



**TPSA** | CANADA-INDONESIA TRADE AND PRIVATE SECTOR ASSISTANCE PROJECT



**SUCCESS STORY**

# Supporting Sustainable Economic Growth Through the Expansion of Indonesian Footwear Exports to Canada

## HIGHLIGHTS

- While Indonesian footwear products have a good chance of success in the Canadian market, few producers currently export or are planning to export to Canada.
- The TPSA project worked with a select group of Indonesian footwear producers to increase their export capacity.
- The strategy involved training workshops, face-to-face and online coaching, and promotion of the Indonesian exporters and their products to Canadian buyers through business-to-business (B2B) meetings, buyers' missions to Indonesia, and SME participation in international trade shows.



Footwear produced by a TPSA-supported SME.

“Even though we aspired to be an exporter someday, we were never sure of how to go about it. TPSA has been able to guide us in identifying suitable export markets in line with the company's character and commitment to quality. TPSA has further built our confidence and trained us to improve our products beyond our expectations.”

—Henny Setiadi, Venamon

**Canada**

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- The SMEs developed new product designs that are more in line with North American tastes, and improved their marketing, branding, and labelling.
- The SMEs are successfully working with potential buyers to develop new products for export to North America. Two of them have signed production orders, with possibilities for the others. The boost in production from exporting has translated into a need to hire additional employees and invest in new production equipment to meet the increased demand.

## THE SMEs

The TPSA project's footwear program began by identifying 40 potential small and medium-sized SMEs, which were then narrowed down to five, including three women-owned and/or led businesses, based on a strengths, weakness, opportunities, and threats (SWOT) analysis of the SMEs and their products, including an assessment of their training needs. The most important factors were the companies' responsiveness to enquiries and the level of detail they provided, coupled with the commercial potential of their product line. This combination of a willingness to cooperate and a viable starting point for their product was vital to any strategy for success.

The criteria used to select the companies also included export potential to Canada, level of export experience, production capacity to export, and buyer and consultant reviews.

**Fortuna Shoes:** Creates handmade men's dress shoes with world-class construction, leather, and finishing.

**Maine St:** Produces a broad selection of men's dress, sport, and casual footwear.

**Queen Pacific:** A women-owned company producing women's EVA sandals, flip-flops, and "jellies."

**Top Torch:** Produces women's leather shoes, boots, and sandals using cement, strobel, moccasin, and stitch-and-turn construction techniques.

**Venamon:** A women-owned company that was initially producing for the military market, but has recently branched out into the contemporary leather boot market.

## THE CHALLENGE: PRODUCT LINES NOT GEARED TO CANADIAN MARKET

A sector specialist carried out an in-depth assessment of the export readiness of the five selected SMEs. Some common issues emerged during the assessment:

- **Lack of knowledge of the Canadian market:** None of the SMEs had direct export experience to Canada or the United States or knowledge of the North American market. Some sold their products through an intermediary, while others did not know how to pursue and engage with export buyers. They were not aware of North American regulations and standards, distribution channels, or import processes.
- **Product development and diversity:** The SMEs needed to diversify their products and produce new, better, and more complex products than the ones they were currently making in order to meet North American market demand. Trying to export the products they made for the local



market was not a viable strategy. The North American winter footwear season is dominated by waterproof leather, nylon, or rubber boots. All the SMEs needed targeted product-development support to create viable commercial products.

- **Branding and labelling:** Branding and labelling was a problem area for some of the SMEs, who lacked an understanding of how to create their own brand and properly label their products for the North American market. The difference between branded and private-label sales was explained in training and communications.
- **Marketing:** Before their involvement in TPSA, most of the SMEs did not sell under their own brands, and did not undertake any marketing activities. They were unskilled at promoting their company and products internationally, and lacked English marketing materials, which are essential to exporting. They also needed to create and maintain appropriate company websites.
- **Communications skills:** The SMEs' responsiveness to and communication with buyers needed to be improved.
- **Lack of productivity:** Low productivity and a slow work pace were evident in all SMEs.



## THE STRATEGY: PRODUCT DEVELOPMENT AND TRAINING

TPSA's strategy was to fill the knowledge gaps of the five selected SMEs and provide them with the tools to successfully export to the North American market. This included a combination of workshops, face-to-face and on-line coaching, promotion of Indonesian SME exporters and their products to Canadian and North American buyers through business-to-business (B2B) meetings and buyers' missions to Indonesia, and participation in international trade shows.

