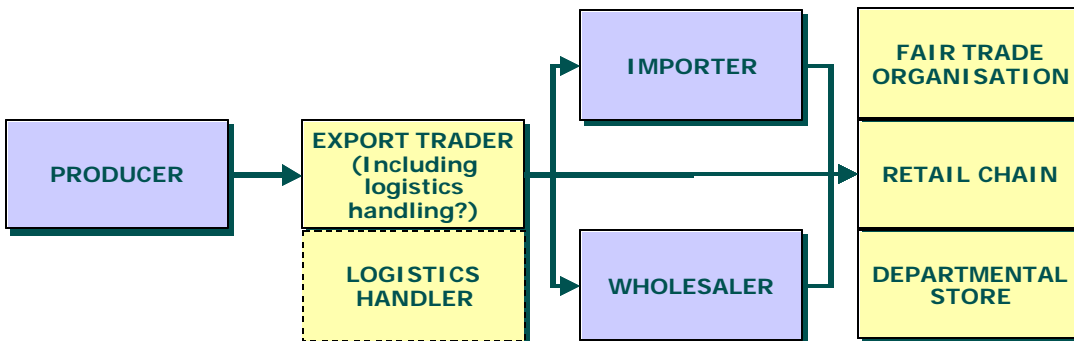


Figure 8: Indirect distribution options

**Contact the CCDI for a list of recommended online trading houses, agents and intermediaries.**

### 3.8.3 Trade Shows of high Importance:

#### **New York International Gift Fair**

*Buyer profile:* All different types of stores attend from across the US, Canada.  
*Dates:* August (2003 dates: 9 - 14 August)  
*Cost:* Around \$26 to \$35/sq foot, corner premium for \$375/\$425, depending on which pavilion

#### **San Francisco Gift Fair**

*Buyer profile* General giftware, tabletop, housewares, decorative and personal accessories, museum gifts, ethnic, traditional, country and contemporary crafts, souvenir items, stationery, contemporary design products, juvenile products, garden accessories and floral products as well as gourmet foods and hard goods.  
*Dates:* February 7-11,2004  
 July 24-28, 2004

#### **Atlanta Gift Fair**

There are two gift fairs in Atlanta. One is administered by GLM Shows and is relatively new. The other is a far older show and is not recommended, as exhibitors have been heard to complain about numerous negative experiences including the show's management and the venue.

#### **GLM Show**

*Buyer profile:* Speciality and department stores, gift shops, museums and galleries, craft retailers.  
*Dates:* July (2003 example - 11 - 14 July)  
*Cost:* "Handmade" and "Accent in Atlanta" \$25/sq foot or \$2000 per 10' X10' space.

#### **New York Home Textiles Show (fall and spring)**

*Buyer profile:* A full range of buyers from over 30 countries.  
*Dates:* Fall and spring (March and September)  
*Cost:*

- ? Standard Booth Package: \$25/sq. foot
- ? Enhanced Booth Package: \$37/sq. foot
- ? Rug Pavilion Booth Package: \$37/sq. foot

### 3.8.4 E-marketing

This provides buyers with information in one resource thereby attracting more buyers and building this niche market.

***Contact the CCDI for a list of recommended online trading houses, agents and intermediaries.***

### 3.8.5 Targeted direct marketing to buyers

Buyers are likely to have an initial screening on the basis of the fit of your product and price. The initial screening may be done off the basis of photos.

Many will then have another level of screening in relation to:

- ? Quality standards
- ? Reliability of supply
- ? Production volumes
- ? Ability to interpret design briefs

### 3.9 What are the tariff and non-tariff barriers?

Home textiles is one of the few areas of trade that is, as a whole, not covered by the African Growth and Opportunity Act (AGOA). Preference Group 9 in terms of exporting apparel and clothing to the US does allow for inclusion of "Hand loomed fabrics, handmade articles made of hand loomed fabrics, or textile folklore articles - as defined in bilateral consultations", but South Africa has not as yet submitted a list of products for consideration in bilateral negotiations. Please see Appendix A for current tariff rates.

In addition, the current free trade agreement negotiations between the US and SACU (South African Customs Union) may lead to a change in the tariff arrangements in this area.

***It will therefore be particularly important for Western Cape crafters planning to export to the US to get up-to-date information on South Africa's market access in this area (from the dti).***

There are numerous **technical and labelling requirements** which impact on home textiles. They relate to both safety and ensuring accurate and fair information to consumers, so as to avoid deception. **Details of requirements in terms of the following are included in Appendix A:**

- ? **Textile Fibre Products Identification Act and Rules**
- ? **Wool Products Labelling Act and rules/regulations** (for products including wool, except for carpets, rugs and mats, which are covered by the Textiles Act and Rules)
- ? **Fur Products Labelling Act** (for products including fur still attached to animal skin)
- ? Compliance with **Flammable Fabrics Act** and associated rules and regulations (including labelling of restrictions on use of product)
- ? **Federal Trade Commission's Guides for Select Leather and Imitation Leather Products**

***There may also be regulations at a State level with which will need to comply with. In addition, your buyer may have further labelling requirements and styles (in particular for major retailers, which may, for example, require inclusion of their barcode or branding on the label). It is therefore best to check on all product and labelling requirements before producing, packaging***

**and shipping your product. Check whether a retailer has a vendor compliance guide or set of standards when you first approach them.**

### 3.9.1 Contacts and sources of further information

#### Information on tariffs, preferences and Customs Administration:

- United States International Trade Commission  
General: <http://dataweb.usitc.gov/>  
Product-specific search: <http://dataweb.usitc.gov/scripts/tariff2003.asp>  
Email assistance: [dataweb@usitc.gov](mailto:dataweb@usitc.gov)
- African Growth and Opportunity Act Site: <http://www.agoa.gov/>
- US Census Foreign Trade Statistics: <http://www.census.gov/foreign-trade/www/>

#### Information on technical standards and compliance:

Federal Trade Commission  
Washington, DC 20580  
<http://www.ftc.gov> or <http://permits.fws.gov/>

The Federal Trade Commission and Bureau of Consumer Protection have published a useful guide ("**Threading Your Way Through the Labelling Requirements Under the Textile and Wool Acts**") that explains some of these requirements (this guide also covers furs).<sup>4</sup>

US Department of Commerce  
International Trade Administration  
Office of Textiles and Apparel  
Room H3100  
14<sup>th</sup> and Constitution Ave N.W.  
Washington, D.C.  
20230  
<http://www.otexa.doc.gov>

US Consumer Product Safety Commission  
<http://www.cpsc.gov/businfo/compliance.html>

U.S. Fish and Wildlife Services, office of Management Authority  
4401 North Fairfax Dr  
Arlington, VA 22203  
FWS' Website is [www.fws.gov](http://www.fws.gov)

#### Information on US Economic Trends:

US Census Bureau Economic Indicators: <http://www.census.gov/econ/www/>

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<sup>4</sup> Available online at <http://www.ftc.gov/bcp/conline/pubs/buspubs/thread.pdf>, and hard copy available at the CCDI

## APPENDIX A: TARIFF AND NON-TARIFF BARRIERS

### UNITED KINGDOM

#### Tariffs

In relation to tariff elimination as stated within the South Africa-European Union Trade Agreement of 1999, it was stated that in some cases customs duties were abolished on acceptance of the Agreement. However, in the case of particular product categories it was agreed that customs duties would be progressively abolished in accordance with specific schedules.

