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**France and the United Kingdom: Gateways to the EC for the
Apparel Industry**

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Editor's Foreword

The International Business Association (IBA) at UMass Dartmouth was formed in 1988. Its purpose was to support overseas study trips by student task forces to examine a topic, question or theme of special interest to the local business community and to promote interaction between international exchange students and U.S. students.

The first visit was to London, organized by Dr. James Catoline with help from Dr. Chopoorian and Dr. Richard Ward, former Dean of the College of Business and Industry who was at U.S. International University on sabbatical leave and heading up their business program. Other than the largest corporations, most business people in the U.S. were unaware of the EC (or EEC - European Economic Community as it was then called). The students presented a comprehensive report to alert the University and business communities and Drs. Catoline and Chopoorian published an article in the Journal of the Society for the Advancement of Management on the implications of the emerging single European market for U.S. trade. Since the beginning there have been four additional task forces, with Dr. Chopoorian doing the last three after Dr. Catoline left for another position.

Upon my election as IBA President, I wanted to capitalize on our past successes and set a direction for many successful years to come. I took on the challenge of changing the operation of the IBA to function more like a consulting agency. While retaining its original purpose of supporting task forces and social and cultural interaction among students. We have shifted the focus of the IBA to overseeing the work of the task force, editing and publishing its results. It is my hope that the Association will develop into an organization that can take on international research projects for local industry for a moderate fee or through grant support.

This change in emphasis was made possible by the dedicated work and leadership of this year's group. The Student Directors of the task force were Robert Medeiros and Emmanuel Pinnareta, and the task force was organized into four groups each headed by a group leader and charged with a specific area of research:

Daniel Solov - Men's suits

Kim Donovan - Active wear

Dawn Porter - Women's Jackets and skirts

Kirk Fitzsimmons - Textiles

The leaders and members spent many hours preparing, making travel arrangements and appointments and visits with manufacturers. They made a commitment at the beginning of the project to produce a professional report. I am proud to say they did an outstanding job. It was an honor to work with them, and I hope that our work will set a standard to build upon.

Overseeing the publication of this report has been especially satisfying for me since I am a native of Paris and a Textile major. I was able to help with interviews and appointments in Paris, and to overcome language barriers. It was an opportunity to apply my cultural, business and textile backgrounds in pulling together a report that will be useful to the local apparel industry and be a crucial step in linking the University with local industry. Each member of the task force contributed to the writing of the report and we have tried to keep a level of parallel structure and style as much as possible with the number of people involved. Their names are listed under credits.

I would like to conclude with a challenge to our local business community. Take advantage of what we have to offer, and expect us to produce first rate consulting work. In order to succeed, we have to overcome many difficulties and some critics. Outsiders can look upon our studies as a "European Holiday." However if you take advantage of what we are doing and let us know what is useful to the development of your business, it will benefit us all.

Thanks for purchasing this marketing study. It will help to finance a portion of our work. The Task Force members and staff totaling 18 of us spent almost \$30,000 of our own funds to complete this project. We hope that our efforts will inspire you to consider exporting, or, at the very least, you will begin thinking of marketing with a global dimension.

David Kajari '93

President

International Business Association

Acknowledgments

We would like to thank the following individuals and organizations, who in different ways were essential to the success of our study. Without their generous support we could not have achieved our goal of getting a hands-on understanding of how apparel markets function in the European Community, and how U.S. apparel manufacturers in our area might gain access to them.

Manufacturers

Prior to our overseas interviews a number of industry leaders helped us to obtain a historical perspective on the apparel business, their strengths and weaknesses, and the opportunities and threats facing their companies. They helped us with research design ideas, suggestions on government and industry contacts, and prepared us by giving us plant tours, samples, product information and brochures. They included:

Mr. Norman Glassman, President of Ronnie Manufacturing

Ms. Janet Leslie, local textile and apparel trade association executive

Mr. Gene Loudon, President of A&A Manufacturing

Mr. Frederick Satkin, President of Satkin Mills

Mr. Robert Vanasse, Director of International Division for Cliftex Corp.

U.S. Embassies

In both Paris and London, we received valuable materials, background and insights from the Commercial sections of the U.S. Embassies. We would in particular like to thank the following for their valuable assistance:

Mr. Arthur Trezise, Assistant Commercial Attaché, Paris

Ms. Caroline de Villoutreys, Apparel Industry Specialist, Paris

Mr. Gregory Loose, Assistant Commercial Attaché, London

Mr. Colin Moore, Electronics Industry Specialist, London

Ms. Marcella Marcheso, Apparel Industry Specialist, London

Export Assistance

We received extremely helpful and current listings of retailers, distributors and trade organizations from Ms. Molly MacGinnis, Director of the London office of MassPort. MassPort is an export assistance arm of the Port of Boston whose goal is to promote export traffic through Boston Harbor and Logan International Airport. The contacts that she provided yielded numerous interviews some of which resulted in requests for samples and prices. We are also thankful for interviews and materials received from the Bank of Boston's London Office and BayBank's Boston office on finance and currency issues.

Trade Associations

Our thanks in particular to the following trade associations who provided us with a picture of how the apparel industry is organized, the major players and, most importantly, understanding the dynamics of entering these markets.

French Women swear Trade Association, Paris

International Wool Secretariat, Paris

British Clothing Industry Association, London

French and British trade associations are not interested in promoting U.S. exports, their motive in talking to us "foreigners" is to line us up as exhibitors (customers) for their trade shows. It is important to keep this in mind if you want an interview.

London Hosts

This is the fifth overseas study trip that has been hosted on its London stop by U.S. International University London. We have benefited tremendously by the interaction of our task forces with their students, faculty and administration. It gave us a grasp of the politics and cultural dynamics of the moment; room and board at rates that made our trips possible. As most international travelers know, London and Paris are unbelievably expensive cities. We give our thanks to:

Dr. Richard Gregson, Campus Director

Mr. Marco Gorin, Director of Admissions

Mr. David Rogalski, Director of Student Affairs

Publication

We would like to thank Ms. Lillian Donovan for her help in editing the report. Also our gratitude to Dennison Company for a grant that was used to defray a portion of our printing expenses.

UMass Dartmouth

Our special thanks to Dr. Ronald McNeil, Dean of the College of Business and Industry for his encouragement and support, the provision of needed resources, and his vital help in developing linkages with textile and apparel industry leaders. We were pleased that we could join with him in helping to fulfill the mission of the University by promoting the economic development of an important local industry.

Our thanks to David Kajari who not only helped us tremendously in his native city of Paris but as President of the IBA. He raised our sights to achieve a new level of professionalism.

Our thanks to Professor Kenneth Langley of the Textile Department who gave us technical and business advice on global competitiveness issues concerning this industry and people to interview.

We would like to thank Ms. Kate Jones-Randall, Business Librarian, who was a key member of our task force. She gave us many hours of valuable assistance prior to our embarking, teaching us how to use the National Trade Data Base, then helping us with gathering information in the field including the translation of French menus) and helping us to fill in holes in our data when we returned. We are very grateful for her professionalism and for her encouraging us to produce quality work.

Finally, our thanks to Dr. John Chopoorian, Chair of the Marketing and Business Information Systems Department and faculty Director for the Overseas Study Program. We would like to thank him for enriching our minds and lives with this valuable learning experience. Thank you for the guidance you have given, the opportunities you have created, the friendship you have offered, and most importantly, for the respect you have shown us.

EC Task Force

International Business Association

April 1993

Executive Abstract

A UMass Dartmouth task force completed a study of London and Paris markets for apparel to assess export opportunities of specific items such as men's suits, women's jackets and skirts, and activewear. The study consisted of discussions with local industry leaders, a search of relevant literature and databases, and a 16 day field visit to Embassies, Trade Associations, distributors and retailers.

While current participation of U.S. firms is poor, approximately 1% in France, our data indicate a strong potential in both countries. Either or both could serve as distribution gateways to an overall EC market consisting of a population of 347 million people and an economy of \$6.2 trillion.

We found a positive reception to U.S. made goods or U.S. styles beyond pro sports apparel (i.e. Raiders caps), and denims which continue their long popularity in Europe. Cost including transportation, duties, taxes, commissions and retailer's mark-up indicate that American goods are competitive. The principal barriers to participation are psychological and the lack of "Know How", which is typical of smaller and middle-sized companies. The bigs have figured long ago.

The French market consists of 70% specialty stores, with the balance being less than 10 big department stores chains (small by U.S. standards), three mail order houses, and some supermarkets that carry apparels. It is accessible almost exclusively through agents and agents commercial. You do not find them, they find you! Main contact is through major trade shows. Companies need to attend, and most importantly establish a brand identity. Agents' fees are the 5-10% range.

The U.K. market functions more like the U.S. market with distributors and agents as important channel members, and large stores and chains such as Marks & Spencer and Harrods. While it is still important to gain access through trade shows and to court agents, the current recession and drop in the Pound vs. Dollar by 25% has created the possibility of

cutting out the middle-person and selling directly to significant British retailers.

Finally, it is our recommendation that a grouping of local firms organize a joint effort to develop specific line to market in the EC and begin cooperating on trade shows and trade missions.

Introduction

The UMass Dartmouth Task Force studying opportunities for local apparel manufacturers to export their goods to the European Community (EC), arrived in Paris, France at 7:40 AM, January 1, 1993, literally at the dawn of a new era. We landed at Charles de Gaulle International Airport in a light snow, after spending New Year's eve over the Atlantic Ocean. The occasion was rich with symbolism.

