

Market Survey & Report on Scarves & Shawls (15th February 2012)

Commercial Section, Consulate General of Pakistan,
Chicago USA



This office conducted a market survey on scarves and shawls from Pakistan in the local U.S. market. In ascertaining the ways and means of trying to achieve the desired objective (enhanced market access), we have to see who are the major buyers of scarves and shawls (which are a fashion accessory specialty item and not part of regular knitted textile/apparel) in the Midwestern USA. The following major departmental chain retail/grocery stores (which also display clothing and apparel) have their head offices in the territorial jurisdiction of the Commercial Section:-

- i) Abercrombie and Finch (Columbus, Ohio).
- ii) Dollar General (Nashville, Tennessee).
- iii) Kohl's Corporation (Menominee Falls, Wisconsin).
- iv) K-Mart (Schaumburg, IL).
- v) Meijer (Grand Rapids, Michigan).
- vi) Sears (Schaumburg, IL).
- vii) Target (St. Paul-Minneapolis, Minnesota).

Out of all of these chain stores Abercrombie and Finch, Kohl's, K-Mart, Meijer, Sears and Target are the primary outlets that focus on mid-price level clothing and apparel and have a varied selection of scarves and shawls, therefore they were the primary focus of a market survey (copy of market survey is attached). **The survey clearly demonstrates that China is the major supplier (85%), followed by India (8.3%) and the rest of the market share is with Germany, Philippines, Taiwan and Italy (all at 2%).** Furthermore, Target Corp. has taken a policy level decision not to increase its sourcing from Pakistan after the assassination of former Premier Bhutto in December 2007 when their shipments were delayed from Pakistan. K-Mart, Dollar General and Meijer are primary low end grocery cum retail stores where the clothing and apparel is not the central core of their business model. Abercrombie and Finch is a high end teen retailer that focus on the Generations X, Y and Z and in that consumer demographic the primary focus is on high quality (and hence higher priced) tee shirts, rugby jerseys, Bermuda shirts and shorts, hoodies, jeans and casual wear. **As per the limited search result conveyed by Piers Stats and follow up market survey conducted by the Marketing/Trade Development Officer none of the stores are sourcing scarves and shawls from Pakistan.**

2.) In the past few years this office has had several meetings with the principal procurement senior managers of local department chain stores. I have met with Mr. Gerry Morrow, Senior Vice President of Product Services and Mr. Charles McMurray, Vice President Sourcing, **Kohl's Corporation**. They are primarily responsible for all aspects of sourcing, compliance and corporate governance issues. Kohl's is a major US retailer (based in Menomonee Falls, Wisconsin) with 1022 stores in 49 states (except Hawaii). Based on 2007 revenue, Kohl's was the 22nd largest retailer in the US, and fifth-largest discount store after Wal-Mart, Target, Kmart, and Big Lots. The company entered the S&P 500 list in 1998 and is also listed in the Fortune 500 (#152 in 2007). In terms of value and quality of products Kohl's is placed slightly higher than Sears and J.C. Penney. When discussing sourcing from Pakistan I was informed that Kohl's has decided to stay at the same level and was not looking to expand procurement. ***'Pakistan is being kept on a level procurement course there will be no increase or decrease in business.'*** Currently Kohl's has a major buying relationship with Afroze Textiles (www.afrozetextiles.com), Masood Textile Mills (www.masoodtextile.com) and The Chenab Group (www.chenabgroup.com). In terms of QC and deliveries Kohl's was satisfied with the performance of Pakistani firms. ***'There is nothing that has happened in Pakistan that has negatively affected QC and shipments and Pakistani vendors have not missed a beat. There are a lot of business opportunities in Pakistan. Yarn, cotton, denim and soft home items are globally competitive. If the political situation was different then Kohl's would grow the business level with Pakistan.'*** In our last meeting with Mr. Gerry Morrow, Senior Vice President, Product Services (global sourcing), who is responsible for \$8 billion worth procurement, stated that Kohl's is not looking to grow business from Pakistan. He said that he personally believed that opportunities exist but Kohl's could not do business with a country where their people could not travel. Further he said that the company has a risk threshold of only doing business with vendors that have a minimum of \$25 million in annual sales. It essentially seeks 'big' companies that can keep the volume up and meet unexpected demand. The financials of the manufacturer are crucial in determining whether Kohl's will have a relationship with the company. ***The ideal benchmark is a company with over \$100 million in annual sales since they can withstand a situation if and when claims are filed against them by Kohl's. According to Kohl's the company supplying it should have the financial wherewithal to withstand a 'body blow' of \$10-\$15 million in case of a claim against it.*** This risk assessment is the key to making a final decision while selecting vendors. Another crucial factor in determining whether Kohl's will procure from a vendor is that the vendor should have multiple production footprints on the globe to minimize risks. ***Significant volume of production from various industrial units and exportable surplus are a must to be a supplier for Kohl's.*** Any new vendor also has to comply with a host of regulations and standards. Sound corporate governance and adherence to social responsibility now ranks at the top in doing business with Kohl's. The key determinants for Kohl's in selecting an overseas vendor are quality of raw material, fabric, finishing, price points and off price deliveries. Very few companies deal with Kohl's through completion of part orders or via a buying agent. It was suggested that most Pakistani vendors below the \$25 million annual sales threshold should focus on Dollar