Apart from the product categories where customs duties have been removed completely, the two different elimination schedules that are applicable to particular product categories and listed below:

#### Schedule 1

Customs duties on imports into the EU of products originating in South Africa will be progressively abolished as follows:

- ? On the date of entry into force of this Agreement (1999) each duty shall be reduced to 75% of the basic duty
- ? One year after the date of entry into force of this Agreement each duty shall be reduced to 50% of the basic duty
- ? Two years after the date of entry into force of this Agreement each duty shall be reduced to 25% of the basic duty
- ? Three years after the date of entry into force of this Agreement the remaining duties shall be abolished (i.e. phased out in 2002)

#### Schedule 2

Customs duties on imports into the EU of products originating in South Africa will be progressively abolished as follows:

- ? On the date of entry into force of this Agreement (1999) each duty shall be reduced to 86% of the basic duty
- ? One year after the date of entry into force of this Agreement each duty shall be reduced to 72% of the basic duty
- ? Two years after the date of entry into force of this Agreement each duty shall be reduced to 57% of the basic duty
- ? Three years after the date of entry into force of this Agreement each duty shall be reduced to 43% of the basic duty
- ? Four years after the date of entry into force of this Agreement each duty shall be reduced to 28% of the basic duty
- ? Five years after the date of entry into force of this Agreement each duty shall be reduced to 14% of the basic duty
- ? Six years after the date of entry into force of this Agreement the remaining duties shall be abolished ((i.e. phased out in 2005)

A summary of tariff and non-tariff barriers is given below:

HS <sup>5</sup> / TARIC Code	Description – 10 digit	SA Duty Rate (%)	SA-EU phase- down schedule	Std Rate (%)	GSP <sup>6</sup> (%)
481830	Table cloths and serviettes of paper pulp and cellulose wadding <b>(4818300010)</b>	0	Phased out	1.2	0
570110	Carpets and other textile floor coverings, knotted, whether or not made up, of wool or fine animal hair - <i>hand made</i> <b>(5701101010)</b>	0	1	8	6.4
570190	Carpets and other textile floor coverings, knotted, whether or not made up, of other textile materials - <i>hand made</i> <b>(5701909010)</b>	0	1	3.8	3
570210	"Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs <b>(5702100000)</b>	1.5	2	3.3	2.6
570231	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs of pile construction not made up – <i>of wool and fine animal hair</i> <b>(5702310000)</b>	2.9	2	8	6.4
570232	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs of pile construction not made up – <i>of man made textile materials</i> <b>(5702320000)</b>	2.9	2	8	6.4
570490	Carpets and other textile floor coverings, tufted, whether or not made up - <i>handmade</i> <b>(5704900010)</b>	2.4	2	6.7	5.3
570500	Other carpets and other textile floor coverings, whether or not made up of wool or fine animal hair – <i>handmade</i> <b>(5705001010)</b>	2.9	2	8	6.4
	Other carpets and other textile floor coverings, whether or not made up of man made textile material – <i>handmade</i> <b>(5705003010)</b>	2.9	2	8	6.4
630120	Blankets (other than electric blankets) and travelling rugs, of wool or of fine animal hair – <i>knitted or crocheted</i> <b>(6301201000)</b>	0	1	12	9.6

<sup>5</sup> HS - Harmonised Standard (internationally shared code for trade up to 6 digit level, country specific from 8-10 digit level)

<sup>6</sup> The Generalised System of Preferences (GSP) scheme of the European Union is aimed at the majority of the least developed countries. Its objective is to create more value by applying a lower set of tariffs to these countries.

HS <sup>5</sup> / TARIC Code	Description – 10 digit	SA Duty Rate (%)	SA-EU phase- down schedule	Std Rate (%)	GSP <sup>6</sup> (%)
	Blankets (other than electric blankets) and travelling rugs, of wool or of fine animal hair – <i>wholly of wool or fine animal hair</i> <b>(6301209110)</b>	0	1	12.2	9.7
630130	Blankets (other than electric blankets) and travelling rugs, of cotton - <i>knitted or crocheted</i> <b>(6301301000)</b>	0	1	12	9.6
	Blankets (other than electric blankets) and travelling rugs, of cotton – <i>hand made</i> <b>(6301309010)</b>	0	1	7.5	6
	Products classified as “others” within this Taric Code <b>(6301309090)</b>	0	1	7.5	6
630140	Blankets (other than electric blankets) and travelling rugs, of synthetic fibres - <i>knitted or crocheted</i> <b>(6301401000)</b>	0	1	12	9.6
	Blankets (other than electric blankets) and travelling rugs, of synthetic fibres - <i>nonwovens</i> <b>(6301409010)</b>	0	1	12.2	9.7
	Blankets (other than electric blankets) and travelling rugs, of synthetic fibres – <i>hand made</i> <b>(6301409091)</b>	0	1	12.2	9.7
	Products classified as “others” within this Taric Code <b>(6301409099)</b>	0	1	12.2	9.7
630190	Other blankets and travel rugs – <i>knitted or crocheted</i> <b>(6301901000)</b>	0	1	12	9.6
	Other blankets and travel rugs – <i>nonwovens</i> <b>(6301909010)</b>	0	1	12.2	9.7
	Other blankets and travel rugs – <i>handmade</i> <b>(6301909021)</b>	0	1	12.2	9.7
	Other blankets and travel rugs – <i>handmade of artificial fibres</i> <b>(6301909029)</b>	0	1	12.2	9.7
	Other blankets and travel rugs – <i>artificial fibres</i> <b>(6301909091)</b>	0	1	12.2	9.7
630240	Table linen - <i>knitted or crocheted</i> <b>(6302400000)</b>	4.3	2	12	9.6
630251	Table linen of cotton mixed with flax and hand-printed by the "batik" method <b>(6302511010)</b>	4.3	2	12	9.6
	Table linen of cotton mixed with flax <b>(6302511090)</b>	4.3	2	12	9.6
	Table linen of cotton mixed with other material and hand-printed by the "batik" method <b>(6302519010)</b>	4.3	2	12	9.6
	Table linen of cotton mixed with other material <b>(6302519090)</b>	4.3	2	12	9.6
630252	Table linen of flax <b>(6302520000)</b>	4.3	2	12	9.6
630253	Table linen of man made fibres - <i>nonwovens</i> <b>(6302531000)</b>	2.4	2	6.9	5.5
	Table linen of man made fibres - <i>others</i> <b>(6302539000)</b>	4.3	2	12	9.6
630259	Table linen of ramie <b>(6302590010)</b>	4.6	2	12	9.6