Product	<ul style="list-style-type: none"> <li>• Produce waterproof footwear that is in demand not only in Canada but worldwide.</li> <li>• Ensure ongoing product improvement (innovate or die).</li> <li>• Produce a matrix of products (good/better/best).</li> <li>• Make products that are desired in the export market.</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>• Produce marketing materials in English (i.e., business cards, price lists, line lists, corporate brochures, websites).</li> <li>• Improve understanding of North American business practices.</li> </ul>
Branding and labelling	<ul style="list-style-type: none"> <li>• Build a collection suitable for the North American market, including proper labelling.</li> </ul>
Canadian rules and regulations	<ul style="list-style-type: none"> <li>• Improve understanding of Canadian and industry regulations and standards.</li> <li>• Become aware of the quality standards of major Canadian distributors and retailers.</li> </ul>
Exporting	<ul style="list-style-type: none"> <li>• Understand export processes and procedures.</li> </ul>
Productivity	<ul style="list-style-type: none"> <li>• SMEs were offered the opportunity to take part in SCORE training.</li> </ul>



The TPSA footwear specialist assesses Fortuna's factory processes.

The product development strategy was designed to meet the needs of the North American market, where waterproof footwear is important during the fall and winter seasons. The SMEs needed to innovate and ensure ongoing product improvement. The critical requirement to sell in a new market is to make a product that is commercially acceptable to that market.

The marketing strategy involved developing a tool kit that included business cards, price lists with product photos, professional line lists, and corporate brochures that state production capacity. Exhibiting at trade fairs allowed the SMEs to meet international buyers and showcase

their footwear samples. Stickers that included information on style number, colour, and material, and that stated "Made in Indonesia" were produced to attach to samples.

These branding and labelling efforts are important for building a collection suitable for the Canadian market. The strategy included a thorough market review and analysis from a gender perspective in order to produce products that cater to what Canadian women want. The SMEs became familiar with best practices, the need to make a matrix of products (good/better/best), the fashion cycle, the Canadian footwear calendar, and buying practices.

“As a result of the advice we received from the TPSA footwear sector expert and the SCORE training, we have adopted a more efficient production method, with the result that our production capacity increased by more than 30 per cent.”

—Surianti, Director, Queen Pacific

To address SMEs' lack of knowledge of the Canadian market, a series of workshops and briefings were held on Canadian rules and regulations, as well as the market structure in Canada and the quality standards of major distributors and retailers. The footwear expert delivered workshops in Bandung and Jakarta in April 2017 to teach SMEs how to export footwear to Canada. These were followed by training workshops on participation in international trade shows.

A series of how-to guides and research reports were prepared and disseminated to the SMEs:

- *A Step-by-Step Guide for Indonesian Footwear SMEs to Export to Canada*
- *Guide to Attending and Benefiting From International Trade Shows*
- *How to Prepare Market Intelligence Reports*
- *An Analysis of the Global Value Chain for Indonesian Footwear Exports*
- *Market Research Report: Footwear*



The TPSA expert worked in close cooperation with the SMEs to implement the product development strategy. One-on-one consultations took place between April and November 2017 to define and design new products suitable for the North American market. This was followed by ongoing development support to ensure the waterproof products were ready for production and display at footwear trade fairs.

Two footwear SMEs—Maine St. and Queen Pacific—participated in TPSA-sponsored SCORE training. Developed by the International Labour Organization, the SCORE (Sustaining Competitive and Responsible Enterprises) program aims to increase SMEs' efficiency, productivity, sustainability, and competitiveness. Both firms reported improved efficiency and productivity after implementing the program.



## THE OUTCOME: IMPROVED PRODUCTS AND ENHANCED EXPORT CAPACITY

The SMEs produced waterproof leather shoe prototypes that eventually became new collections. They showed noteworthy improvements in their product design, culminating in major transformations from their initial product portfolios. The waterproof collections they created for the Footwear Sourcing at MAGIC trade show in February 2018 were a success. The SMEs were able to design and produce men's and women's shoes and boots in waterproof leather, vinyl, and rubber.

In order to be recognized in the international market, the companies created tool kits that included business cards, price lists, and line lists, as well as marketing materials for trade fairs such as order pads, promotional items, and corporate brochures. They met many North American buyers, creating opportunities for export sales.



New waterproof leather boot collection shown at 2018 MAGIC trade show.

SMEs' responsiveness and communication with buyers improved as a result of one-on-one coaching in the areas of negotiation skills and Canadian business practices. The preparation for two international trade shows emphasized buyer-management strategy. As a result, the companies have responded to all enquiries from buyers and are proactive in reigniting their interest through continuous follow-up after the trade shows. A total of 97 samples have been sent to 15 buyers.

The firms are now aware of the importance of branding and labelling. For example, Queen Pacific, a private-label company, was not involved with branding, but the owner now has more interest in creating her own brand and has the tools and skills to implement a branding strategy. She produces footwear for BATA and Michael Kors (MK), and so has had excellent exposure to how



Queen Pacific shows its new collections at the 2018 Sourcing at MAGIC trade show.

brands sell themselves. Also, because labelling requirements for BATA worldwide and MK worldwide are complicated and precise, non-compliance carries a heavy penalty. Venamon is also now aware of the branding and labelling requirements of various buyers and governments, while Maine St. has shipped to a Canadian buyer and met their requirements perfectly.

All of the companies are now better-informed about Canadian regulations, the Canadian footwear industry, and gender, social, and environmental issues, and their products comply with Canadian laws and standards. This will also help them export to other countries, because Canadian rules and regulations regarding footwear conform to generally accepted global standards.



