



TPSA | CANADA-INDONESIA TRADE AND  
PRIVATE SECTOR ASSISTANCE PROJECT



SUCCESS STORY

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

## HIGHLIGHTS

- While Indonesian apparel 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 apparel 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.
- The SMEs developed new product designs that are more in line with North American tastes, standardized measurements and sizing of their products, and improved their marketing, branding, and labelling.
- The selected SMEs have now successfully exported their apparel to Canadian buyers, including large retailers like Laura Canada and H&M, and report that their capacity to establish trade linkages with Canadian buyers has improved.



Clothing by UNIQUE, a TPSA-supported SME.



## THE SMES

The TPSA project's work supporting Indonesian apparel small and medium-sized enterprises (SMEs) to export to Canada began with the identification of 40 potential firms. An analysis of the firms and their products was carried out,

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including an assessment of their training needs, their export potential to Canada, export readiness, on-site interviews, and buyer and consultant reviews. From that initial group, six SMEs, two of which are women-owned/led, were selected to participate in the project activities.

**Bule Bule:** A women-led dynamic supplier producing cutting-edge designs using recycled fabrics.

**Dekatama Centra:** A competent and knowledgeable design team that successfully manages four local brands for different segments.

**Sakura:** 90 per cent of this company's employees are women, and they have a strong human-development training program.

**Tiga Selaras Bersama:** A women-owned and directed supplier producing cutting-edge designs with rapid response times and flexibility.

**UNIQUE:** Entrepreneurial women who have taken traditional Indonesian-themed designs and reinvented them into contemporary looks. Many products are produced from organic cotton.

**World KNK:** Dedicated team members with the capacity to make over 80,000 pieces of clothing a month.

## THE CHALLENGE: LACK OF EXPORTING KNOWLEDGE AND EXPERIENCE

The six selected SMEs were assessed to determine their level of export readiness. At each firm, similar issues emerged during the assessment:

- **Lack of knowledge of the Canadian market:** Most Indonesian SMEs worked with intermediary agents, who contracted production with their specific requirements for the domestic market. The SMEs were unaware of Canada's regulations and standards, distribution channels, or import process.
- **Lack of production capacity for export:** The vast majority of SMEs' production is destined for local markets, and they have little production capacity for export.
- **Lack of export experience:** Due to the "agent-export model," the SMEs had no export experience or knowledge.
- **Communications skills:** Few companies had the competency to transact with Canadian buyers in English, and none were aware of the cultural differences involved in doing business in the North American market.
- **Product quality:** Since the local market demands products with great durability, the SMEs were proud of the high quality of their garments. However, other attributes, such as pricing and capacity for timely deliveries, were lacking. The SMEs needed to create export price lists to adjust their prices for the Canadian market, and understand the delivery times for shipments to reach North America.



- **Lack of certifications and labelling:** The local market does not require certifications, and labelling is rarely present. The Canadian market is one of the most demanding in the world, and proper labels that meet specifications in both French and English are required to enter the market.
- **Marketing:** Most SMEs required assistance producing marketing materials and branding to showcase their products.

## THE STRATEGY: BUILDING SME CAPACITY

TPSA's strategy was designed to help build the knowledge of the six selected SMEs and strengthen their ability to export to Canada. This involved a combination of training workshops, face-to-face and online coaching, promotion of Indonesian SME exporters and their products to Canadian buyers through business-to-business (B2B) meetings and buyers' missions to Indonesia, and participation in international trade shows in Canada and the United States.

Product	<ul style="list-style-type: none"><li>• Create new product designs and lines for the Canadian market.</li><li>• Standardize measurements and improve knowledge of sizing and fitting.</li><li>• Improve capacity to calculate production costs and estimate minimum orders.</li></ul>
Marketing	<ul style="list-style-type: none"><li>• Produce marketing material in English.</li><li>• Improve understanding of North American business practices.</li><li>• Increase English language skills.</li></ul>
Branding and labelling	<ul style="list-style-type: none"><li>• Produce labels in French and English in accordance with buyer requirements.</li></ul>
Canadian rules and regulations	<ul style="list-style-type: none"><li>• Improve understanding of Canadian textile and apparel regulations.</li></ul>
Exporting	<ul style="list-style-type: none"><li>• Understand export processes and procedures.</li></ul>

The SMEs needed help introducing their apparel products to the North American fashion industry. Product strategy included helping SMEs develop appropriate product designs that fall in line with North American needs (including the changing seasons) and style preferences, ensuring standardized measurement and sizing of their products, and providing an understanding of how to calculate production costs.

Strategies employed to help SMEs improve their marketing included assistance with production of English-language marketing materials such as company websites, lookbooks to showcase export products, product catalogues with colours, patterns, and sizing, export price lists with competitive pricing for the North American market, and business cards that include the SME's e-mail address, website URL, and telephone number. Other aspects of the marketing strategy included supporting improved English-language ability (to communicate with potential buyers) and promoting an understanding of North American professional business etiquette.



First training workshop.



Banners and brochures produced for trade shows.

The SMEs also had to learn to adhere to Canadian and North American standards, so the strategy included briefings and training activities on textile and apparel regulations to help the SMEs understand the Canadian supplier process and distribution channels.

Finally, the strategy included activities to enhance the SMEs' understanding of the export process and procedures for doing business in Canada.

Training workshops and seminars delved deeper into the issues faced by SMEs when exporting to Canada. Workshops focused on how to export apparel products to Canada and prepare for participation in international trade fairs.