HS <sup>5</sup> / TARIC Code	Description – 10 digit	SA Duty Rate (%)	SA-EU phase- down schedule	Std Rate (%)	GSP <sup>6</sup> (%)
	Table linen of wool or fine animal hair <b>(6302590020)</b>	4.3	2	12	9.6
630311	Curtains (including drapes) and interior blinds; curtain or bed valances of cotton - <i>knitted or crocheted</i> <b>(6303110000)</b>	4.3	2	12	9.6
630312	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibres - <i>knitted or crocheted</i> <b>(6303120000)</b>	4.3	2	12	9.6
630319	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material - <i>knitted or crocheted</i> <b>(6303190000)</b>	4.3	2	12	9.6
630391	Curtains (including drapes) and interior blinds; curtain or bed valances – <i>other: net curtains</i> <b>(6303910010)</b>	4.3	2	12	9.6
	Curtains (including drapes) and interior blinds; curtain or bed valances – <i>other and hand-printed by the "batik" method</i> <b>(6303910091)</b>	4.3	2	12	9.6
630392	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibres - <i>nonwovens</i> <b>(6303921000)</b>	2.4	2	6.9	5.5
	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibres – <i>other: net curtains</i> <b>(6303929010)</b>	4.3	2	12	9.6
630399	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material – <i>nonwovens</i> <b>(6303991000)</b>	2.4	2	6.9	5.5
	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material – <i>of flax or ramie</i> <b>(6303999010)</b>	4.3	2	12	9.6
	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material – <i>other: net curtains</i> <b>(6303999020)</b>	4.3	2	12	9.6
	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material – <i>curtains (including drapes) of wool: handmade</i> <b>(6303999031)</b>	4.3	2	12	9.6
	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material – <i>curtains (including drapes) of wool: other</i> <b>(6303999039)</b>	4.3	2	12	9.6

HS <sup>5</sup> / TARIC Code	Description – 10 digit	SA Duty Rate (%)	SA-EU phase- down schedule	Std Rate (%)	GSP <sup>6</sup> (%)
630491	Furnishing articles (excluding those of heading 9404 and other than bedspreads) knitted or crocheted <b>(63049100)</b>	4.3	2	12	9.6%
630492	Furnishing articles (excluding those of heading 9404 and other than bedspreads) not knitted or crocheted, of cotton <b>(63049200)</b>	4.3	2	12%	9.6%
630493	Furnishing articles (excluding those of heading 9404 and other than bedspreads) not knitted or crocheted, of synthetic fibers <b>(63049300)</b>	4.3	2	12%	9.6%
940494	Pillows, cushions, and similar furnishings - of cotton <b>(94049010)</b>	0	1	3.7%	0%

#### Additional Non – tariff barriers

**UK Consumer Protection regulations** must be complied with, as infringements can lead to serious penalties being levied on both suppliers, and retailers stocking these products. Penalties include confiscation of goods and the payment. A summary of the regulations directly applicable to the suppliers of soft furnishings/home textiles is shown below (Furniture and Furnishings Regulations of 1988.)

<b>MATERIAL REQUIREMENTS</b>	
1 Filling material	? No furniture shall include any filling material which fails the ignitability test ? A cushion may include filling material which does not pass the ignitability test if it has a primary cover that cover passes the ignitability test
2 Loose Fillings	? Filling material which fails the relevant ignitability test, or which contains foam in crumb form which also fails, may not be used for filling a cushion or a pillow or for the purpose of upholstering or re-upholstering furniture
3 Covers other than Permanent Covers	? Loose covers (throws) must pass the match test
<b>LABELLING REQUIREMENTS</b>	
4 Display Labels	? Are to be clearly visible to anyone inspecting the merchandise to enable him/her to read both the front and the back of the label with as little inconvenience as is reasonably practicable.
5 Requirement to give information	? <u>Cushions and pillows</u> : the name and the postal code of the address of the principal place of business of the manufacturer or importer who first supplied the article in the United Kingdom, and the description of all the filling materials included in the article, must be provided ? <u>Covers</u> : the name and the postal code of the address of the principal place of business of the manufacturer or importer who first supplied the article in the United Kingdom, and the description of all the covering materials included in the article

Description – 10 digit	Non-tariff product specifications
(4818300010) (5702100000)	No current product specific requirements
(5701101010) (5701909010) (5702310000) (5702320000) (5704900010) (5705001010) (5705003010)	<ul style="list-style-type: none"> <li>- Products of <u>needle loom felt</u>: manufactured from natural fibres, chemical materials or textile pulp. However polypropylene filament (h.5402), fibres (h.5503/ 5506) or filament tow (h.5501) may be used if their value is a maximum 40% of ex-works price.</li> <li>- Or of <u>other felt</u>: manufactured from natural fibres not carded/combed/or otherwise processed for spinning, or chemical materials/textile pulp.</li> <li>- Or of <u>other materials</u>: manufacture from coir yarn, synthetic/artificial filament yarn, natural fibres or man-made staple fibres</li> </ul>
(6301201000) (6301209110) (6301301000) (6301309010) (6301309090) (6301401000) (6301901000) (6302400000) (6302511090) (6302519010) (6302519090) (6302520000) (6302539000) (6302590010) (6303110000) (6302590020) (6303120000) (6303190000) (6303999010)	<ul style="list-style-type: none"> <li>- If made of felt, of non-wovens: manufactured from natural fibres, chemical materials or textile pulp</li> <li>- If made of other materials and is embroidered: manufacture from unbleached single yarn or manufacture from unembroidered fabric (other than knitted or crocheted), provided the value of the unembroidered fabric used is a maximum 40% of the ex -works price of the product; or manufactured from unbleached single yarn</li> <li>- Free circulation is subject to the presentation: 1) of an export licence issued by the competent national authority of the exporting country, and 2) of a import licence issued by the competent authority of a Member State, which shall be valid throughout the Community (Source: TARIC JANUARY 1999)</li> </ul>
(6301409010) (6301409091) (6301409099) (6301909010) (6301909021) (6301909029) (6301909091) (6302511010) (6302531000) (6303910010) (6303910091) (6303921000) (6303929010) (6303991000) (6303999020) (6303999031) (6303999039)	<ul style="list-style-type: none"> <li>- Made of felt, of non-wovens: manufactured from natural fibres, chemical materials or textile pulp</li> <li>- Made of other, embroidered: manufactured from unbleached single yarn or manufacture from unembroidered fabric (other than knitted or crocheted), provided the value of the unembroidered fabric used includes a maximum 40% of the ex-works price of the product;</li> <li>- Other: manufacture from unbleached single yarn 12.2</li> </ul>
<b>Applicable to all the listed TARIC codes</b>	These textile products may only be imported into the European Community provided an annual quantitative limit is established in accordance with the appropriate procedure provided for in Article 25, which is determined by the respective authorities (See: Council Regulation (EC) Nç 517/94, OJ Nç L 67, Article 3)