EC 92 had just occurred, the European Community and its target date of December 31, 1992 for achieving completion of an economic union that would see the elimination of physical, technical and fiscal barriers to the movement of goods, services, equipment, capital and people. We were among the first visitors to arrive at this symbolic capital of the "new Europe."

While we were interested in the degree to which this objective has been attained, our mission was to see how, at this moment in time, the EC presented export opportunities for our local apparel manufacturers.

The Apparel Industry

According to trade sources, there are between 6,000 to 8,000 workers in the apparel sector of textiles in Southeastern Massachusetts, representing a payroll of approximately \$150,000,000. The industry consists of manufacturers, the largest of whom have national brands and are beginning to think globally, and contract manufacturers, who may average as few as a dozen workers and produce for agents, brand houses. The quality of local manufacturing is reputed to be outstanding. We are known for having the country's best stitchers and pressers (important in how garments hang on retail racks), however the industry is under severe price competition from both imports and low cost domestic production.

While the larger firms tend to have marketing efforts and can position themselves in ever changing fashion markets, firms that do not, are increasingly vulnerable. Recognizing that the industry needs to work cooperatively to develop better unit costs and marketing strategies, it has recently organized a trade association across the textile and apparel segments of the region's industry, under the name Massachusetts Textile and Apparel Council (MASSTAC). The goal of the association is to lobby for lower rates for utilities (notoriously high from ComElectric), workman's comp and health insurance; to raise funds for training

needed employees; and to develop new marketing initiatives such as networks of firms who could market competitive product packages that integrate the strengths of manufacturers across the spectrum of the textile business.

As an example of the initiatives that are available to work cooperatively, Dr. McNeil, Dean of the College has just returned from a trade mission to Portugal and Spain where a chain of retailers in Spain asked for a catalog of fashion items that would feature a "New England" look. MASSTAC is responding to this opportunity as a "virtual corporation", an organization formed for a specific business purpose by a network of companies.

The EC Single Market

Referring to the following profile, the EC had its beginning in the 1950's. The Treaty of Rome was a promising new beginning for peaceful trading between old foes. The original six founders were joined by Denmark, Eire and UK in 1971, and Greece, Spain and Portugal joined in the 80's.

EC PROFILE

¥ 1957: Treaty of Rome (March 27.)

¥ 1971: Denmark, Eire and UK joined.

¥ 1981: Greece became a member

¥ 1986: Spain and Portugal joined also

¥ 1991: German Unification

¥ 1992: Maastricht treaty & its issues

¥ 1993: Twelve become ONE

The Maastricht Treaty of 1992, the reunification of Germany and strife in East Europe, a tough recession and monetary crises in the UK, Italy and Eire have been the dominant news concerning the pace and nature of Europe becoming a single market. The reticence of individual members and their political leaders, to move towards a common currency and the other perceptions or realities of giving up sovereignty, have created the impression that the EC is falling short of its potential. It should be emphatically stated that the vast majority of the provisions of the Treaty of Rome are in place, and other than discrepancies like having to go through customs in the U.K. after having entered the EC

through France, businesses would be mistaken not to consider Europe as a single market with awesome potential.

Key Statistics

COUNTRIES	POPULATION	GNP \$Billion	Unemployment	Trade Balance	Inflation
BELGIUM	9950000	196	9.20%	+0.63 Bill	3.20%
DENMARK	5130000	131	9.20%	+4.57 Bill	2.40%
EIRE	3500000	43	17.50%	+3.98 Bill	3.20%
FRANCE	56640000	1192	10.20%	-13.96 Bill	3.00%
GERMANY	81000000	1554	8%	+70 Bill	3.50%
GREECE	10030000	69	9.50%	-10.17 Bill	18.90%
ITALY	57800000	1134	10.50%	+0.72 Bill	6.40%
LUXEMBOURG	395000	9	2%	-----	3.10%
NETHERLANDS	15070000	285	7.50%	+10.47 Bill	3.90%
PORTUGAL	10630000	69	4%	-6.58 Bill	11.40%
SPAIN	39480000	526	16.20%	-29.57 Bill	5.90%
U.K.	57600000	1006	11%	-31.13 Bill	5.90%
EC	347225000	6214	9.50%	-1.04 Bill	5.90%
U.S.	252000000	5567	8.20%	-108.68 Bill	4.20%

As a profile of key statistics shows, the 12 member nations of the EC with a population of 347 million and a GNP of \$6.2 trillion, is a larger economy than the U.S., has a much better overall balance of world trade, and is intent on keeping it so. In the course of the most recent GATT (General Agreement on Trade and Tariffs) negotiations, it has shown that it is unafraid to flex its muscle. As the Catoline & Chopoorian article states, while major U.S. corporations have participated in this market, smaller to middle-sized companies have lagged behind. They are failing

to comprehend the emergence of a new "triadian" world, consisting of the economies of North America, the Pacific Rim and the EC, that is increasingly defining the context of global business.

The U.S. has done fairly well in the EC, coming from a trade deficit of \$1.48 billion in 1990 to a surplus of \$1.22 billion in 1992. However, the overall balance of trade for 1992 was a deficit of approximately \$80 billion, Japan, China and oil imports being the major contributors, and according to the U.S. Industrial Outlook, \$20 billion of this deficit is attributable to apparel. These data certainly underscore the concerns of the industry and its need to become efficient producers with a sharp and dynamic focus on its market niche. To focus only on price and not value would be an error. Hong Kong will not be a supplier of all the world's apparel needs. Our research has found that generalizations are a mistake. Even during the current recessionary times in Europe there is an interest on the part of consumers for value: quality merchandise at good prices.

Finally, in the following table, we have given a picture of the trade balance for textile and apparel between the U.S. and the EC. Figures through 1988 show an enormous U.S. deficit of \$2.4 billion, though it appears to be tapering since 1985. We will present data that shows the U.S. to be an insignificant exporter to France although price build ups from FOB factory prices are competitive and consumers are receptive to American styles and U.S. made goods. The situation in the UK is similar. Clearly there is a know-how barrier to participating in this large market which will surely encompass Eastern Europe and Scandinavia in the future. It is an opportunity that should not be overlooked.

This study considers two points of entry to the EC market: London and Paris. It is important, while considering these potentials, not to generalize. The EC really consists of at least seven divisions for consumer goods such as apparels:

¥ United Kingdom

¥ Paris and Northern France

¥ Germany and Benelux (Belgium, Luxembourg and the Netherlands)

¥ Southern France

¥ Spain and Portugal

¥ Italy

¥ Greece

France:

Background

Demographic Breakdown

Total population: 57,185,000

Males: 28,097,000

Females: 29,088,000

Population distribution by age groups in France is very similar to the one in the U.S.

DEMOGRAPHIC BREAKDOWN BY AGE GROUP (% of total population)

0 to 4:	6.7%
5 to 9:	6.9%
10 to 14:	6.5%
15 to 19:	7.6%
20 to 24:	7.5%
25 to 29:	7.6%
30 to 34:	7.5%
35 to 39:	7.6%
40 to 44:	7.3%
45 to 49:	5.1%
50 to 54:	5.2%
55 to 59:	5.4%
60 to 64:	5.1%
65 to 69:	4.8%
70 to 74:	2.4%
75 to 79:	3.1%
80 to 84:	2.2%
85 to 89:	1.6
90 and +:	0.9
Total:	100

Economy & Politics

France is a democracy. Which has entered an era of political stability. The difference between its "la Gauche" (left) and "la Droite" (right) political parties resembles the Democrats and the Republicans in the U.S. France's economy suffered from the recent global recession, it has been

affected at a slower rate than the U.S. and is also expected to recover more slowly. France's Gross National Product is \$1,187.3 billions which puts it in second place in Europe behind Germany.

France is among the twelve most industrialized countries in the World. In 1992 France exported approximately \$227 billion worth of products. The U.S. tends to take France for granted, and underestimates its potential. As this data illustrates France is a world class power which should be taken seriously.

Geography

France is not a large country consisting of only 212,355 square miles, it is influenced by a variety of climates. Seasons are well defined and people tend to have one wardrobe for each.

The capital city of Paris and its region are the most densely populated part of the country. Twenty percent of the country dwells here and many consider Paris as not only the capital of France but also the capital of the EC. While Germans and British may disagree, certainly Paris has a serious claim to being the world's fashion capital.

Principal Industries

France is losing the war of heavy industries, but is leading the EC in transportation, telecommunications, medical researches and of course fashion.

Fashion comes to most people's minds when referring to France. The French have great designers but also have a big market. The French may not be the cleanest people on earth, still they are the one that spend the most money on clothes. While kids in the U.S. are saving money for a car, kids in France are saving money to look good. This can be found at almost all income levels.

Mindset of the French towards the U.S.

Do the French hate Americans and what they represent? No! It is a myth. The destruction of Coke's billboards by the farmers does not represent a general attitude. The old generation is rather thankful to the American people for saving them. The youngest generation admires American stars: Michael Jackson, Michael Jordan, Magic Johnson...

Still, as in any country, some people are reluctant to accept American products and Americans in general. These people are not the majority. U.S. products are usually viewed as good quality products. The French are very aware of this. So why American products are not doing as great as they used to? Well for once, the U.S. lost many of their monopolies. Secondly, many U.S. firms lost the "Know how" to make business in Europe and France.

Mindset of the French towards the EC Concept

Americans, in general, have a tendency to regard the EC as a "no way" project. They believe the French do not like the Germans, hate the British, Mock the Italians... It is not a myth; we are very close to the truth. Yet the referendum on Maastricht that took place in France in September showed a very interesting trend. Although the result was extremely close: 51% in favor versus 49%, the vote of the under 30 year old was clearly in favor of the treaty.