General (www.dollargeneral.com) and Dollar Tree (www.dollartree.com) discount chain stores that have a textile and apparel section.

3. Since 2007, on numerous occasions I have also called on Mr. Bill Petrosini, SVP, Global Sourcing of **Sears Holdings Inc.** which is the parent company of both K-Mart and Sears department stores. Sears Holdings is the nation's fourth largest broadline retailer with approximately 3,900 full-line and specialty retail stores in the U.S. and Canada. Mr. Petrosini's specialization is private brand designer products sourcing for both Sears and K-Mart. I was told that apparel is the number one profit driver for Sears instead of household appliances and consumer electronics. Sears is experimenting with new brands such as the 'Kardishians' and UK-based Regatta's 'French Connection' which is owned by Li & Fung of Hong Kong. For Sears getting traffic into stores is their top priority. Their focus is on getting a younger demographic and highlighting quality over lower prices. While discussing the retail end of the equation and specific business model and target audience, it was disclosed that K-Mart is geared towards the same consumer that shop at Target and Wal-Mart. But now the focus will be on better quality and not just on lower prices. Sears is more akin to J.C. Penney and Kohl's, hence quality trumps any price related issues.

4. In 2010, I met Ms. Vanessa Ashford (formerly worked for Kohl's Corp.), Director, Global Sourcing, Mr. Jonathan Enecks (formerly worked for J.C. Penney), Director, Global Sourcing and Ms. Nancy Dettore, Senior Director, Global Sourcing of **Dollar General Corp.** While discussing the possibility of expanding their sourcing from Pakistan I was told that *Dollar General is willing to talk and listen to any vendor from Pakistan as long as they have around \$30-\$40 million in annual turnover, preferably a multiregional manufacturing footprint or be able to seasonally adjust production in case of sourcing shortfalls in other regions, open capacity, good quality and competitive price points.* When asked if they preferred any vendor who had warehousing in the US, I was told that is not really a criterion that is given much importance because deliveries from Pakistan have been reliable and timely. Dollar General would definitely like to pursue sourcing of denim, yarn dyed shirts and flannel men's shirts from Pakistan.

5. As was shown in the market survey none of these stores import scarves or shawls from Pakistan. In order to ascertain the feasibility of enhancing Pakistan's market access in the US and seeking sourcing from Pakistan, this office has conducted an analysis of US imports and the market trend of recent years.

6. Below is a table showing the import of scarves in the US from various trading partners, regions and Pakistan:-

HS Code 6214 Shawls & Scarves

Total US Imports of Scarves for Jan. 2011-Nov. 2011(Courtesy of Zepol)