**UNITED STATES****Tariffs**

NTR = Normal Trade Relations (formerly Most Favoured National/MFN)(most phasing down to final level in 2004)

Nesoi = not elsewhere specified or indicated

\* = some countries excluded from preference

HS	PRODUCT DESCRIPTION	AGOA pref?	NTR Rate	GSP	Other pref	Non-NTR Tariff
570110	Carpets and other textile floor coverings - hand-knotted/hand-inserted, with over 50% weight pile of fine animal hair, foregoing certification hand loomed & folklore <b>(57011013)</b>	NO	0.4%	0% excl. Pakistan	0% Caribbean Basin; Andean, NAFTA, Israel	45%
	Carpets and other textile floor coverings - hand-knotted/hand-inserted, with over 50% weight pile of fine animal hair, nesoi <b>(57011016)</b>	NO	0.4%	Not eligible	0% NAFTA, Israel	45%
	Carpets and other textile floor coverings - of wool or fine animal hair, hand-hooked <b>(57011040)</b>	NO	0.5%	Not eligible	0% NAFTA, Israel	45%
570190	Carpets and other textile floor coverings - knotted - of textile materials, not wool/hair, nesoi, pile inserted & knotted during weaving/knitting <b>(57019010)</b>	NO	0.5%	Not eligible	0% Caribbean Basin Initiative; Israel; Andean; NAFTA	45%
	Carpets and other textile floor coverings - knotted - of textile materials, not wool/hair, nesoi, not with pile inserted & knotted during weaving/knitting <b>(57019020)</b>	NO	0.5%	Not eligible	0% Caribbean Basin Initiative*; Israel; Andean* NAFTA	45%
570210	Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs, other than certified hand-loomed and folklore products <b>(57021090)</b>	NO	0.5%	Not eligible	0% Caribbean Basin Initiative*; Israel; Andean* NAFTA	45%
570490	Carpets and other textile floor coverings, tufted, whether or not made up - <i>handmade</i> <b>(57049000)</b>	NO	0.5%	Not eligible	0% Israel; NAFTA	40%
570500	Carpets and other textile floor coverings, whether or not made up, of coir, nesoi <b>(57050010)</b>	NO	0%	Not eligible	Not eligible	16%
	Carpets and other textile floor coverings, whether or not made up, nesoi <b>(57050020)</b>	NO	3.6%	Not eligible	0% Caribbean Basin Initiative*; Jordan; Israel; Andean* NAFTA	35%
630120	Blankets (other than electric blankets) and travelling rugs, of wool or of fine animal hair <b>(63012000)</b>	NO	1.5%	Not eligible	0% Israel; NAFTA	60%
630130	Blankets (other than electric blankets) and travelling rugs, of cotton <b>(63013000)</b>	NO	8.5%	Not eligible	2.2% Jordan, Israel; 0% NAFTA	30%

HS	PRODUCT DESCRIPTION	AGOA pref?	NTR Rate	GSP	Other pref	Non-NTR Tariff
630140	Blankets (other than electric blankets) and travelling rugs, of synthetic fibres <b>(63014000)</b>	NO	9%	Not eligible	4.1% Jordan; 0% Israel, NAFTA	77.5%
630190	Other blankets and travel rugs, nesoi <b>(63019000)</b>	NO	7.9%	Not eligible	0% Caribbean Basin Initiative*, Andean*, NAFTA, Israel; 2.5% Jordan;	90%
630240	Table linen - <i>knitted or crocheted, of vegetable fibre, except of cotton</i> <b>(63024010)</b>	NO	7%	Not eligible	0% Caribbean Basin Initiative*, NAFTA, Israel; 2.2% Jordan;	90%
	Table linen - <i>knitted or crocheted, nesoi</i> <b>(63024020)</b>	NO	6.9%	Not eligible	0% Caribbean Basin Initiative*, NAFTA, Israel; 1.8% Jordan;	90%
630251	Table linen, cotton - plain woven tablecloths & napkins, not knitted or crocheted, <b>(63025120)</b>	NO	5.6%	Not eligible	0% Caribbean Basin Initiative*, NAFTA, Israel; 1.7% Jordan;	90%
	Table linen, cotton - damask tablecloths & napkins, not knitted or crocheted <b>(63025120)</b>	NO	6.2%	Not eligible	0% NAFTA, Israel; 1.6% Jordan;	30%
	Table linen, cotton - other than plain woven or damask, not knitted or crocheted <b>(63025130)</b>	NO	5.9%	Not eligible	0% , NAFTA, Israel; 1.5% Jordan;	40%
	Table linen, cotton - other than tablecloths & napkins, not knitted or crocheted, nesoi <b>(63025130)</b>	NO	6.4%	Not eligible	0% NAFTA, Israel; 1.6% Jordan;	40%
630252	Table linen, linen - tablecloths & napkins of flax, not knitted or crocheted <b>(63025210)</b>	NO	5.6%	Not eligible	0% Caribbean Basin Initiative*, NAFTA, Israel; 1.7% Jordan;	40%
630253	Table linen of man made fibres - not knitted or crocheted <b>(63025300)</b>	NO	11.4%	Not eligible	0% NAFTA, Israel; 4.7% Jordan;	90%
630259	Table linen - of textile materials other than of cotton, flax, or man-made fibres, not knitted or crocheted <b>(63025900)</b>	NO	8.9%	Not eligible	0% Caribbean Basin Initiative*, Andean*, NAFTA, Israel; 2.3% Jordan;	90%
630311	Curtains (including drapes) and interior blinds and valances of cotton - <i>knitted or crocheted</i> <b>(63031100)</b>	NO	10.4%	Not eligible	0% NAFTA, Israel; 4.3% Jordan;	90%
630312	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibres - <i>knitted or crocheted</i> <b>(63031200)</b>	NO	11.4%	Not eligible	0% NAFTA, Israel; 4.7% Jordan;	90%