This shows that the mature and old people of tomorrow have set their differences aside toward unity. The common set of mind is that one do not have to love another to do business or to cohabitate with. The same example could be applied to the U.S. where someone from the South would usually not get along with a Northerner. Yet, they would do business together.

WomensWear

Market Assessment

As of October 1992, total revenues for French women's apparel had increased two percent since 1991, at which time the total revenues were valued at \$6.7 billion. The French women's apparel market demand is divided into three sections:

¥ Strong which includes shorts, jackets, wind breakers, and town pants.

¥ Stagnative which includes suits, leisure pants, swimming suits, and skirts.

¥ Declining which includes blouses, coats, vests, blazers, raincoats, dresses, and leather clothing.

The United States imported approximately \$13.9 million in 1991 and is expected to import \$14 million in 1992 and \$14 million in 1993. France was importing \$2,080 million in 1991, and expected to import \$2,120 million in 1992, and \$2,240 million in 1993 with a growth rate of seven and a half percent.

Referring to the pie chart, the market share for the women's apparel industry is segmented into seven sections. As you can see, demand for skirts is greatest. This is attributable to the femininity of French women, and the increase of pants may be due to the American influence.

Large articles such as coats, raincoats, and blazers, are items that are purchased with intentions of long-term usage. Therefore the rate replacement of these articles is usually 4 to 5 years. The rate of replacement for the other articles depends on the person and on the income, still is usually not more than 1 to 2 years.

The French woman of today is a decisive and dynamic shopper. She tends to know who she is as an individual and does not follow someone else's fashion sense, but creates her own style. The majority of the French women generally prefer to purchase high quality clothing, yet they have a tendency to buy on impulse.

Referring to the pie chart women's apparel is segmented into four product types. Ready-to-Wear, the largest fastest growing segment, has experienced a large demand over the past few years. This increase is attributable to the recessionary climate in France and in the EC. People are seeking value prices. Many manufacturers are taking advantage of it, and are finding their niche in this market.

Products likely to succeed in France:

Fashion in France is influenced by multiple considerations such as geographic location, life styles and cultural contexts. For example, the fashion environment of Paris consists of fast paced working people and modern office buildings set in a back drop of historic structures, elegant museums and sculpture which creates a unique ambiance. These factors and a special "joie de vivre" are essential in understanding this fashion capital. A woman in a Parisian working environment would be addressed in a suit ensemble, in French: tailleur. In contrast while browsing through the masterpieces of sculpture at the Rodin museum or drinking a fine wine in a café on the Champs-Elysees, she would dress

in brighter colors and accessories. These counterpoints of work and leisure reflect the range and flare of fashion that she may expose.

The colors and fabrics of French fashion depend greatly on the season. The best sales prospects for Spring and Summer are bright color tones with light and flexible cotton or rayon fabrics, fruit and vegetable prints. Grays, gray blue, bronze, blacks, red fuschia are the colors for Autumn and Winter. The fabrics of Autumn and Winter are: woolen and masculine drapery, flannel, crepe, shiny and fluid crepe, satin, stretch rayon, heavy winter cotton, plaid cotton, woolens and tweeds.

French women often invest in high quality clothing. They use basic garments that can easily be mixed together and accessorized. A popular look for daily wear and work wear, is that of stretch pants (leggings) with slim fitting tunics. These two items can be dressed up or worn casually.

Fur and imitation fur coats are extremely popular in Paris, along with goose stuffed jackets. These jackets were seen everywhere in Paris, again they were worn both dressed up and dressed down. French women adhere to the distinct French "style", and their cloths reflect their culture, as well as Paris' reputation as the capital of fashion. Women prefer ensembles that show off their figures, and express their femininity and sensuality. Ready-to-wear apparel, pants, skirts that permit freedom of movement, and also long tight fitting skirts, are some of the latest fashion trends from Paris.

Menswear

Market Assessment

According to the National Trade Data Bank the French menswear industry consists of 850 companies, employing 69,300 people. Of all the employees, this represents 41.9 percent of the apparel industry. In U.S. dollars, the total market was valued at 4.4 billion dollars in 1990. The French companies that employ 100 or more people make up half of this market figure. In 1989, the market was valued at 4.2 billion dollars, which indicates a small increase in consumption among the French consumers.

Total imports amount in U.S. dollars to 2.168 billion. The estimated annual growth in value over three years is 5% percent, based on an anticipated 3% future annual inflation rate. Import figures are anticipated to increase over the

next three years at an estimated growth of 15%. The estimated growth from the U.S. may amount to 10% for the same period.

In 1990, 8.8% of menswear companies were located in the Paris area. Other regions that made up the industry are as follows. Northern France, which is a historical area for the French textile industry, consists of Roubaix and Tourcoing as the main centers. In Southwestern France, with Lyon as the main city, concentrates heavily on silk and man-made yarn manufacturing. Finally, the Western part of France, around the Loire River, is also an important manufacturing center for menswear.

Total market demand in the menswear industry was estimated in 1990, at 4,760, with an estimated annual growth of 5%. Imports from the U.S. were estimated at 69.9%, in 1990, which is estimated to have an annual growth rate of 10% over the next 3 years. This figure is a large increase from the 23.6% percent established in 1989, due to the success of denim jeans.

As mentioned before the French menswear market was valued at 4.4 billion dollars in 1990, which is a 4.26 percent increase from the previous years figure. Total imports have increased by 17.37% since 1989, and overall exports have increased by 10.88%. The main reasons for the consumption increase is largely due to the strong demand for U.S. products such as shorts, Bermudas, and denim jeans. Shorts and Bermudas increased by 27% in comparison to earlier years, which was the equivalent to 5.5 million items sold. Denim jeans showed a modest increase of 20 percent, which was the equivalent to 12 million items sold. Men's suits also contributed to this increase in demand by contributing 14%, or 3.3 million items sold.

During the 1990's, the purchase levels of these products was on the high side, representing 36% of the money usually spent by the French for clothing, compared to 34 percent in past years. However, the menswear market demand has remained relatively stable over the years, which has proven to be beneficial in the success of American styles. French consumers are quite dynamic in their consumption habits, and for American styles to have remained stable over the years, proves that their are qualities in American products that just cannot be duplicated. However, keeping in mind that original and creative styles must be maintained to continue or even increase this success.

End-User Profile

Paris has established themselves as the capital of fashion, and concentrates on selling higher priced merchandise to it's consumers. With regards to consumption and price levels, the French consumers buy less amounts of clothing but buy high priced, high quality clothing. Traditionally, buyers of menswear prefer to buy from independently-owned specialty stores, franchised or branch stores. The French pay more than consumers in the United States and any other European country for their clothing.

The menswear industry, within the French market is broken down into two main groups of clientele; men and boys. The buying tendencies within these two groups differs depending on their activities, but in general, boys replace their clothes more often than men. For instance, on the average, the French man will wait two years before replacing his clothing, while the boy takes only one year. The men are more interested in styles that are basic and more classical while the younger generation are more interested in the latest fashions. The influence of television is an important factor with this group, especially on the sales of American styles. American leather jackets and denim jeans, are very popular among this age group, as well as to the young adult.

For an American made product to be successful in such a high fashion market, the American designers must keep in mind a few points. There must some unique characteristic that differentiates their product from all the rest. An original and creative design is needed to separate themselves from the growing competition.

Observations

Menswear is an extremely broad topic. Therefore, it was necessary to focus on only one facet of menswear: men's suits. This section examines the current trends in suit fashions.

First, is a look at the market in Paris. The most famous of course, are the shops along the Champs-Elysees. These small specialty stores are considered to be the trend setting stores in Paris. They sell exclusive high priced merchandise targeted at the upper-class. Giving a description of the merchandise in two or three stores gives a good feeling of what you would see in this area. One store, named Designers, showed a wide range of colors and fabric. The colors included apple green, smoke blue, fuchsia, violet, red, orange, and olive. These suits were made out of linen, silk,

and some were wool. Brand names included Valentino, Boss, and Shelton. By American standards, the merchandise would be classified in this store as very "GQ". The store targets young men between the ages of 20-30 and the prices range from \$980 to \$1,380.

Another store was called Cardinal. The prices varied from \$550 to \$700. The suits were similar to the merchandise in Designers. Italian single and double breasted without vents was the major style on display. The salesperson said that he did not know what an American suit would look like, because he was yet to see one.

The third store was called Bellini. Luckily enough a talkative salesperson shared his perspective on fashion. He stressed the popularity of double breasted Italian style suits. He said that vented and double vented suits were "finite". He was very confident that vents were out of style. The prices were similar to those of Cardinal.

While the Champs-Elysees featured small specialty stores (boutiques), Paris also has a couple of department stores in other areas. These stores target more "everyday" people, and carry wider lines of merchandise. One store in particular that was visited is called Milano. They produce and sell their own line of suits, pants, and jackets, as well as selling other brands. They advertise in newspaper as well as on FM radio. Their prices are unique: \$290 for a suit, \$78 for pants, \$198 for a jacket, \$50 for a shirt, and \$38 for a tie. All the suits in the store are wool. The weave is called "super 100" which has good drape, and does not wrinkle easily. Styles here are balanced between single and double breasted. The three most popular colors are olive, charcoal, and blue. This store is much like a store you would see in the United States.

One department store with a large variety of suits is called Galeries Lafayette. This huge store has one floor dedicated to men's suits, jackets, and coats. One area has cashmere selling for \$250, and silk suits in bright colors (i.e. red) for \$540. Both styles are single breasted and have no vents. Another area of the store showed 100% wool Italian style by Daniel Hechter. These suits sell for \$679. They come in both single and double breasted, in both polished and unpolished wool (charcoal and navy). The Galeries Lafayette sells many brand names like Yves St. Laurent and Pierre Cardin.