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

- *A Step-by-Step Guide for Indonesian Apparel 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 Apparel Exports*
- *Market Research Report: Apparel*

“ The TPSA project not only helped us meet with prospective buyers, but also provided complete enrichment throughout the project, especially when we attended the trade show. As a result, we are progressing in design development, company management, and human resources in ways that are beneficial to the survival of our company. ”

—Unik Nur Harjuntari, UNIQUE

The SMEs used their marketing training to design and display items such as lookbooks, catalogues, and price lists at the 2017 MAGIC trade show in Las Vegas and the 2018 Toronto Apparel Textile Sourcing show. The SMEs also had the opportunity to meet buyers during formal business-to-business meetings in Canada and buyers' missions to Indonesia, gaining valuable contacts with whom they can work directly to achieve export success.



Working on sizing standards.



SMEs attend their first trade show in Las Vegas, August 2017.

Based on feedback from their first trade show in Las Vegas, the SMEs participated in a product development activity to help them adapt their product lines to suit the North American market and follow up with potential buyers. One-on-one training was provided to each of the SMEs' designers, fitting teams, production managers, and owners to strengthen their knowledge of sizing, fitting, production costs, and minimum orders.

## THE OUTCOME: NEW PRODUCTS AND TRADE LINKAGES

The technical assistance provided to the selected apparel SMEs as part of the strategy implementation resulted in a greater understanding of the rules and regulations for exporting to Canada, improvements to their products, and a more focused approach to selling their products to potential Canadian buyers, leading to success exporting to the North American market.

The SMEs are now well-versed in the specific rules and regulations that apply to the apparel industry. They possess a deeper understanding of Canada's supplier and distribution process, giving them the ability to undertake sales directly with Canadian buyers rather than through intermediary agents. They are also knowledgeable about sizing charts and standardized measurement guidelines for North American men's and women's apparel.

The SMEs designed new products to align with current market trends in Canada and North America. New product lines were developed and, in one case, an SME made the decision to invest in and upgrade their production processes to improve their competitiveness. The SMEs also improved their sizing standards and fitting procedures, adopting sizing to adhere to international standards. They now have a better understanding of how to calculate their production costs, putting them in a more competitive position to negotiate prices with potential Canadian buyers. As well, the SMEs can determine minimum orders to ensure a profitable return per order.



SMEs attend their second trade show in Toronto, August 2018.



Buyer from Laura Canada visits World KNK.

Strengthening their marketing efforts was an essential activity for the SMEs, resulting in the development of professional, well-organized marketing materials that better showcase their apparel products. The SMEs developed English websites, lookbooks to show off their apparel collections, catalogues outlining the colours and sizing of all their items, price lists for the North American market, and English business cards with appropriate contact information. They can now create labels in both English and French that satisfy Canadian buyer requirements.

After fruitful participation at international trade shows and buyers' meetings, the SMEs have

been successful in exporting their apparel lines to Canadian buyers. As of March 2019, US\$473,000 in exports has been realized through deals with five different buyers, including large retailers Laura Canada and H&M.

“ The two factories we visited were very well-prepared, and samples were made specially for us with price and minimum order quantity information. The fabric supplier was also part of the meeting, which was very productive and helpful. A local market tour to a department store and a boutique provided me with a general idea of local trends and production strength, which can be beneficial to the Canadian market. ”

—Martin Huang,  
Senior Import Coordinator, Laura Canada

The SMEs indicate that their capacity to establish trade linkages with Canadian buyers has improved. They now have a better understanding of the Canadian marketplace and have made connections with buyers to access market opportunities in Canada.

## LESSONS LEARNED: PERSISTENCE AND A LONG-TERM PLAN

The challenges that Indonesian companies face when working directly with international buyers can be overwhelming. We have to be aware that this is the first time they are working directly with Western buyers rather than agents. For this reason, the TPSA-supported companies will need extended follow-up support. 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.



Language and cultural differences continue to be a barrier to doing business abroad for Indonesian SMEs. Beyond the fact that they must have adequate English language skills, more preparation and continuous coaching will be essential to help Indonesian SMEs understand the cultural differences involved in doing business in North America. They need to learn how to listen and follow instructions in a Western business environment. To support this, TPSA added a section on cultural differences to its how-to guide to attending international trade shows. Future projects should budget more time and activities aimed at overcoming cultural differences around business conduct.

## ENSURING SUSTAINABLE RESULTS: ESTABLISHING SUPPORT SYSTEMS

Business associations can play an important role in providing information, training, and support to SMEs interested in exploring trade opportunities in Canada. They have access to all the excellent tools developed by TPSA. These how-to guides, reports, and PowerPoint presentations can provide an SME with the know-how they need to pursue business opportunities in Canada.

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. The MoT can draw on expertise from the six selected apparel SMEs, who can assist in delivering capacity-building training and share their knowledge and experience accessing the North American market with other Indonesian SMEs. In addition, TPSA sponsored an MoT official to shadow the SMEs and the TPSA apparel expert at a trade show. This knowledge will contribute to the sustainability of the work undertaken by TPSA.

MoT participation in disseminating information to Indonesian apparel producers on how to export to Canada has already begun. TPSA apparel SMEs have given presentations at Trade Expo Indonesia (TEI) in both 2017 and 2018. In addition, MoT held a seminar on March 13, 2019 on "Opportunities and Potential for Exports of Indonesian Apparel Products in Canada." The TPSA apparel expert gave an overview of the Canadian apparel marketplace, insights into Canadian consumer trends for apparel, and tips for how to successfully export to Canada.

The selected apparel SMEs have had the opportunity to attend trade shows and B2B meetings with potential buyers. They have developed relationships with buyers and are pursuing business opportunities with them. They are now in the driver's seat to explore opportunities with the many other buyer contacts they have made. With their enhanced understanding of the Canadian market and ability to design new apparel products to meet the needs of the Canadian consumer, the opportunities are bountiful.



Unik Nur Harjuntari of apparel firm UNIQUE shares her learnings and experiences from being coached and mentored by TPSA at TEI 2018.

## 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.