HS	PRODUCT DESCRIPTION	AGOA pref?	NTR Rate	GSP	Other pref	Non-NTR Tariff
630319	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material - <i>knitted or crocheted</i> <b>(63031900)</b>	NO	7%	Not eligible	0% Caribbean Basin Initiative*, Andean*; 2.3% Jordan;	90%
630391	Curtains (including drapes), interior blinds and bed valances - woven cotton	NO	10.4%	Not eligible	0% NAFTA, Israel; 4.3% Jordan;	90%
630392	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibres made up from fabric of subheadings 5407.60.11/21/91, not knitted or crocheted <b>(63039210)</b>	NO	11.4%	Not eligible	0% NAFTA, Israel; 4.7% Jordan;	90%
	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibres, nesoi, not knitted or crocheted <b>(63039220)</b>	NO	11.4%	Not eligible	0% NAFTA, Israel; 4.7% Jordan;	90%
630399	Curtains (including drapes) and interior blinds; curtain or bed valances of other textile material – <i>nonwovens</i> <b>(63039900)</b>	NO	11.4%	Not eligible	0% Caribbean Basin Initiative*, Andean*, NAFTA, Israel; 4.7% Jordan;	90%
630491	Furnishing articles (excluding those of heading 9404 and other than bedspreads) knitted or crocheted <b>(63049100)</b>	NO	6.4%	Not eligible	0% Caribbean Basin Initiative*, Andean*, NAFTA, Israel; 2% Jordan;	90%
630492	Furnishing articles (excluding those of heading 9404 and other than bedspreads) not knitted or crocheted, of cotton <b>(63049200)</b>	NO	6.4%	Not eligible	0% NAFTA, Israel, 1.6% Jordan;	40%
630493	Furnishing articles (excluding those of heading 9404 and other than bedspreads) not knitted or crocheted, of synthetic fibers <b>(63049300)</b>	NO	9.4%	Not eligible	0% NAFTA, Israel, 2.4% Jordan;	90%
630499	Certified hand-loomed & folklore pillow covers of wool or fine animal hair, not knitted or crocheted <b>(63049940)</b>	NO	4.2%	Yes, excl. Pakistan	0% Caribbean Basin Initiative*, Andean*, NAFTA, Israel; 1.3% Jordan;	50%
940494	Pillows, cushions, and similar furnishings - of cotton <b>(94049010)</b>	NO	5.4%	Not eligible	0% NAFTA, Israel, Jordan;	40%
	Pillows, cushions, and similar furnishings - other than of cotton <b>(94049020)</b>	NO	6%	Not eligible	0% Caribbean Basin Initiative*, Andean*, NAFTA, Israel, Jordan;	40%

## **Non-tariff barriers, technical and labelling requirements**

? Labelling requirements:

- o **All Textile, Wool and Fur products:**
  - ✗ All parts of the label must be clearly legible, conspicuous and readily accessible to the consumer (e.g. able to turn over to see reverse side of label)
  - ✗ The label may not need to be permanently attached, but must be durable and secure enough to reach the end consumer
  - ✗ If always sold in a pack/ensemble (e.g. table cloths and napkins) the labelling may be on one element of the set, but must specify the separate content for each item if different
  - ✗ Country of Origin (manufacture and fabric) on front side of label
  - ✗ Fibre/material content on back of label
  - ✗ Company Identification on rear of label; for imported products may specify:
    - ? Name of manufacturer
    - ? Name or Registered Identification Number (RN) of importer
    - ? Name or Registered Identification Number (RN) of wholesaler
    - ? Name or Registered Identification Number (RN) of retailer (only with retailer consent)
  - ✗ Manufacturers and importers must keep records for a minimum of three years to be able to back up claims made on labels e.g. material content, country of origin etc.
- o **Textile Fibre Products Identification Act and Rules**
  - ✗ % Fibre content by weight, using generic fibre names (enforcement allows 3% variation tolerance on either side of the figure provided)
  - ✗ If fibre constitutes less than 5%, only need to specify if it has functional significance
  - ✗ Do not need to specify trimmings and content of embroidery, overlay, appliqué or attachment, if does not cover more than 15% of the surface area of the product; but if do not specify, need to clarify that "exclusive of decoration"
  - ✗ If pile fabrics, can either state fibre content for whole product, or separate out fibre content for pile and backing
- o **Wool Products Labelling Act and rules/regulations** (for products including wool, except for carpets, rugs and mats, which are covered by the Textiles Act and Rules)
  - ✗ Must specify the percentage of wool by weight
  - ✗ May specify % speciality wool fibres e.g. mohair, cashmere, camel, alpaca, llama, vicuna
  - ✗ Must specify if recycled wool
  - ✗ Must be consistency of labelling and other indications of wool content (e.g. other product tags, branding, advertising, )
  - ✗ All parts of the fibre information must be "in type of equal size and conspicuousness" and should not be misleading or deceptive
- o **Fur Products Labelling Act** (for products including fur still attached to animal skin)
  - ✗ Fur trims and items that have a cost or selling price of less than \$150 are exempt (recently shifted from \$20)
  - ✗ Labels must be a minimum of 1¾ by 2¾ inches (4.5 x 7 cm).
  - ✗ The label must be durable enough to remain on the fur until it is delivered to the consumer (but does not necessarily have to be permanently attached).
  - ✗ The lettering must be no smaller than pica or 12 point type, with all parts of the information in letters of equal size and conspicuousness.

- ✍ The required order of information on the label is:
  1. Whether the fur is natural or pointed, bleached, dyed, etc.
  2. If the product contains fur that has been sheared, plucked, or let-out (optional)
  3. The adjective form of the name of the country from which the animal originated (optional)
  4. Name of the animal
  5. If the fur product is composed of parts
  6. Country of origin
  7. Any other information that is required or permitted (e.g. textile or wool content)
  8. The name or RN (Registered Identification Number) of the manufacturer or dealer may either precede or follow the above
- ? Compliance with **Flammable Fabrics Act** and associated rules and regulations (including labelling of restrictions on use of product)

### Federal Trade Commission's Guides for Select Leather and Imitation Leather Products

The Federal Trade Commission and Bureau of Consumer Protection have published a useful guide ("**Threading Your Way Through the Labelling Requirements Under the Textile and Wool Acts**") that explains some of these requirements (this guide also covers furs).<sup>7</sup>

- ? For products including materials from wildlife, permits may be required from Fish and Wildlife Services, and they may have to be processed through designated ports
- ? Some retailers are now requiring confirmation of supply chain security, to reduce risks associated with imports.