An interesting observation emerging from visiting the Galeries Lafayette is the realization that both vented and non vented suits are being shown in large quantities, contradicting the sayings of a salesman on the Champs-Elysees. The Galeries Lafayette has a wider range of clientele than the stores along the Champs-Elysees. The information about vented suits being out of style may be true for customers shopping along the Champs-Elysees, but the same is not necessarily true for the rest of society.

While Paris is expensive, they do have a version of what we would consider a K-mart. This store is called Monoprix. The brand they sell is Marc Antony. The merchandise was blended, probably recycled wool, but it was kind of light weight. The selection is not great, but they have the basics, navy and tan blazers for around \$160.

There are some key points that must be understood when talking about Paris. First, styles vary from place to place. For example, while stores on the Champs-Elysees favored double breasted suits, places like Galeries Lafayette were balanced evenly between double and single breasted styles. This seems to allow for more variety of merchandise between stores. The fact is that France has only about 10 department stores.

Through conversations with Parisian, we can draw a recommendation of what an American suit should be, to be successful in the Paris marketplace. First, it should have a good brand name. Most Parisians suggested that it should have an American sounding name. This is due to the fact that American products are viewed favorably in Paris, and that strength should be played upon. Also, the French do not have as strong a feeling about only buying French products as Americans have for "buying American." It was also said that U.S. companies should stress something new and innovative, like new colors or fibers (such as micro fiber).

Promotion

The success of U.S. apparel manufacturers in the French market depends upon consumer acceptance, product quality and product price. Promotion and advertising of products must coincide with the French culture. Product quality is of major importance to the French consumer. Products must be priced competitively in order to survive in the French market.

Consumer Behavior

French consumers buy out of necessity but also for pleasure. There are three main categories of buyers: price conscious, quality conscious, and the service conscious.

Consumers who base their decision to buy on price are known as the price conscious consumer. These consumers look for low priced articles, but they also expect reasonable quality.

Quality conscious consumers expect quality above all. They search for choices, integrated services and a pleasant shopping environment. These consumers are willing to pay more but they expect more from the products they buy.

The service conscious consumer is looking for the ultimate shopping experience. This consumer's main concern is convenience. The service conscious consumer would be a good candidate for mail-order shopping.

The three classification of consumers should be used as a guideline to match up products with consumers. In order to sell to the French apparel market, US manufacturers need to know why men and women buy clothing. Men and women are very different, so it is logical to think purchases are made for different reasons.

French Women

Paris is the capital of fashion. Thirty percent of all French clothes are manufactured in Paris. Therefore, French women are constantly surrounded by the fashion industry. Their clothes reflect a distinctive French style, but women buy because they like a product not because it is fashionable.

French women are decisive and dynamic. Fashion is not followed as much now as in the 70s and 80s. This change has allowed women to create their own sense of style. French women have been suffocated by the fashion industry from the day it started, now is the time for them to express their own tastes.

Basic garments are the requirement for style. French women like to mix and match articles of clothing which can be dressed up by accessories. High quality clothing is preferred and is occasionally bought on impulse.

Ready to wear attire accounts for fifty percent of the clothing women buy. This market has experienced a boom in recent years, probably due to the limited time women have for their daily routines. Marketers have focused on this problem and have created a niche market for ready to wear apparel.

Menswear

The French men's apparel market is difficult to penetrate due to high competition and the market's high fashion image. The French apparel market is extremely sophisticated and is full of discerning consumers. The key to access this market is quality and originality.

It is important to assess the consumer before major promotional efforts and advertising dollars are spent. To enter the French market US manufacturers need to know the key promotional tools and how to implement their advertising strategies.

Trade Shows

Trade shows are the key promotional and advertising tool a foreign apparel manufacturer can utilize. Paris is the host for three reputable trade shows, The International Men's and Boys' Wear Trade Show, The International Women's Wear Show, and The International Children's' Fashion Exhibition. These shows attract buyers, sellers, agents and reporters from all over the world.

Fashion manufacturers range in maturity, from the well-established company to the first time exhibitor. Creative talent is in demand for this highly competitive event. First time manufacturers attend these shows to learn the business and to connect with agents, house buyers, and distributors. Because of the large amount of specialty shops in France, these intermediary entities are imperative.

The U.S. manufacturers are strongly encouraged to participate in the French trade shows. The events are considered to be the main selling floor of the French fashion market and many other European markets. US manufacturers will learn the business practices, culture, and fashion trends. Even if U.S. companies do not succeed in selling their design collections, they will gain considerable knowledge about the industry in France. The price a manufacturer pays is far outweighed by the benefits of attending the fashion shows.

Trade shows cause a stir in the media world. Reporters are sent from all over the world to cover these exciting elegant events. Most shows offer a press service. This service assists the reporters in acquiring photographs of the collections of the reporters choice. Trade shows expose new companies to high levels of media coverage.

From the above discussion it can be concluded, attendance at fashion shows are imperative to access the market. Trade shows are a key promotional tool US manufacturers should implement if they expect to have any success in the European apparel market. To enter any of the three major trade shows in Paris the following information is needed:

Salon International de l' Habillement Masculin (SIHM)

Translated into English this show is called the International men's and boys' wear show. The show occurs twice a year, once in February and once in September. Each show lasts 4 days. More than 50,000 visitors from around the world visit SIHM each season. 800 journalists, including the French and international media and press, cover the whole exhibition. Articles and reports are published worldwide. For more information contact:

Promosalons International Trade Exhibitions in France, Inc.

2300 Carendon Boulevard, Suite 310

Arlington, VA 22201

Telephone: (703) 552-5000

Fax: (703) 522-5005

Porter Feminin

This show is one of the biggest international womenswear shows in the world. The show is held twice a year once in February and once in September. Each show lasts for 4 days. The Porter Feminin offers many free services such as, buyer's advice, press service, and a model service. 900 international exhibitors attend each season, 630 are French (70%) and 270 are foreigners (21% European, 9% Rest of the World).

Each exhibition stand is delivered "ready to exhibit" and includes: decoration, furniture changing cabin, carpet, and lighting. The cost is approximately \$450.00 for an 11 square foot booth and compulsory insurance. 1200 journalists are

welcomed to represent radio, television, and the press for full international coverage. For more information contact:

Profem

5 Rue Caumartin

75009 Paris

Telephone: 011-33-1-42-680840

Fax: 011-33-1-42-650645

Salon de la Mode Enfantine

Translated into English this show is called the international children's wear trade show. The show takes place twice a year, February and September. This show has a solid international reputation and attracts increasing numbers of visitors (around 21,000), exhibitors, and foreign journalists.

Visitors' Profile	French	Foreign
Retailers	57%	41%
Wholesalers	3%	12%
Department Stores	3%	7%
Buying Offices	4%	4%
Mail Order Houses	3%	1%
Manufacturers	11%	14%
Others	19%	21%

For more information contact:

Office of Textile and Apparel

US Department of Commerce

14th and Constitution Avenue

Washington, DC. 20230

Telephone: (202) 377-5153

Fax: (202) 377-8859

Other Promotional Ideas

American entertainers are very popular with the French. A good way to promote products is by using celebrity endorsements. American musicians and sports figures are well liked by the young French public in particular. Understandably, celebrity endorsements are expensive. Small U.S. manufacturing companies will probably not practice this type of promotion. Larger more profitable manufacturers are more likely to succeed by using celebrity endorsements.

U.S. manufacturers could also promote their products through event marketing. For example, Champion was a sponsor for the 1992 Olympics. Champion's connection with the Olympics was a worldwide promotional tool that reached millions of people all over the world. Since soccer is very big in France a Foreign company may want to sponsor a popular soccer team or a popular soccer match.

Advertising

To reach the French market an aggressive advertising strategy should be implemented. Competition is a big characteristic in this market. In order to capture the interests of the consumer, marketers must advertise heavily. Manufacturers main objective for advertising is to create a brand name for themselves. The French are high on quality and receptive to American styles. Manufacturers of sportswear, companies such as Champion, Starter, and Malden Mills, have successfully marketed their American names.

American and French media, distribution and effectiveness, differ greatly. Most advertising campaigns in the U.S. need to be modified before being exposed to the French public. Many U.S. companies fail to adapt to the ever changing French market. To adapt marketers must stay in touch with their consumers. Too many times U.S. manufacturers market their products to the French without realizing what is really going on in the country politically, environmentally, economically, socially, and culturally. Ignorance is a sure fire way to fail in the French apparel market.

To overcome the cultural barrier, U.S. manufacturers should consider working with a French advertising agency. Agencies can help U.S. companies to develop a strategy that suits the French culture. Other alternatives are to hire French sales representatives, or engage in a joint venture with a French company.

Regardless of whether or not a U.S. manufacturer seeks help with advertising campaigns, it is important to assess the buying behavior of the French. Promotion of apparel varies depending on the consumer you are trying to reach. The main characteristic U.S. manufacturers should stress, is quality. Not only is quality clothing expected by the French, but price plays an important role in the decision process to purchase as well.

Principal media for advertising purposes are magazines, newspapers, television, posters, cinema, foreign based radio, and trade shows. France as a country spent 9.12 billion Dollars on advertising expenditures for the year of 1990. France was third in advertising spending among the EC members. France lagged behind the number one spender - United Kingdom, and behind the number two spender - West Germany.

Magazines are nationally distributed and many are circulated in other European countries. Magazines allow easy access to target markets. News stands are located on almost every corner. Because magazines are easily accessible, many French read them on a daily basis. Twenty-seven percent of total advertising expenditures were spent on magazine advertising in 1990.