Country	Export Value	Import Value	Value Balance
China	\$474,433	\$402,991,023	-\$402,516,590
India	\$30,957	\$83,092,155	-\$83,061,198
Korea, South	\$280,181	\$7,925,713	-\$7,645,532
Taiwan	\$164,308	\$2,884,930	-\$2,720,622
Indonesia		\$2,858,103	-\$2,858,103
Vietnam		\$2,763,926	-\$2,763,926
Japan	\$3,601,452	\$2,707,707	\$893,745
Nepal		\$2,597,028	-\$2,597,028
Philippines	\$88,651	\$2,122,997	-\$2,034,346
Bangladesh		\$1,376,489	-\$1,376,489
Hong Kong	\$988,146	\$1,150,338	-\$162,192
Thailand	\$16,332	\$888,307	-\$871,975
Pakistan		\$741,941	-\$741,941
Sri Lanka		\$516,372	-\$516,372

Country	Export Value	Import Value	Value Balance
Cambodia		\$306,064	-\$306,064
Syria		\$114,250	-\$114,250
Jordan	\$6,372	\$113,663	-\$107,291
Israel	\$66,794	\$69,793	-\$2,999
Mongolia		\$67,158	-\$67,158
Laos	\$3,500	\$54,457	-\$50,957
Malaysia	\$14,002	\$52,436	-\$38,434
United Arab Emirates	\$76,977	\$45,690	\$31,287
Saudi Arabia	\$47,064	\$30,340	\$16,724
Lebanon	\$5,653	\$24,194	-\$18,541
Singapore	\$89,688	\$13,283	\$76,405
Macao		\$5,559	-\$5,559
Afghanistan	\$3,934	\$5,244	-\$1,310
Republic of Yemen		\$274	-\$274
Oman	\$18,925	\$264	\$18,661
Bhutan		\$261	-\$261
Bahrain	\$23,179		\$23,179
Kuwait	\$41,531		\$41,531
Qatar	\$10,345		\$10,345
TOTAL	\$6,052,424	\$515,519,959	-\$509,467,535

From the figures above Pakistan's share of total scarves/shawls imports into the US from Asia is around 0.14% which is a miniscule portion of US imports. In terms of total US imports shown below it is 0.11% which is also a minute portion of the total US global import of scarves/shawls. However amongst the top 33 countries exporting scarves/shawls to the US, Pakistan is ranked 13.

Imports of Scarves

Country	Export Value	Import Value	Value Balance
Asia	\$6,052,424	\$515,519,959	-\$509,467,535
Europe	\$5,772,158	\$123,467,713	-\$117,695,555
South America	\$848,829	\$2,994,433	-\$2,145,604
North America	\$13,362,212	\$1,641,508	\$11,720,704
Central America	\$3,177,839	\$1,612,906	\$1,564,933
Africa	\$49,167	\$1,223,831	-\$1,174,664
Australia, New Zealand and Oceania	\$293,457	\$26,358	\$267,099
TOTAL	\$29,556,086	\$646,486,708	-\$616,930,622