Some examples of compliant labels are set out below (Source: Federal Trade Commission)

100% Lyocell  
Made in Mexico  
RN 00003

55% polyester  
45% cotton  
Size 10  
Made in USA  
RN 00001

100% cotton  
exclusive of decoration  
machine wash warm  
tumble dry medium  
warm iron  
-12-  
Made in New Zealand  
Kangaroo Imports, Inc.

*ElegantLines*<sup>TM</sup>  
Size 10  
Made in USA  
of imported fabric

100% Silk  
**dry clean only**  
RN 00001

Front of label

Back of label

<sup>7</sup> Available online at <http://www.ftc.gov/bcp/online/pubs/buspubs/thread.pdf>, and hard copy available at the CCDI

## APPENDIX B: How price competitive is my product?

### Price Policy

Crafters need to decide on certain pricing issues even before identifying a potential buyer. The main issues to be considered are as follows:

- ? *One global price or different pricing structures for different regions?* It is advisable that crafters should have one pricing structure. However, prices quoted to individual buyers might vary according to the:
  - o Modifications to the product, packaging or packing.
  - o Terms of delivery
  - o Other special factors
- ? *Discount for volume?* Even though it is a common business practise to give discounts, emerging crafters with a labour-intensive production process would probably have limited opportunities to achieve cost savings through supplying a large order.
- ? *Discount for prompt payment?* This depends on the method of payment. Crafters should check out the figures carefully before coming to an agreement.

### Methods of Payment

Arranging payment from a foreign buyer can be a very daunting task. Crafters planning to export or currently exporting need to be aware of types of payments and the risks associated with each. The following are the basic methods of payment used in international trade listed in their order of security for you as the exporter:

- ? **Cash in advance/cash with order**
  - o This is the safest method of payment for you because your buyer pays for your goods before you dispatch them.
  - o It is not a common method but is used under some circumstances, such as:
    - When you are selling small quantities to countries that permit pre-payment for imports
    - If you make goods to your buyer's specifications it is normal for you to receive an up-front deposit to cover manufacturing costs, with your buyer paying the balance by another method of payment
- ? **Documentary credits (letters of credit)**
  - o L/C means that a bank guarantees, on behalf of your buyer, to pay you provided you submit certain specified documents proving that you have met the conditions and terms of the L/C
  - o Banks worldwide follow The Uniform Customs and Practise for Documentary Credits (UCP), drawn up by the International Chamber of Commerce
  - o There are different types of L/Cs, the most commonly used ones being the unconfirmed irrevocable L/C and the confirmed irrevocable
    - For more information about these types of L/Cs refer to the Cape Trade Guide.***
- ? **Documentary bank collections**
  - o With a documentary bank collection you use the international banking systems to collect payment from your buyer according to your instructions. However, the bank does not guarantee payment
  - o It is a cheaper method of payment than L/C, but is far less secure
  - o Your buyer needs certain documents to clear your goods and take possession of them in his country. Typically these documents would include the commercial invoice, bill of lading, insurance policy/certificate of origin, and the like, as well as your draft (Bill of Exchange)

*When goods are sent by air, the air waybill accompanies the goods. The goods should therefore be consigned to a bank instead of to your buyer who would otherwise be able to take delivery of them without necessarily having agreed to pay for them.*

- o The bank releases the documents to your buyer only when he has paid the required amount or, by signing the draft, has undertaken to do so at the time that you have specified.

**NB:** *A documentary bank collection does not mean that a bank guarantees payment.*

? **Open account**

- o This is an inexpensive method of payment in which you ship your goods to your buyer and send directly to him all the relevant documents to clear the goods
- o The understanding is that your buyer will pay for the goods within an agreed period, and the only role of the banking system is to transfer funds your account
- o You would consider using an open account when you trust your buyer to pay on the due date – often because you have had a good business relationship over some time

**Quoting in a foreign currency**

- ? When you have calculated your export price in rands, you will need to convert your export price into a foreign currency
- ? You may feel the need to take out forward cover to eliminate the exchange risk should the rand strengthen against the currency concerned

**Quoting for export**

**Costing Base**

***Setting the export price means setting a price that is attractive to your buyer and gives you the profit margin you expect.***

**Factory price**

- ? When starting your costing for export it is a good idea to use the concept of “factory cost” and “factory price” – the difference between the two being your profit margin
- ? Your final export price will be your factory price plus all the export delivery costs

**YOUR FACTORY EXPORT PRICE CHECKLIST**

- ☒ Include all product costs
- ☒ Incorporate your profit margin
- ☒ Include all the product and packaging modifications required by your foreign buyer
- ☒ Exclude VAT

***NB: Exported goods are zero-rated for VAT. This means that you do not charge VAT to your foreign buyer, but that you may claim the VAT paid on your inputs. However, you must meet all the requirements of SA Revenue Services.***

When calculating price competitiveness remember that the distribution channel used influences the final retail price of the product, so when doing the calculations make sure you include all costs related to the distribution method that you would like to use. For example, if you use an indirect distribution method that makes use of an export trader who sells to an importer on your behalf then be sure to include the export trader’s fees and the importers mark up in the calculations.

The following diagrams illustrate the difference between the different possible direct and indirect distribution channels and can be used to assist in the determining of what items to include in the cost calculations.