Newspapers are distributed through numerous regional channels. Paris circulates several dailies, many of which have a circulation of over one million. The regions are closely defined and rarely overlap, this enables advertisers to pinpoint their efforts to certain regions. According to press/ media associations, France has 12 national daily papers with a circulation of approximately 4.3 million and 5 national Sunday papers with a circulation of approximately 2 million (figures given for 1991). Newspapers are usually not delivered directly to the home, they are sold at news stands. Twenty-nine percent of total advertising expenditures were spent on newspaper advertising in 1990

Radio and television advertising vehicles are not used as much in France as in the US. The introduction of cable television has stimulated interest among advertisers.

The French audience may be reached by foreign television in parts of northern, eastern, and extreme southern France. For the year 1990, seven percent and twenty-five percent of total advertising expenditures were respectively spent of radio and television.

Billboards in France are located all over the metro stations. France has one of the best transit systems in the world. Most Parisians use the public transportation system everyday, therefore billboards are exposed to a huge audience on a daily basis. Billboards are considered to be part of outdoor advertising and for 1990, twelve percent of total advertising expenditures were spent on outdoor advertising.

Feature films in French movie theaters are usually preceded by several minutes of advertising. Cinema audiences are usually defined to have similar characteristics. This situation is ideal for companies who want to capture a certain market. However, only .8 percent of total advertising expenditures were spent of cinema advertising in 1990 due to the high cost.

Distribution

There are four principle methods of distribution by which a U.S. exporter can distribute in France. These four methods are known as agents, salaried representatives, distributors, and selling offices. Most French buyers prefer to purchase through such an intermediary, therefore it is essential to make these contacts.

Individuals performing a representative role for businesses are known as agents and salaried representatives. Agents are broken into two groups, commercial agents and companies' agents. To be considered a commercial agent an individual must be registered in the special registry for commercial agents and he/she must function independently. Companies' agents usually work for big companies or commercial agents. Commissions for agents range from 8 to 12 percent according to the type of goods involved and the value of the shipments. Lastly, agents are not responsible for their clients payments, however the credit rating of their clients is usually excellent.

Salaried representatives are comparable to a sales representative in the United States. These individuals unlike agents have employment contracts with the businesses they represent. Salaried representatives share a commitment with their employees regarding the nature of the goods or services offered, the class of clients to be

visited, and the geographical region for which they will be responsible.

A wholesale distributor or concessionaire is a legal entity who directly purchases goods from a producer for the purpose of resale. Distributors are useful to find clients among the franchise stores, large specialized stores and small retailers. These stores buy U.S. goods at a net basis, then add a 30 to 40 percent mark-up to cover costs such as salesmen commissions, credit risks, and the costs of carrying inventory to fill small orders.

The last principle method of distribution in France is through selling offices. Setting up a U.S. controlled sales office has two main advantages. First, this company promotes American export policies while a local agent or distributor may have a conflicting approach to the market. Secondly, the U.S. exporter is not liable for termination fees that they would normally be responsible for when dealing with agents, salaried representatives, or distributors. The usual termination fee for an agent or distributor amounts to two years commissions or expected profits.

A U.S. exporter who is seeking to make contacts with an agent, salaried representative or distributor within the apparel industry in France should attend one of France's well known trade shows. These events are organized throughout the year in France. Two prominent trade shows are the International Men's and Boy's Wear Trade Show - SIHM, and The International Ladies ready to-wear Clothing Exhibition & Boutique - Porter which are held annually in February and September.

Retail

In France there is a high concentration of specialty shops, this is not surprising considering France is well known for high fashion. However, recent trends show that small independent businesses are losing customers to larger stores that can offer wider selections and better discounts. In 1989 specialized retailers increased sales by only 2.3 percent while hypermarkets sales grew by over 6 percent.

There has been steady growth among hypermarkets and supermarkets, partly because of acquisitions and mergers by larger groups. Hypermarkets carry food and non-food items and are generally located in the suburbs. Supermarkets are normally food oriented, but they also sell general consumer goods. Some of the main hypermarkets in France are Euromarche, LeClerc and Carrefour. These stores are

becoming more diversified by carrying more non comestibles products.

French department stores have made significant changes in their styles and selling techniques. Recent trends show department stores now concentrate on higher value lines, through the addition of luxury boutiques within the stores. Actually, each department within the store practically constitutes a specialized store in itself. Generally, most French department stores are found in easily accessible metropolitan areas, and tend to offer the largest assortment of consumer goods. Four of the major department stores in France are les Nouvelles Galeries, C&A, le Printemps, and les Galeries Lafayette.

Mail order business in France is on an upswing, currently thirty-six percent of mail order sales are in apparel. Over the last ten years mail order sales have more than doubled. With the upcoming unified market (EC) this could be an effective way to penetrate the European market. An American company who produces goods that have an excellent reputation for quality and reliability in Europe, along with the experience in mail order sales has a good chance of achieving success within the French market.

UNITED KINGDOM:

Background

Demographic Breakdown

Total population: 58,265,000

Males: 29,045,000

Females: 29,220,000

Population distribution by age groups in the U.K. is very similar to the one in the U.S.

DEMOGRAPHIC BREAKDOWN BY AGE GROUP (% of total population)

0 to 4:	6.7
5 to 9:	6.3
10 to 14:	5.9
15 to 19:	7.1
20 to 24:	8.1
25 to 29:	8.1

30 to 34:	6.9
35 to 39:	6.6
40 to 44:	7.1
45 to 49:	5.8
50 to 54:	5.4
55 to 59:	5.2
60 to 64:	5.1
65 to 69:	5.2
70 to 74:	3.6
75 to 79:	3.3
80 to 84:	2.1
85 to 89:	1.5
90 and +:	.1
Total:	100

Economy and Politics

The United Kingdom is a Parliamentary Monarchy consisting of two political parties: the Labor party, which resembles the Democrat's in the U.S., and the Conservative party, which is similar to the Republican's. Since 1979 the government has been controlled by the Conservatives. Which, in recent years, has been characterized by the philosophy of Margaret Thatcher, who while amenable to a single European market, has struggled to retain Britain's political and economic independence.

The United Kingdom's Gross National Product is \$1 trillion, which puts it fourth among European countries behind Germany, France, and Italy.

From January 1992 to January 1993, the Pound has fallen from \$2.00 to \$1.45 which in effects discounts U.S. goods be approximately 25%. In spite of its current recession, this is a good time to consider the U.K. U.S. prices are more competitive and it is possible to deal directly with retailers who are looking for good values to pass on to their customers at reasonable margins for themselves.

Geography

The United Kingdom is not a large country, only 94,201 sqm. The climate is very predictable; 300 days of rain and 65 days of overcast skies! Styles and materials reflect this, clothing that stands up to weather and muted colors are both popular and necessary in Britain.

Although Paris is considered by many to be a figurative and fashion capital of the EC, London is recognized as a global financial capital.

Principle Industries

The U.K. has a long history in banking, finance and insurance. It also has a concentration of heavy industries, is the home country of Imperial Chemical Industries (ICI), one of the world's largest chemical companies. It also a major woolen and textile industry. North sea oil the industrial and economic base of the U.K. Auto companies such as Rolls Royce, Bentley, Rover and Aston Martin have contributed to the wealth of the industry.

Mindset of the British towards the U.S.

There has long been a special relationship in politics and trade between the two countries. Having a common language and being a former colony give American companies an advantage that is worth considering with respect to establishing and EC base.

This may be outweighed by market location, distribution and manufacturing concerns. However the positive attitude of the British towards Americans and American made goods is worthy of consideration.

Mindset of the British towards the EC

British Prime Minister, John Major, reflects the attitude of the U.K. on the pace of European integration. He feels that EC leaders should take "time to reflect hard" on the events of September 1992 (France's referendum on Maastricht), turmoil in the currency markets and the unease of people across the EC

Major's predecessor, Margaret Thatcher, was a somewhat solitary bearer of this message of caution in giving up too much political and economical sovereignty. Many of the smaller EC members are reluctant to express this concern. It has fallen somewhat by default on the U.K. to speak on this issue. In spite of this caution, it must be reiterated that the EC operates largely as a single market with all its advantages of scale and a considerable degree of economic and political power.

Womenswear

Market Assessment

The United Kingdom women's apparel market demand is divided in to three sections:

¥ Strong which includes long shirts, rain coats, athletic wear, and bellbottom pants.

¥ Stagnative which includes suits, and leisure pants.

¥ Decline which includes short skirts, fur coats, dresses and vests.

The weather is an important factor that influences the purchase of apparel in the United Kingdom. The clothing business is notoriously fickle, and wet weekends can cause rainwear sales to soar, just as a warm winter cause sales to plummet.

Products likely to succeed in United Kingdom

Styles in London, were more conservative than Paris Stores display merchandise with the flare of France, yet in the context of every day wear, British fashions on the street are dull. Cowboy boots, denim jeans, and casual sweaters are American styles worn by more London women than in Paris. Fashion trends include cropped jackets, jackets with belts, blazers worn with matching shorts and tights, double breasted jackets, and constructed jackets. Body suit tops, stretch pants, and short, tight skirts are also popular styles. Popular colors are black and white, separate or combined, gray, fuchsia, gold, and multi-colored plaid which are not seen in Paris. Light colors such as lime green, blue, and orange, and clothes with faint pinstripes are also current fashion trends seen around. There are very few British designers, British women shop in stores that carry collections that are of imported fashions.