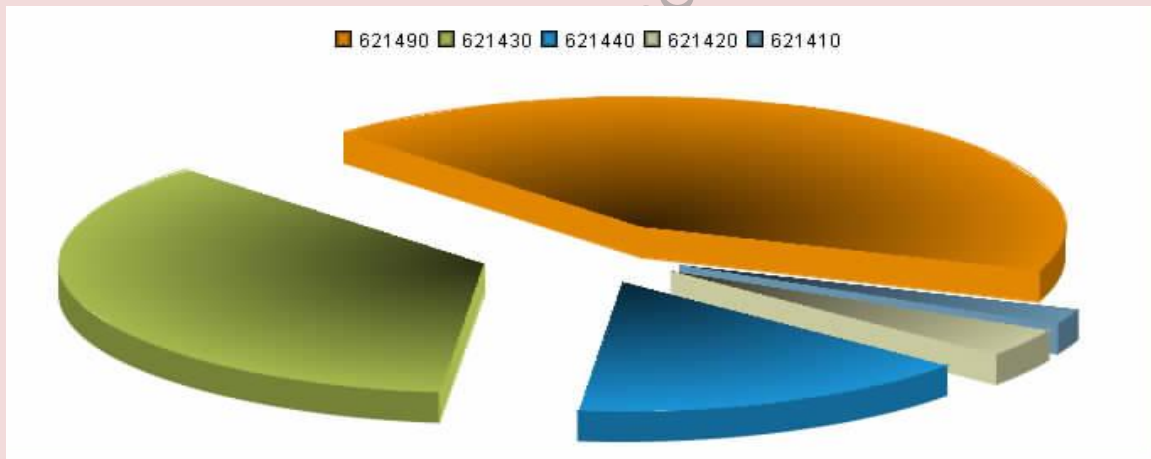
Total of Scarves Imported from Pakistan

HTS Code	Export Value	Import Value	Value Balance
621490 - Shawls, Scarves, Mufflers, Mantillas, Veils And The Like Of Textile Fibers Neso, Not Knitted Or Crocheted		\$398,055	-\$398,055
611710 - Shawls, Scarves, Mufflers, Mantillas, Veils And The Like, Knitted Or Crocheted		\$190,638	-\$190,638
621440 - Shawls, Scarves, Mufflers, Mantillas, Veils And The Like Of Artificial Fibers, Not Knitted Or Crocheted		\$76,025	-\$76,025

HTS Code	Export Value	Import Value	Value Balance
621430 - Shawls, Scarves, Mufflers, Mantillas, Veils And The Like Of Synthetic Fibers, Not Knitted Or Crocheted		\$58,230	-\$58,230
621410 - Shawls, Scarves, Mufflers, Mantillas, Veils And The Like, Of Silk Or Silk Waste, Not Knitted Or Crocheted		\$17,343	-\$17,343
621420 - Shawls, Scarves, Mufflers, Mantillas, Veils And The Like Of Wool Or Fine Animal Hair, Not Knitted Or Crocheted		\$1,650	-\$1,650
TOTAL	\$0	\$741,941	-\$741,941

Product Breakdown: U.S. Imports of Shawls & Scarves from Pakistan

Code Name	Unit%	Units	PPU	Value%	Value
1 621490 Shawls Scarves and the like Textile Mtrl ¹ Neso ² , Nkt ³	31.45%	8,095	\$20	42.70%	160,880
2 621430 Shawls Scarves and the like of Synthetic Fib, NKt	46.47%	11,963	\$11	36.18%	136,326
3 621440 Shawls Scarves and the like Artificial Fiber, NKt	20.46%	5,266	\$11	15.60%	58,781
4 621420 Shawls Scarves and the like of Wool, NKt	1.13%	291	\$45	3.49%	13,165
5 621410 Shawls, Scarves etc of Silk or Silk Waste NKt	0.49%	126	\$61	2.03%	7,655
TOTAL					\$ 376,807



The table and chart above show that the bulk of the scarves/shawls imported in the US are not of wool or silk and hence made of like textile material or synthetic fiber hence they are not of the high value category.

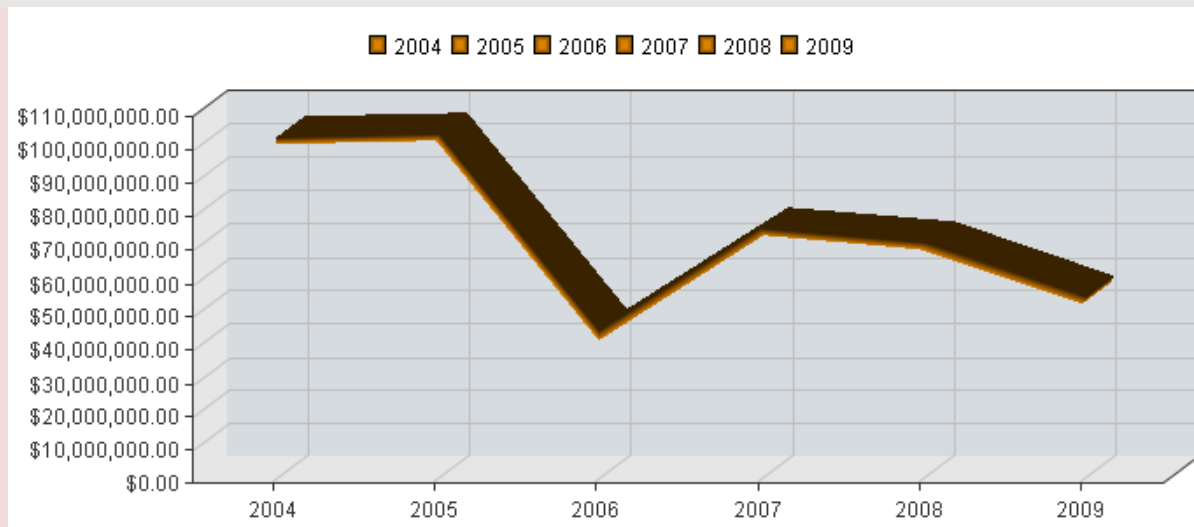
¹ Material.