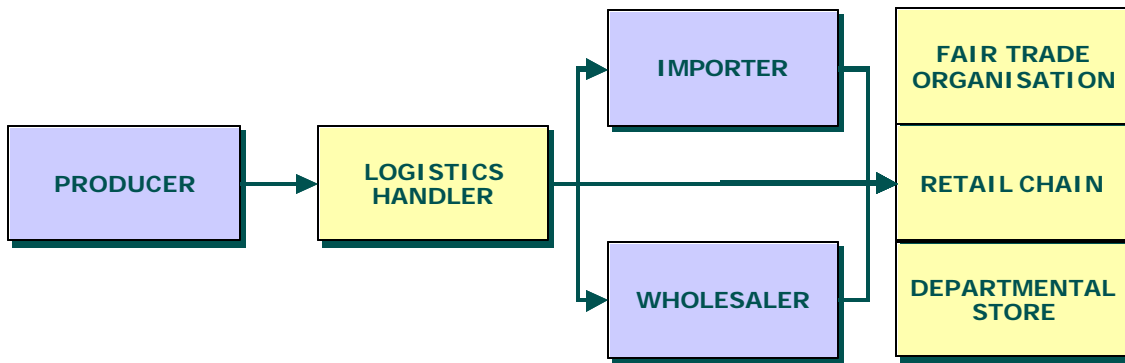


Figure 9 : Direct distribution options

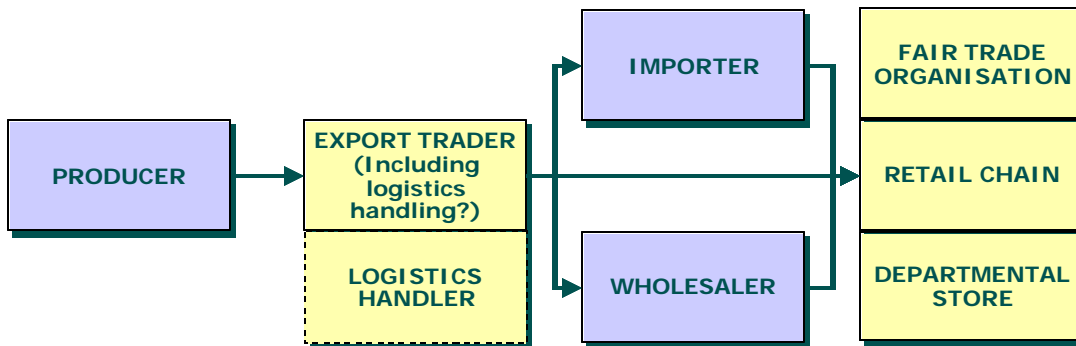


Figure 10: Indirect distribution options

There are two places to start in assessing whether your product is price competitive, i.e.:

1. Based on your production costs, what retail price is viable
2. Based on retail prices, working back to the required production

**Starting with your production cost**

The following process should be used to calculate the approximate retail price of an export product based upon the known ex works factory cost:



Figure 11: Process for calculating supply side costing

**NB:** Prices can be converted to foreign currency at any stage of this process but it is important to remember to always work with the same exchange rate and that all subsequent steps should be calculated in the foreign currency. A good source to obtain historic and current exchange rates is <http://www.oanda.com/convert/classic>.

**Step 1 – Calculating the landed cost price**

It is necessary to include all costs related to shipping the product to the export market in the cost of the product. Use the following formula below to calculate the landed cost of the product or the cost of the product after shipping and handling.

$$\text{Landed cost} = \text{ex works factory cost} + \text{freight costs} + \text{import tariffs} + \text{clearing agent fees}$$

#### Example:

Sarong Trading wants to export handmade floor mats to the UK. The ex works factory cost is R100 and it plans to sell directly to a wholesaler with whom it has a good business relationship. Based upon past experience it knows that it would cost R250 to freight ten such items to the UK and that clearing agent fees are about 5% of the ex works factory cost of the product. Sarong determines that the products fall under HS category 5704900010 and are thus subject to an import duty rate of 2.4% and GSP of 5.3%. It calculates the landed cost per product at R137.70 as per the following table:

Landed Cost	
Ex works factory cost	R 100.00
Freight costs	R 25.00
Import tariffs	R 7.70
Clearing agent fees	R 5.00
<b>Total</b>	<b>R 137.70</b>

#### Step 2 – Calculating the distribution costs

The next step is to include all the third party costs involved in getting your product to market. Use the following formula to calculate the third party distribution costs:

$$\text{Distribution cost} = \text{export trader fees} + \text{distributing agent fees}$$

#### Example:

As mentioned above Sarong plans to sell directly to a wholesaler with whom it has a good business relationship so there are no export trade fees. However, it does make use of a distributing agent in the UK to get the product to the wholesaler so it has to add this amount into the per product cost. The distribution agent charges about GBP 5.00 per product of this nature. Therefore its calculation of distribution costs would be as per the table below:

Distribution Cost	
Export trader fees	GBP 0.00
Distributing agent fees	GBP 5.00
<b>Total</b>	<b>GBP 5.00</b>

#### Step 3 – Calculating the cost to supply retailer

Add the landed cost and the distribution costs to give you the cost of making a product available for retail in the export market.

#### Example:

As the two calculations completed so far are in different currencies Sarong decides to convert the landed cost to a Pounds amount. Using a historical average exchange rate for the past month of R 0.08552 to the Pound it calculates that the landed cost is GBP 11.78. Thus the cost to supply the retailer is GBP 16.78.

#### Step 4 – Applying the mark up per outlet type in the distribution chain

Depending on the distribution route to the final retailer apply the applicable mark up for each of the outlet types the product passes through.

This price can be then compared to similar products that are sold through the same outlet type to see the level of competitiveness. Of course it is possible to compare the price competitiveness at any level of the distribution chain, as all that is required is a price to benchmark against.

Remember that this is just how the product compares at cost and does not include the exporter's margin. Therefore the amount less than the benchmark price would indicate what possible profit the exporter could hope to obtain and still remain competitive in the market. An item that is equal to or more than the benchmark price indicates that the product is not competitive and would break even or make a loss.

If it is possible to be competitive based upon these calculations the exporter should then run this exercise again with different profit margins added to the ex works factory cost in order to determine the correct pricing strategy.

#### Example:

Sarong knows that its wholesaler applies a 15% mark up on the goods it sells to retail chains and department stores. It also knows that the average mark up on products of this nature at the stores the wholesaler sells to is 20%. Therefore in order to determine if its product is price competitive it takes the retail cost and marks it up by first 15% (GBP 16.78 x 1.15) to get the wholesalers price of GBP 19.30 and then by 20% for the retail chains mark up (GBP 19.30 x 1.2) to get a final retail cost price of GBP 23.16.

Having done some market research, Sarong knows that the average product of this nature fetches about GBP 30 in the retail stores and it has a leeway of GBP 6.84 or R 79.98 for profit (based on the average exchange rate used in the calculation above). Sarong then runs this exercise again with different profit margins added to the ex works factory cost in order to determine its pricing strategy.

#### Starting with the retail price

The following process should be used to calculate the approximate ex works factory cost of an export product based upon a known retail price:

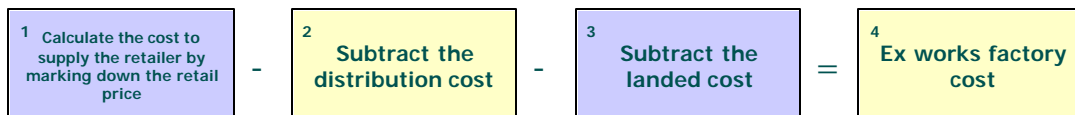


Figure 12: Process for calculating demand side costing

**NB:** Prices can be converted to foreign currency at any stage of this process but it is important to remember to always work with the same exchange rate and that all subsequent steps should be calculated in the foreign currency. A good source to obtain historic and current exchange rates is <http://www.oanda.com/convert/classic>.