Menswear

Market assessment

The United Kingdom menswear market was valued at \$3.34 billion in 1991. This figure represents a decrease of 5% from 1990, due to the continuing recession and consumer cutbacks on purchasing. The market in 1992, declined overall, but is estimated to recover in 1993. American

designers are firm believers in making practical clothes for "real" people, the average U.K. consumer. The United Kingdom menswear market has a good showing of U.S. made clothing, sold in outlets such as The Gap, and produced by firms such as Timberland and Levi's, but there is plenty of room for more.

The menswear market tends to be quite basic. Changes tend to be in the different colors or in the fabrics. There is a constant change of styles, whether it is the Brooks Brother preppy style or the Long Island inspired beach look. As a result, American styles continue to be competitive and will in the future. Ralph Lauren and the Gap are the only menswear fashions in the higher priced sector that have had any real success in the U.K. market. American made designs in the higher fashion sector, are surpassed by the styles of the French and the Italians.

There has been a growing movement with the U.K. consumers that has been noticed just by walking around. While women buy their clothing solely because of a designer label, men will search for clothing that is more basic and comfortable to wear. They are moving away from the heavily logoed styles. This casual kind of free spirited look was introduced by U.S. retailers such as The Gap and Esprit during the late 80's. The essence of their clothes is well made, simple, easy to wear, which seems to be the catch words for American apparel.

Due to the lengthy recession that has been occurring in the United Kingdom, there has been a shift in demand away from suits and neckties to a more casual wear. As a result, there are no longer barriers between the casual wear and formal wear sectors of the industry. It is not unlikely for a male to accessorize casual style trousers with a tailored blazer, or a casual jacket with a fine wool double breasted suit. The modern man feels quite at ease pairing these types of clothing together, and would not think twice about doing so.

The menswear market has various major sub-divisions, the largest of which is still suits, in spite of the decline in popularity. Suits are followed by jeans, shirts, footwear, foul weather wear and outerwear. Approximately 60% of the menswear sold in the United Kingdom is sold through specialty shops. Mixed retail businesses account for a further 25% which includes large department stores and variety chains. The market continues to be dominated by the major retailers, but various trends have been at work over the last few years. There has been a shift away from the

domination market by the large department stores to more fashion conscious chains.

Mail order is growing in importance as a sales outlet. The U.S. giant, Land's End began to market it's U.K. mail order business in the fall of 1991, and now, this year LL. Bean has entered the market. This type of marketing and the sophistication involved has allowed mail order distributors to reach lucrative niches in the market with specialized catalogs.

The major retailers have adopted their own labels to emulate the "branded apparel" manufacturers, who do not supply certain stores with their branded merchandise. The branded market in casual and active wear is very large, as the demand is for high profile names such as Olympus, Champion, and Adidas, etc. Branded formal wear, however, does not have as much appeal.

Opportunities in specific market niches exist for U.S. exporters who are able to spot a trend. Recently, the menswear industry has adopted a Spring work wear look, consisting of plaid over shirts, denim jackets, and jeans in a multitude of fabrics. However, the best sales prospects are in moderate to expensive suits, coats, jackets, shirts, sweaters, overcoats, bomber jackets, jeans, casual pants, formal pants, over shirts and ties. U.S. made apparel cannot price competitive with imports from the Far East or Eastern Europe, so they must appeal on the basis of their quality or fashion. American clothing from the rugged look of Timberland to the style and elegance of Ralph Lauren, are all commercially acceptable.

Observations

In contrast to Paris, London is quite different. In London, the final product makes its way to the consumer in retail stores structured like those in the United States. As we did in Paris, we visited retailers on different levels of the spectrum. In the mid price range, is Selfridges Department Store. They have a large selection of suits. They have said Italian suits in both single and double breasted styles. They carry the Woolmark symbol and were not vented. These suits are priced at \$400. The next section is Yves St. Laurent. These suits also carried the Woolmark symbol, and were single breasted with no vents. They are priced between \$238 - \$344. The salesman categorized the suit styles as businessmen wearing double breasted suits and the fashionable styles as being single breasted. This was interesting because most people perceive single breasted

suits as more conservative and traditional enough to be acceptable for the workplace. While on the other hand double breasted suits are more fashionable and trendy in our opinion. The salesperson went on to explain that the European look of no vents was in style. This Italian look is considered to be top of the line. The vented suits, he felt, were more popular among the older men. The store showed all the traditional suit colors (navy, black, charcoal). However, the Italian, non vented suits are popular in lighter colors, such as tan, olive green, and light brown. He also mentioned both French and German suits as being popular and selling well. Most of their suits are imported from Europe, especially Germany, Italy, and France. Interestingly enough, he said German suits are perceived as high quality, but not especially stylish.

In the lower end of retailing is Marks and Spencer. It is viewed as a kind of retail barometer. They sell a double breasted navy blazer with no vent for \$158. They also have suits with the Woolmark label for \$240. Suits that are of 55% polyester, 45% wool blend, sell for approximately \$176. We were told by a sales person that Marks and Spencer did carry an American suit (Brooks Brothers) at one time. However, they did not sell well and were dropped by the stores inventory.

In contrast, Harrods Department Store is at the high end of retailing. A conversation with a salesperson provided a feel for how Harrods views men's suits. He was in agreement with the salesperson from Selfridges in terms of the difference between the use of single breasted for fashion and double breasted for business. The following chart refers to the percentage of different men's suits sold at Harrods.

European styles are the most popular. Suits must have wide shoulders with a plain back (no vents). However, there is still a place for vents, and that they account for a lot of sales. He also said that younger people are constantly looking for new looks, and feel more European than the older generation.

Although London and Paris differ greatly, our recommendations of what an American suit should be to be successful in London is similar. First, it should have a good brand name. Once again, local people feel as though an American sounding name would be successful. Again, people want to see something new or innovative, especially the younger people. A large demand is apparent for Italian styles, so it seems most sensible to go with a European non-vented style.

Promotion

As with distribution, promotion in England is very similar to the United States. There are many American apparel producers now enjoying a moderate market share in England. Some of these include Liz Claiborne, Fruit of the Loom, and L.L. bean. Although all those mentioned are large producers, it does have significance to the small producer. The fact that the English accept American products and view American products as a quality, fashionable, and affordable product, opens the doors for the small apparel exporter.

In England a brand name on your product is a must. However, if you have not established a brand name of your own, many of the large department stores will be willing to sew their label onto the garment promoting it under their name.

Differentiating your product and finding a market niche is also very important. England is mainly an importer of apparel. They import from other parts of the world including, but not limited to, Italy, France, Austria, and Switzerland. Therefore, the main competition lies with other companies exporting to the U.K. and not with English manufacturers.

When advertising in the U.K., it is important to get a feel for the British temperament. They are relatively conservative, and have a distinct sense of humor, many would consider it a dry humor. Advertising is directly influenced by this temperament. Also, the use of famous personalities is well received. American singers such as Madonna are extremely influential on the purchase pattern of the British. As a small to medium size producer this may seem beyond what you could consider when determining a promotion plan, however, with some creativity it could be used to your advantage.

The total advertising expenditure in the U.K. in 1990 was \$11.36 billion. Of this expenditure \$4.99 billion was through newspapers, \$3.4 billion through television, \$2.15 billion in magazines, \$454 million outdoor advertising, \$227 million on radio, and \$113 million is through cinema advertising.

Distribution

The channels of distribution found in the United-Kingdom market are similar to the United States. The method of

distribution utilized, would be determined by a company's level of marketing sophistication, commitment to the foreign market, and available financial resources. When considering how to get your product to a potential customer you can choose a direct or an indirect means of exporting.

With direct exporting, you are responsible for finding your own customers and getting your product to them. With indirect exporting, you are transferring most exporting responsibilities to a third party intermediary.

According to the U.S. Embassy in London, direct marketing is the fastest growing U.K. advertising technique. It has grown in recent years to the extent that expenditure in direct mail alone grew from 7 percent in 1987 of total advertising expenditure to 10.5 percent in 1991. The main methods of direct marketing used in the U.K. are direct mail, door-to-door delivery, and telemarketing. The increase in use of direct marketing is owed to the improved technology that makes it possible to capture, hold, and manipulate vast amounts of information about potential customers, You will notice the similarities of the U.K. and U.S. in these Distribution patterns.

In 1990, according to the British Market Research Bureau, consumers spent a total of \$11.64 billion on products bought through direct marketing. Clothing captured 32 percent of this consumption, which is the highest percentage of all products bought through direct marketing. The implications of this direct marketing growth is the prospect that U.S. companies may enjoy greater profits from the increased use of direct marketing to gain better access into the U.K. market.

An article in "Direct Marketing International" of August 1992 states that "Direct marketing is the most natural medium of multinational trade, enabling marketers to reach targeted prospects in another country without necessarily building any kind of sales or operational infrastructure."

U.K. is unique in the fact that it is not uncommon for buyers in a department store to agree to meet with a supplier and discuss a sales agreement. Although, these buyers also attend trade shows and deal with agents. If a supplier can travel and meet with a buyer, and an attractive offer can be made, in which the company can supply a quality product, at a low cost, and can supply the apparel within two weeks of the order date, a deal can be made on the spot. In comparison to the French market were the only opportunity of getting a buyer to look at your product is to participate

in a trade show, England has good potential for business deals.

Another option available is to assign a foreign sales agent to represent your company. A foreign agent is the equivalent of a manufacturer's rep in the U.S. The rep works on commission and a contract is written which specifies the period of time, territory, terms of sale, method of compensation, and whether the agent's representation is exclusive or not. There are laws in the U.K. however, outlining the legal aspects of exclusive agent's representation. These laws tend to favor consumer choice, and a detailed description of any relevant laws can be obtained through the U.S. Embassy in London.