The SMEs are now more knowledgeable regarding shipment logistics, better-prepared when attending international trade fairs, and have the correct tools available when meeting with potential buyers.

“ We had been thinking for some time about exporting to North America. However, there was not enough information available, nor was there incentive to do so. In fact, we were already comfortable with the European and Japanese markets. But the TPSA project came along and reignited our interest in pursuing the North American market. ”

—Ruddi Suparman, Fortuna Shoes

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## LESSONS LEARNED: EXPORTING IS A LONG GAME

During the implementation of capacity-building activities, several lessons learned were identified:

As the footwear consultant worked with the SMEs, he realized that ongoing training and support will be required. We have to be aware that this is the first time they are working directly with Western buyers. For this reason, the TPSA-supported companies will need extended follow-up support. For example, the SMEs need to develop the skills to present their footwear collections in a professional manner during trade shows or when conducting face-to-face meetings with buyers.



Indonesian SMEs must also recognize that entering the global market requires persistence and a long-term strategy. Sales do not happen overnight; it sometimes takes years to build up enough trust with a buyer for them to place large orders. The SMEs are currently in the “getting to know you” phase of their relationships with buyers.

## ENSURING SUSTAINABLE RESULTS: ONGOING SUPPORT NEEDED

Most Indonesian SMEs have had little exposure to the global marketplace; TPSA training and technical assistance is just the first step to ensuring sustainable outcomes.

Government support will be critical to assist the SMEs with the continuity and momentum needed to attain export market success. Business associations can also play a key role in ensuring sustainability. Momentum has been generated from TPSA program interventions, and these can be built upon with future presentations and workshops by both the private sector and government to highlight the results achieved, lessons learned, and opportunities available to a wider SME audience.

The Indonesian Ministry of Trade (MoT) has been involved in TPSA training activities and can continue to host training opportunities and workshops to support SMEs who want to do business in Canada. TPSA also sponsored an MoT official to shadow the SMEs and the TPSA footwear expert at a trade show. This knowledge will contribute to the sustainability of the work undertaken by TPSA. The MoT can also draw on expertise from the five footwear SMEs, who can assist in delivering capacity-building training and share their knowledge and experience accessing the North American market with other Indonesian SMEs. Some of the participants have already presented about their experience being involved with TPSA and are in a good position to continue to act as references and resources for other SMEs.

MoT has already begun to disseminate information to Indonesian footwear producers on how to export to Canada. TPSA footwear SMEs gave presentations at Trade Expo Indonesia (TEI) in 2017 and 2018. In addition, MoT held a seminar in Bogor in April 2019 on “Opportunities and Potential for Indonesian Footwear Products in the Canadian Market.” TPSA footwear expert Phil Zwibel presented information about the Canadian market, including trends, designs, size of the market, competitors, agents, distributors, and wholesalers. Mr. Zwibel also shared his observations and learnings from the TPSA program interventions over the past three years, including the export successes achieved by the footwear SMEs, and met with many new SMEs to give them constructive advice about their collections.

The resource materials that have been developed are available to all Indonesian SMEs, government officials, and business associations to help them understand the Canadian market and how to export to Canada.

As the program comes to an end, we continue to see enthusiasm and proactiveness on the part of the SMEs to export their footwear products to the North American market. They have made numerous contacts with potential buyers with whom they continue to follow up and present new design ideas. One of the most encouraging





signs for sustainability is the extent to which the companies learned from and shared with one another when brought together at trade shows. They shared their personal experiences and thoughts about strategy, how their booths should look, how many samples to bring, and how to effectively “work” the buyers. This willingness to work together and learn from one another should be supported and fostered by business associations and government.

## ABOUT TPSA'S WORK SUPPORTING TRADE

The ultimate objective of the Canada–Indonesia Trade and Private Sector Assistance (TPSA) project is to reduce poverty in Indonesia by contributing to sustainable economic growth through the expansion of Indonesian trade with Canada and the encouragement of Canadian investment in Indonesia. The relationships between increased trade, sustainable economic growth, and poverty reduction are complex. Nevertheless, there is an emerging consensus in the literature that, in the current context of integrative trade and globalization, increased trade raises the incomes of the poor, and the transition costs to a more open economy are generally small, relative to the overall benefits.

To maximize the poverty-reduction impact of increased trade and investment between Canada and Indonesia, the TPSA project focuses on small- and medium-sized enterprises (SMEs), including those owned or operated by women. After extensive analysis, TPSA chose to focus on three commodities that have a good chance of success in the Canadian market: coffee, footwear, and apparel. The choice was framed by the following criteria: the global and Canadian market-growth potential for that commodity, existing trade barriers, Indonesian sectoral policies, the extent to which project activities in the commodity group will have an impact on poverty reduction, the extent to which the commodity group will generate stable jobs that pay fair wages, the extent to which the project can improve gender outcomes in the commodity group, and the extent to which the common economic practices in the commodity group generate significant adverse environmental effects.