² Not Either Specified or Included.

³ Not Knit.

Pakistan Export Trends of Shawls & Scarves

2004	2005	2006	2007	2008	2009
\$ 102,362,562	\$ 103,182,292	\$ 43,795,316	\$ 74,738,209	\$ 70,945,121	\$ 54,287,839



The above chart and graph show that there has been a declining trend of total export of scarves/shawls from Pakistan to the US between the period 2004-2009. The analysis of global trade in scarves/shawls below also shows various trends. In terms of top markets for US buyers, Pakistan does not figure in the top five sourcing countries nor is it included in the top growing U.S. markets of shawls/scarves.











Rank	Top Markets (2010)	Market Share	Trade Value	U.S. Buyers	Sellers
1	China	51.3%	\$ 193,930,356	335	58
2	India	19.6%	\$ 73,994,002	126	43
3	Italy	15.3%	\$ 57,872,374	43	210
4	France	5.1%	\$ 19,211,163	10	-
5	Great Britain	3.1%	\$ 11,742,049	19	13

Rank	Top Growing Markets (2009 - 2010)	% Growth	\$ Change	U.S. Buyers	Sellers
1	China	15.4%	\$ 25,952,374	335	58
2	Italy	30.4%	\$ 13,475,591	43	210
3	Great Britain	21.6%	\$ 2,084,340	19	13
4	Korea	19.9%	\$ 1,214,333	71	-
5	Hong Kong	185.5%	\$ 574,835	187	4

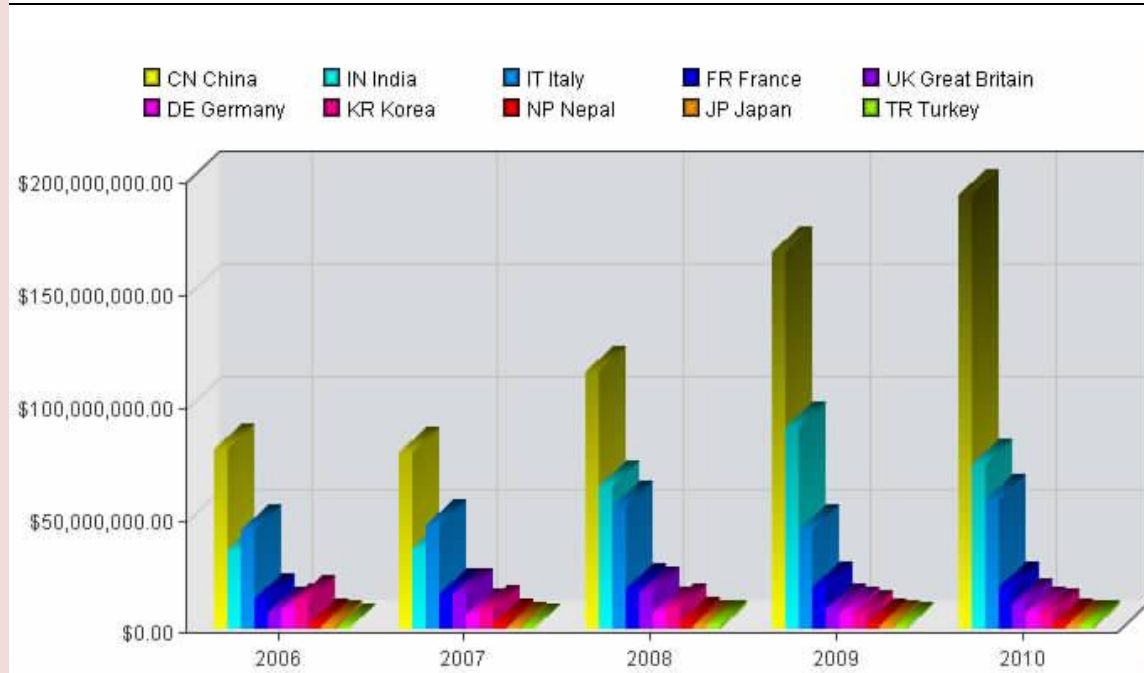
The total number of U.S. buyers for shawls and scarves is 375 (as per Piers database) out of which 26 companies are located within the territorial jurisdiction of the Commercial Section (list attached). From the information obtained it is not clear whether these firms are one time buyers or regular importers of scarves and shawls from Pakistan. Furthermore, when details of these buyers whose head offices are located in the jurisdiction of this office (other than the major departmental retail stores already mentioned in paras 2-4), it is apparent that other than the single location or branches these stores are not mainstream apparel and clothing outlets, hence their sourcing from Pakistan is neither significant nor sustained.