#### Step 1 – Calculating the cost to supply the retailer

Depending on the distribution route to the final retailer reduce the retail price by the mark up for each of the outlet types the product passes through to determine the cost to supply the retailer.

**Example:**

Sarong Trading has found that there is a medium end retail chain store in the UK that sells handmade floor mats for GBP 28.50 and it wants to calculate whether it could competitively supply them through the use of a South African based export trader. Based on market research it knows that the store buys directly from exporters. Using the median mark up for a medium end retail chain of 15%, it marks down the retail price (GBP 28.50 / 1.15) to obtain the retail cost of GBP 24.78 or R289.76 (based on a historical average exchange rate for the past month of R 0.08552 to the Pound). If the retail store purchased its products from an import or wholesaler then the price would need to be further reduced by the importer or wholesalers mark up.

**Step 2 – Calculate and subtract the distribution cost**

The next step is to remove all the third party costs involved in getting your product to market. Use the formula below to calculate the third party distribution costs and then subtract it from the amount calculated in step 1.

$$\text{Distribution cost} = \text{export trader fees} + \text{distributing agent fees}$$

**Example:**

Sarong trading calculates its distribution fees per product as per the following table:

Distribution Cost	
Export trader fees	R 50.00
Distributing agent fees	R 0.00
<b>Total</b>	<b>R 50.00</b>

These costs are subtracted from the R289.76 calculated to give a cost of R239.76.

**Step 3 – Calculate and subtract the landed cost**

The next step is to remove all the shipping costs involved in getting your product to market. Use the formula below to calculate the shipping costs and then subtract it from the amount calculated in step 2.

**Example:**

Sarong determines that the products fall under HS category 5704900010 and are thus subject to an import duty rate of 2.4% and GSP of 5.3%. This equals R7.70 when calculated against the ex works factory cost of R100.

The fees charged Sarong Trading by the export trader include all freight and clearing fees so it calculates its landed costs as per the following table:

Landed Cost	
Freight costs	R 0.00
Import tariffs	R 7.70
Clearing agent fees	R 0.00
<b>Total</b>	<b>R 7.70</b>

This cost is then subtracted from the cost calculated in Step 2 to give an ex works factory cost of R232.06.

#### **Step 4 – Determine the competitiveness of the ex works factory cost**

This price is then compared to the ex works factory cost to determine the level of competitiveness.

The amount by which this price is greater than the ex works factory cost indicates what possible profit the exporter could hope to obtain and still remain competitive in the market. An item that is equal to or less than the ex works factory price indicates that the product is not competitive and would break even or make a loss.

If it is possible to be competitive based upon these calculations the exporter should then run this exercise from the supply side with different profit margins added to the ex works factory cost in order determine the correct pricing strategy.

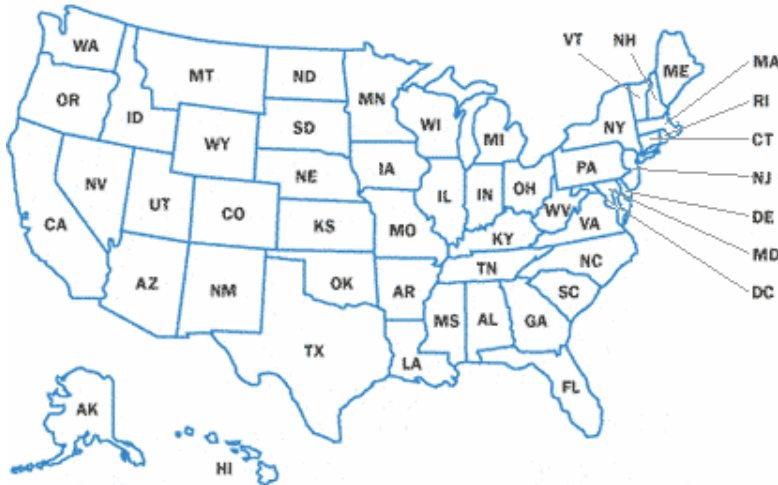
#### **Example:**

Sarong's ex works factory cost is R100 indicating that it has R132.06 or GBP 19.85 leeway for profit (based on a historical average exchange rate for the past month of R0.08552 to the Pound). Sarong then runs this exercise with different profit margins added to the ex works factory cost in order determine its pricing strategy.

## **APPENDIX C: EXAMPLES OF PRICE POINTS FOR HOME TEXTILES & SOFT FURNISHINGS**

**(ATTACHED AS SEPARATE DOCUMENT BECAUSE OF FILE SIZE OF IMAGES)**

**APPENDIX D: US MAP AND STATE ABBREVIATIONS**



<u>State</u>	<u>Abbrev</u>				
ALABAMA	AL	MINNESOTA	MN	WEST VIRGINIA	WV
ALASKA	AK	MISSISSIPPI	MS	WISCONSIN	WI
ARIZONA	AZ	MISSOURI	MO	WYOMING	WY
ARKANSAS	AR	MONTANA	MT	WEST VIRGINIA	WV
CALIFORNIA	CA	NEBRASKA	NE		
COLORADO	CO	NEVADA	NV		
CONNECTICUT	CT	NEW HAMPSHIRE	NH		
DELAWARE	DE	NEW JERSEY	NJ		
DISTRICT OF COLUMBIA	DC	NEW MEXICO	NM		
FLORIDA	FL	NEW YORK	NY		
GEORGIA	GA	NORTH CAROLINA	NC		
HAWAII	HI	NORTH DAKOTA	ND		
IDAHO	ID	OHIO	OH		
ILLINOIS	IL	OKLAHOMA	OK		
INDIANA	IN	OREGON	OR		
IOWA	IA	PENNSYLVANIA	PA		
KANSAS	KS	RHODE ISLAND	RI		
KENTUCKY	KY	SOUTH CAROLINA	SC		
LOUISIANA	LA	SOUTH DAKOTA	SD		
MAINE	ME	TENNESSEE	TN		
MARYLAND	MD	TEXAS	TX		
MASSACHUSETTS	MA	UTAH	UT		
MICHIGAN	MI	VERMONT	VT		
MINNESOTA	MN	VIRGINIA	VA		
		WASHINGTON	WA		