Finding a sales agent can be accomplished by contacting the International Trade Administration (ITA), in Boston MA. The ITA will conduct a specialized search for you in the U.K. or any other country, if so desired. They will locate interested and qualified foreign agents for your product. The embassy will take your product literature, export prices and sales letter, and the search is performed by commercial officers in the U.S. Embassy or consulate overseas. For a fee of \$125, you will receive a listing of up to six foreign prospects who have examined your product literature and have expressed an interest in representing you. Lists of agents and distributors can also be acquired through the World Trade Information Center, located in the World Trade Center in New York City. In addition, banks, American Chamber of Commerce overseas, freight forwarders, carriers, and port authorities can help locate foreign agents.

Once a distributor has been found, they will purchase the product taking the title to the goods and resell it for a profit. They will also carry inventories and provide credit to the foreign buyers.

A good reason to consider a distributor for the English market is because England has a fragmented retail environment. This means that small, independent retailers are more prominent in the U.K. than in the U.S. and large retail chains, less so. This has led to a multi-layered distribution chains to supply small order lots to a large number of independent outlets.

In getting your apparel to the U.K., a freight forwarder can answer many of your questions and provide valuable advise. A freight forwarder will prepare most of the shipping documents for the exporter. One of the biggest barriers to the overseas potential exporter is the psychological

barrier, A freight forwarder can make the perceived complexity of exporting much less intimidating to the small business owner.

Freight forwarders are licensed by the Federal Maritime Commission, and have no vested interest in the products they arrange transportation for. They are basically middlemen who act as your agent, to arrange for transportation of your apparel, from a specified shipping point in the U.S. to a specific foreign port or your customer's location overseas. Freight forwarders provide many other services to exporters some of which include; providing recommendation for packaging, preparing banking and collection papers, oversee movement of documents through consulates and many other services to aid in the transportation of your apparel. They provide this service for only \$55-60.

Retail

The U.K. is following the trends of all the EC countries in its retail structure. The highest concentration in sales is made through specialty stores: 50%. Contrary to France, department stores and chains account for a large share in apparel sales: 35%. The following chart breaks down distribution through the various channels serving the apparel market.

Accounting Standards

The growth in international business activity, has forced many investors and creditors to make decisions about foreign concerns based on their financial information. The generally accepted accounting principles (GAAP) that provide the foundation for financial reporting in the U.S., do not exist worldwide. There are major variations in the accounting principles and reporting practices throughout the countries of the world. The lack of uniformity in international accounting standards, causes material differences in the calculations of net income and other significant financial data. These differences make it difficult to make comparisons among businesses from different countries.

In 1973 the International Accounting Standards Committee (IASC) was formed in order to develop a more uniform standard of accounting among different countries. The IASC currently represents 80 countries, and has issued 24 international accounting standards. IASC members are committed to these standards but have no enforcement power to mandate compliance. Therefore, in order for U.S. firms to

obtain an accurate understanding when analyzing financial information of a foreign company, they must recognize that these differences exist. Some examples of these differences include:

¥Germany amortizes intangible assets over a 5 year period while the U.S. allows a maximum of 40 years.

¥The Netherlands value assets at their replacement value, while the U.S. generally uses historical cost to value assets.

¥Japan allows income smoothing, by permitting discretionary charges to income for items such as depreciation and bad debt. This practice is not allowed in the U.S.

¥It is common practice in Germany and in Switzerland to establish hidden reserves in good years, which are then returned to income in bad years.

¥Most European countries have the same rules for book and tax purposes. The generally accepted accounting principles (GAAP) in the U.S., often differ greatly from the tax rules. This causes the book income to be different from the taxable income.

¥Footnotes and disclosures are less comprehensive in Europe and Japan than they are in the U.S.

Adjustments must be made to adequately compare the financial statements of companies using different accounting standards. Adjusting the information in financial statements from one set of accounting standards to another, is similar to the approach used in the U.S. to convert from GAAP to income tax rules.

Currency Translation and Conversion

Conversion must take place when a U.S. company purchases a foreign company, or owns more than 50% of the outstanding common stock of a foreign subsidiary. The currency that a company uses for its financial statements is the reporting currency, while the functional currency is the currency used in the country where the entity operates. The subsidiary company's financial statements must be included in the consolidated financial statements of the U.S. parent company. In order to consolidate these statements, the functional currency amounts must be translated into U.S. dollars, and the subsidiaries financial information must be adjusted to conform to GAAP. In doing so, assets and

liabilities of the foreign subsidiary are translated to U.S. dollars using the current rate, which is the exchange rate at the date of the consolidated balance sheet. Common stock is translated at the historical rate, which refers to the exchange rate prevailing at the time of the transaction. Retained earnings is computed as the sum of the beginning balance plus the translated amount of net income less the translated amount of the dividends distributed. Gains or losses that result from the translation of assets and liabilities, are included directly in the stockholders' equity section of the consolidated balance sheet. Revenues, expenses, gains, and losses of the foreign subsidiary, are translated at the average exchange rate for the period of the consolidated income statement.

In addition to different standards, foreign transactions are further complicated by the need to record the transaction in U.S. dollars. Foreign currency translation is necessary in order to combine or subtract measurements expressed in different currencies. A company whose exports or imports are invoiced in terms of foreign currency units, must translate those amounts to the reporting currency equivalents of the company, before entering the transaction in its' books.

Currency conversion is the physical exchange of one currency for another. Conversion is complicated by the fact that foreign exchange rates used to effect the translation process are not fixed. This can create problems when a purchase or sale is made on account, and the exchange rate changes between the transaction date and the date of payment. If a credit purchase or sale is made with the price stated in the foreign currency, the transaction is recorded in U.S. dollars using the current exchange rate. If the exchange rate is different on the payment date, the difference must be recorded as a gain or loss due to the fluctuation in foreign exchange rates. A gain will result when the exchange rate declines between the date a payable is recorded and the date payment is made, and when the exchange rate increases between the date a receivable is recorded and the date payment is received. A loss will occur when the exchange rate increases between the date a payable is recorded and the date a payment is made, and when the exchange rate declines between the date a receivable is recorded and the date payment is received. Most companies wait until the account is paid or collected before recording gains or losses. The exception is at the end of an accounting period, when an adjusting entry must be made to recognize any gains or losses. FASB statement No. 52 requires that gains or losses from fluctuations in foreign exchange rates be recognized in the period in which the rate

has changed. If the exchange rate changes again before the payment date, an entry must be made to recognize any additional gains or losses. Gains and losses from fluctuations in foreign exchange rates should also be included in the income statement following income from operations.

To avoid losses from the fluctuation of foreign exchange rates, firms can require that receivable and payable be settled at specified amounts of domestic currency. This approach removes the risk associated with currency fluctuations, but also eliminates the possibility of any gains that might result if the currency exchange rate should increase. When transactions are expressed in U.S. dollars, the associated risks of currency fluctuations are removed from the U.S. firm and placed with the foreign firm.

EC Directives on Corporate Practices

The IASC and the EC are working together to develop basic rules for the presentation of financial statements. Accounting organizations within the EC are working to require that audit reports be prepared in accordance with directives No. 4 and No. 6 of the EC corporate practices. These directives are a means of developing some standardization within the EC. Under these directives, most public limited companies and private limited companies will be required to be audited, and to publish annual reports. Very small companies; which will be determined by sales, assets, and the number of employees, will be exempt from this requirement. The amount of information that must be provided in the financial reports will be determined by the size of a company. This requirement applies to subsidiary companies doing business within the EC. Banks and other lending institutions, and insurance companies are not included under these directives.

The directives require published financial statements to be prepared according to the specific standard formats that have been established by the EC. Fundamental concepts of consistency, going concern, prudence, and accrual accounting must be used when determining reported amounts. Assets must be recorded at historical cost, but supplementary cost information should also be presented.

Pricing

The pricing strategies of foreign companies doing business within the EC may become more complex in the future. This will result from different currencies being subject to

floating exchange rates. The European Community has set out to counter the gradual drift toward floating exchange rates. As part of their increasing unification, the countries of the EC agreed to set up a European Monetary System, within which exchange rates would be kept nearly fixed. At the same time they called for a new currency, the currency is called the European Currency Unit or ECU. The ECU has a value tied to the average value of the EC national currencies. Commitment to truly fixed exchange rates has been limited.

Relative Price Accounting

We need a way of measuring which nation has a cost advantage and what shares of its advantage stemmed from differences in input prices versus differences in productivity performance. In the comparison of a product's prices in two countries, we see that the price difference can result as long as there are barriers to trade, such as transportation costs or tariffs. Their difference, is the net result of difference in average costs and differences in price markups. The markups can differ from each other because of differences in monopoly power or just because our measurements of costs happen to be incomplete.

Average costs can differ, because producers face different prices for inputs, such as raw materials or labor, and because producers differ in their productivity. Price differences are the result of differences in input prices, differences in productivity, and differences in markups. Each of these three sources of price differences, suggests a particular set of possible causes. Differences in productivity suggests that producers in one country have a more efficient way of producing than producers in another.

¥ Distribution margins, taxes, transport and handling costs will affect pricing.

Manufacturing in an EC country will be a plus in terms of pricing and may even be a necessity to meet the competition. Local manufacturing will eliminate transfer pricing from a domestic product division to subsidiaries via an international division. One real possibility will be frequent price wars between European and foreign companies doing business in Europe, particularly in consumer products and services.

¥U.S. firms will face a problem that most of their European competitors will not have, i.e., needing a variety of transfer pricing strategies that permit their European

subsidiaries to price equitably and competitively in their respective markets, while satisfying both headquarters' demands and EC constraints. The challenge is maintaining varying transfer prices and remaining both legal and competitive. Joint ventures may enable US. companies to price their products more competitively by avoiding transfer costs (Catoline, p. 39).