The tables and graphs below show that Pakistan does not even figure in the top growing markets that are supplying the US.

Trend Analysis for Top U.S. Existing Import Markets for Shawls & Scarves in 2010

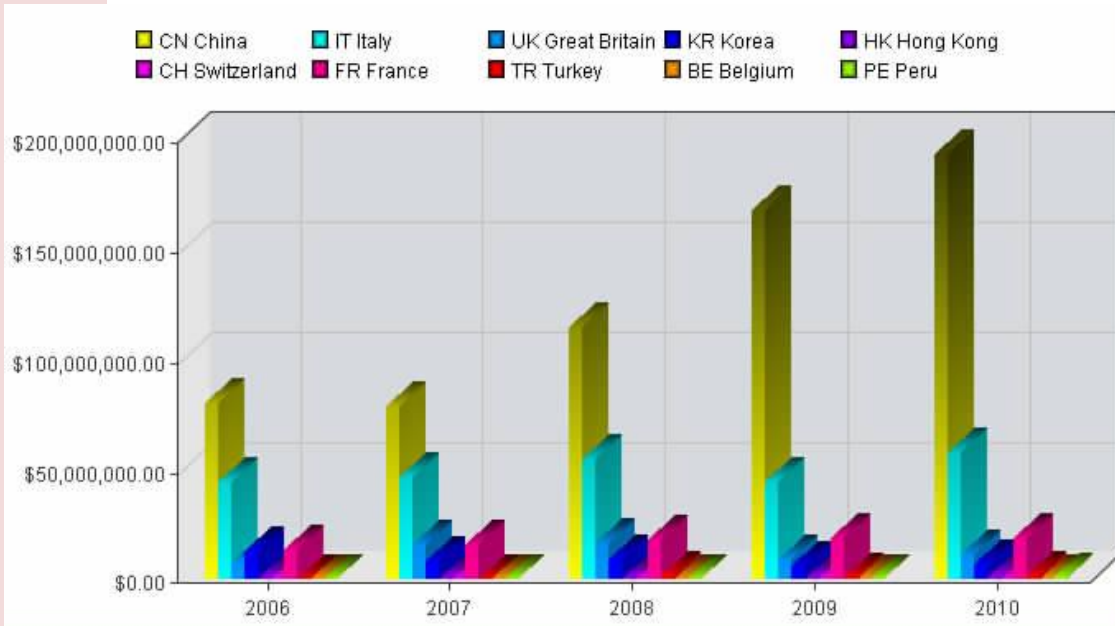
Rank	Top Markets	2009 Value	Growth %	\$ Change	2010 Value	Share
1	 China	\$ 167,977,982	15.4%	\$ 25,952,374	\$ 193,930,356	50.1%
2	 India	\$ 90,024,338	-17.8%	\$ -16,030,336	\$ 73,994,002	19.1%
3	 Italy	\$ 44,396,783	30.4%	\$ 13,475,591	\$ 57,872,374	14.9%
4	 France	\$ 18,906,617	1.6%	\$ 304,546	\$ 19,211,163	5.0%
5	 Great Britain	\$ 9,657,709	21.6%	\$ 2,084,340	\$ 11,742,049	3.0%
6	 Germany	\$ 7,637,730	-1.5%	\$ -117,002	\$ 7,520,728	1.9%
7	 Korea	\$ 6,091,494	19.9%	\$ 1,214,333	\$ 7,305,827	1.9%
8	 Nepal	\$ 2,350,511	7.5%	\$ 176,088	\$ 2,526,599	0.7%
9	 Japan	\$ 2,083,779	6.2%	\$ 128,988	\$ 2,212,767	0.6%
10	 Turkey	\$ 1,314,994	20.0%	\$ 262,612	\$ 1,577,606	0.4%

Market Value: \$ 387,317,892













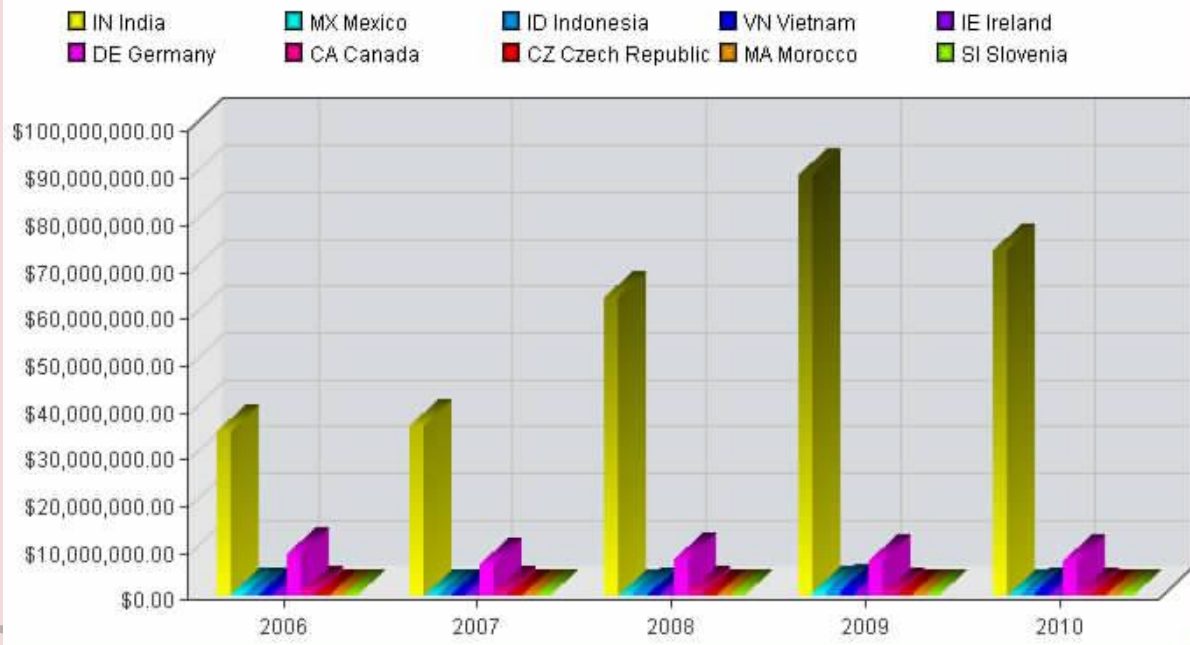
Trend Analysis for Top Growing U.S. Markets for Shawls & Scarves in 2010

Rank	Top Markets	2009 Value	\$ Change	Growth %	2010 Value
1	 China	\$ 167,977,982	\$ 25,952,374	15.45%	\$ 193,930,356
2	 Italy	\$ 44,396,783	\$ 13,475,591	30.35%	\$ 57,872,374
3	 Great Britain	\$ 9,657,709	\$ 2,084,340	21.58%	\$ 11,742,049
4	 Korea	\$ 6,091,494	\$ 1,214,333	19.93%	\$ 7,305,827
5	 Hong Kong	\$ 309,838	\$ 574,835	185.53%	\$ 884,673
6	 Switzerland	\$ 80,918	\$ 347,617	429.59%	\$ 428,535
7	 France	\$ 18,906,617	\$ 304,546	1.61%	\$ 19,211,163
8	 Turkey	\$ 1,314,994	\$ 262,612	19.97%	\$ 1,577,606
9	 Belgium	\$ 294,909	\$ 227,182	77.03%	\$ 522,091
10	 Peru	\$ 586,736	\$ 223,251	38.05%	\$ 809,987