Tariffs

The EC is a customs union. This means that the countries in full membership of the EC have no customs duty barriers between them, but they all have a common customs duty tariff against goods from outside the EC. As a result goods which are free from customs duties in one part of the EC are free to circulate within the rest of the EC without any liability to pay further customs charges when they move from one member state to another. The EC's common external tariff ensures that goods imported from non-EC countries are subject to the same custom duties whenever they enter the EC.

¥With regard to trade with non-EC countries, including the United States, duty rates are not excessive. Most raw materials enter duty free or at low rates, while most manufactured goods are subject to rates between 5 and 17 percent.

¥The EC tariff schedule is based on the Harmonized System. This system is a new nomenclature system which was introduced to provide a standard tariff classification system for all products exported and imported throughout the world. The system which went into effect January 1, 1988, has replaced the Brussels Tariff Nomenclature classification system.

¥Virtually all import duties are calculated on an "ad valorem" basis, that is, percentage charge levied on the dutiable value of the imported goods. This dutiable value is the "normal price" plus freight, insurance, commissions, and all other charges and expenses incidental to the sale and delivery of the goods to the point of entry into the customs territory. The normal price is defined as the price that can be obtained in a transaction involving goods imported for domestic consumption under conditions of free competition (arm's length) between independent sellers and buyers of the imported goods at the time the duty becomes payable. The invoice prices ordinarily will be the same as the normal price.

¥However, under the normal price concept, a fair transaction price is the sole consideration and not as influenced by any commercial, financial, or other arrangement (such as a special discount for a particular buyer).

¥Special pricing arrangements, such as may arise between a foreign supplier and its agent, broker, distributor, or concessionaire in France, or between a Foreign parent company and its subsidiary in France, may lead to an adjustment of the invoice price to bring it into conformity with the normal price. In addition, it is assumed that no part of the proceeds of the subsequent resale, use or disposal of the goods will occur either directly or indirectly to the seller or any person associated with the seller.

Value Added Tax

The value added tax is chargeable on the importation of goods into the EC. The tax is charged and payable as if it were a duty of customs and many of the provisions of the Customs and Excise Management Act of 1979 apply to the VAT.

Most goods, including clothes and accessories are liable to the tax at the standard rate: 15%. Where a price in dollars is payable for goods imported, the value to be declared for VAT purposes is the price payable plus:

¥All costs by way of commission, packing, freight and insurance up to the port or place of importation into the EC.

¥The amount of any customs duty or levy payable on importation of the goods into the customs territory of the EC.

¥The amount of any excise duty or other charges levied on.

PRICING ANALYSIS FOR A MAN SUIT

- 1.FOB FACTORY: \$100
- 2.INSURANCE / FREIGHT: \$4.20
- 3.EC TARIFF(14%): \$14.56
- 4.DISTRIBUTOR ALLOWANCE(10%): \$11.88
- 5.LOCAL FREIGHT(7%): \$9.14

6.EC VAT(15%): \$20.96

SUBTOTAL: \$160.74

* RETAIL MARK UP: 2.05

RETAIL PRICE: \$329.17

Conclusion

There are tremendous opportunities for U.S. businesses to expand their market through exporting. When calculating these opportunities businesses must weigh the benefits of exporting against the added costs, such as transfer costs, tariffs and value added taxes. In order to properly evaluate the costs of exporting a thorough understanding of the foreign accounting practices and regulations must be made. Reported results of foreign operations are often affected by changes in the exchange rate. U.S. businesses can reduce the risk associated with foreign transactions by settling transactions in U.S. dollars. Eliciting the services of a foreign bank will eliminate many of the collection difficulties that may arise. Reducing the amount of bad debts written off will reduce the costs of exporting.

Financing Exports

Due to the gradual financial deregulation and an increase in the demand for worldwide financing, financial institutions both large and small have become far more aggressive in marketing their import-export financial services. The single most important and widely used vehicle of international trade that financial institutions provide is the letter of credit.

Letters of Credit

International trade often involves dealing with companies that do not have a favorable credit reputation or any reputation at all, and do not have financial statements that disclose enough pertinent information to make a decision as to how much, if any credit should be granted to the company to satisfy the amount of trade desired. Also, if the company is located in a politically unstable country or in a country whose available hard exchange cannot meet foreign exchange requirements, a letter of credit might be desirable.

A letter of credit can be used to solve these problems and may be useful to companies who wish to do business on a cash

basis, companies that deal with relatively unknown companies or companies where credit risk is near indeterminable, and companies who sell to customers located in countries where hard exchange is relatively low compared to the amount needed to fund the sale.

The letter of credit is a form of insured payment for the seller. The customer is represented by a financial institution that is internationally reputable and acceptable to the seller. The financial institution promises to pay the debt of the customer if the customer defaults on payment of the debt or if circumstances stated earlier affect the payment of the debt. The letter of credit contains all terms and details of the sale, all of which must be completely satisfied for the letter of credit to be valid.

Elimination of Credit Risk

While the letter of credit is not a guarantee, the issuing bank assures the payment to the seller as long as the sale is in compliance with the details stipulated in the letter of credit. Therefore, the credit worthiness of the actual customer does not come into play because payment is assured even if the customer is unable to pay.

Reduction/Elimination of Exchange and Political Risks

Political risks involve any type of interference, by the government of the customers country, that causes delays in or interrupt the ability of the customer to pay for the sale. The foreign country may be involved in war or similar political disturbances. In some cases the foreign country may even cancel or withhold the import license of the customer.

If a country gets into financial difficulties it might not have enough foreign currency exchange to cover the sale. If this happens payment can be delayed for many months or even years.

If a letter of credit is used, these risks can be reduced but may not be eliminated. Under no circumstances would a reputable financial institution knowingly issue a letter of credit to an importer who does not have an import license or whose license has been revoked. In most cases if a country cannot meet exchange requirements, sales covered by letters of credit would not be affected and would be regarded as upper priority for the exchange funds. During wartime a seller would be advised to open a letter of credit with a

financial institution in the U.S. to also back the payment for the sale. This arrangement is the most effective in reducing all types of risk.

Reduces the Need for Credit Checking

If the seller is assured payment by a reputable bank, he need not worry about the credit worthiness of the foreign customer. Since the bank is in the same country as the buyer, they usually have an easier time determining the credit worthiness of the buyer and deciding whether to represent them for the sale.

Seller knows all requirements for Payment

Since all the information concerning the sale and its payment are stipulated in the letter of credit, the seller knows all requirements for payment and can determine when he will receive it.

Protection on Pre-Shipment Risks

If the letter of credit is opened at the time of the contracted sale, the sale can be protected even while it is being manufactured. The financial institution is now responsible for the sale even though it may not be fully manufactured.

Additional Financing Made Easier

Financing the manufacturing of the product involved in the sale, financing the shipping of the sale, or additional financing not related to the sale may be easier to obtain if a letter of credit is assuring payment on a future amount. Financing institutions in the U.S. would be more likely to assess the companies credit worthiness based on future sales potential if the future sales payment were already assured by a reputable foreign bank.

Another asset potential asset to U.S. companies involved in international trade is the Export-Import Bank of the United States.

Export Import Bank: Current Functions

The main function of the United States Export/Import Bank (Eximbank) is to give U.S. exporters the financing needed to sell their products competitively in other countries. Eximbank often works with private institutions to supply

credit in larger amounts, at lower rates, and at longer terms than private institutions alone could provide. Eximbank will often share export credit with other private institutions when the private institution may have not issued credit to the exporter otherwise.

The two programs that could be most utilized by small to medium-sized exporters are the guarantee and credit insurance programs.

Guarantee for U.S Financial Institutions

Private U.S. financial institutions regularly make loans to the foreign buyers of U.S. exports. Sometimes they are reluctant to finance such sales if the buyer is not completely creditworthy. The Eximbank is prepared to guarantee these loans for up to 100% in some cases. This facilitates exports by allowing more foreign buyers to purchase U.S. exports.

Commercial Bank Exporter Guarantees

In many cases the exporter himself may extend credit to the foreign buyer. This practice can sometimes put a strain on cash flows due to the time period allowed for these debts. Many times the exporter will sell these debts to a commercial bank in the U.S.. The exporter may still, in some cases, be liable for payment of the debt if the foreign buyer defaults, though many times the bank must take the loss.

The Eximbank encourages the commercial banks to continue to buy these loans by guaranteeing these loans. This guarantee covers both political and commercial credit risks.

Eximbank/FCIA Export Credit Insurance

Export credit insurance allows exporters to expand into new markets and allow larger transactions to take place. Financing may also come easier and at better rates if the bank knows that the exporter has credit insurance.

The FCIA also has accumulated credit information on over 50,000 foreign buyers; 20,000 of which have FCIA pre-determined suitable credit limits. This allows the FCIA to make quick decisions on whether or not exporters should sell to a specific buyer and if they will insure the sale. If an insurance commitment is made in advance of the contracted sale, financing for the sale should come easier.

The FCIA insurance limits it's short-term insurance to products which have 50% or more of their value added in the U.S.. The FCIA and Eximbank have also put limits on the amount of political risk that the insurance will cover. In many cases FCIA insurance is useful, though many times companies can cover such risks without the insurance when they sell only to politically stable countries and where letters of credit cover all the risk involved.

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Contacts

The following is a list of possible contacts for your future reference:

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¥ International Wool Secretariat:

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A l'attention de Mme Brigitte Porthe-Blanchard

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75116 PARIS - FRANCE

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