Trend Analysis for U.S. Markets in Decline for Shawls & Scarves in 2010

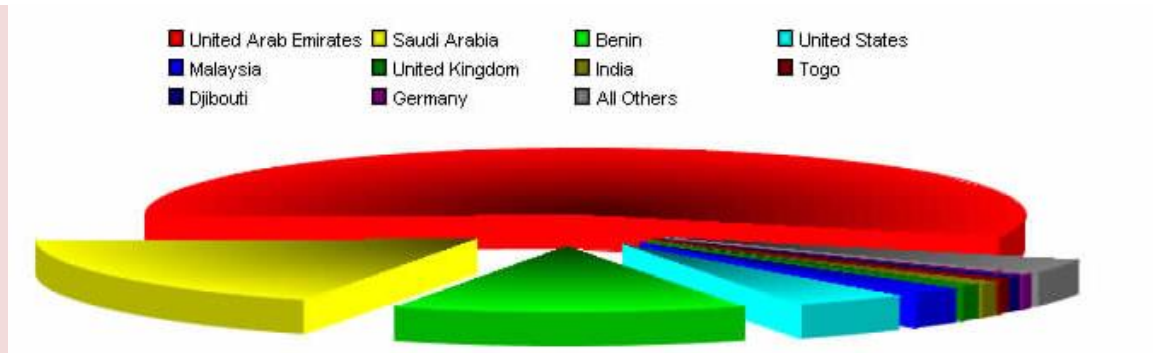
	Imports From	2009 Value	\$ Change	Growth%	2010 Value
1	 India	\$ 90,024,338	\$ -16,030,336	-17.81%	\$ 73,994,002
2	 Mexico	\$ 1,059,573	\$ -868,343	-81.95%	\$ 191,230
3	 Indonesia	\$ 1,359,928	\$ -806,566	-59.31%	\$ 553,362
4	 Vietnam	\$ 1,283,324	\$ -423,512	-33.00%	\$ 859,812
5	 Ireland	\$ 982,091	\$ -327,233	-33.32%	\$ 654,858
6	 Germany	\$ 7,637,730	\$ -117,002	-1.53%	\$ 7,520,728
7	 Canada	\$ 487,278	\$ -92,210	-18.92%	\$ 395,068
8	 Czech Republic	\$ 135,615	\$ -69,511	-51.26%	\$ 66,104
9	 Morocco	\$ 96,607	\$ -48,540	-50.24%	\$ 48,067
10	 Slovenia	\$ 52,832	\$ -43,040	-81.47%	\$ 9,792



The table below shows Pakistan's total global sector specific exports. The information provided demonstrates that the bulk of exports are to non-US markets.

Global Exports of Shawls & Scarves by Pakistan in 2009

Exports to Country	2009 Value	Share
 United Arab Emirates	\$ 30,173,475	55.7%
 Saudi Arabia	\$ 9,883,970	18.3%
 Benin	\$ 7,085,560	13.1%
 United States	\$ 2,288,278	4.2%
 Malaysia	\$ 1,054,520	1.9%
 United Kingdom	\$ 434,616	0.8%
 India	\$ 400,554	0.7%
 Togo	\$ 366,760	0.7%
 Djibouti	\$ 329,018	0.6%
 Germany	\$ 294,000	0.5%



7. As mentioned earlier, the market analysis/survey of the major buyers in the jurisdiction of this office shows that there are twenty six (26) importers (list attached) of shawls and scarves. The ones highlighted in yellow have their head offices in the territorial jurisdiction of this office and out of these twenty six importers only the department stores such as Kohls, Meijer and Sears/K-Mart, (none of whom are importing scarves and shawls from Pakistan) and some specialty stores such as Jo-Ann, Totes, Wolfmark Neckwear are buyers from Pakistan but they are not general retail stores and hence do not cater to mass consumer purchasing/sales. The rest of the importers are not clothing and apparel retailers and hence cannot be categorized as regular bulk buyers of shawls and scarves from Pakistan. As mentioned earlier a market survey was undertaken by the M/TDO where the origin of the product, display and price points were physically checked in all the stores mentioned at para 1 of this report. That survey manifestly demonstrated that **none of the major retail chains with head offices in the territorial jurisdiction of this office were sourcing scarves and shawls from Pakistan.**

