Technical Brief

Igniting the Apparel, Footwear, and Accessories Industries

Reshaping manufacturing from low to high value, enhancing exports, meeting domestic demand, advancing productivity and product quality, and mobilizing a consolidated industry toward a shared mission.

The apparel, footwear, and accessories sector drives exports, employs women and is positively changing the perception of quality Moldovan products in international markets. There are approximately 360 textile, footwear, and fashion-focused enterprises in Moldova, these businesses being particularly important for job creation for women from rural areas. The sector has approximately 23,000 employees, 90 percent of whom are women. The bulk of production is carried out by small- and medium-size enterprises with 50 employees or less. The industry is one of the largest exporters in the Moldovan economy, accounting for more than 16 percent of the country's exports in 2014.

Key Indicators

- Largest employer of women
- Employs 23,000 people, more than 90% are rural women
- Leading export industry
- Made up 16% of exports in 2014

Leveraging Creativity for an Inspired Vision

As the apparel, footwear, and accessories sectors grew to lead the Moldovan export market, the USAID CEED and CEED II programs created a vision around the core definition of what sustainable growth in these sectors is; boosting the transition of producers from the lowest value-added production schemes (cut and make) to the highest value-added scheme (own label). In addition to making the shift from low- to high-level manufacturing, the vision included enhancing exports, reviving the domestic market, upgrading productivity and product quality, and consolidating the industry to enhance the enabling environment and create a shared strategy. Training on product design and pattern making, creating new generation brands, assistance with marketing, sales, and merchandising, leveraging technology through computer-aided design and management info systems, and making cross-border connections through trade shows, all contributed to preserving jobs and increasing sales, and to enhancing industry long-term competitiveness.

Achieving Impact

With targeted support in the sector beginning in 2005, CEED II has continued to catalyze a shift from cut-and-make production schemes to full-package or own-brand production schemes. The share of low-value, cut-and-make services in total industry output decreased from 95 percent in 2005 to 80 percent in 2014. More than 70 new generation brands emerged as a backbone of the Moldovan fashion industry. As a result, more than 30 companies are now exporting in 10 international markets and have leveraged $16 million in sales. Brands

receiving assistance from CEED II brought in $7.4 million in new sales from the Moldovan market and had 34 percent growth in three years. The unparalleled umbrella brand, "Din inima branduri de Moldova" raised the industry's profile and consumer pride. The campaign united more than 60 Moldovan brands, and companies started to cooperate in opening multi-brand shops and expanding their own brands. More than 65 new shops in Chisinau and other regions of Moldova were opened, selling exclusively Moldovan brands. More than 684 participants, 81 percent being women, attended training to increase efficiency and product quality through skills enhancement in design, marketing, manufacturing, and technology. The industry association, the Association of Light Industry (APIUS) doubled membership with more than 90 members currently registered. With proven and growing results directly contributing to Moldovan exports, increasing sales for local businesses and supporting innovation and launching new quality, locally grown brands, the apparel, footwear, and accessories sectors will continue to drive economic growth in Moldova.

SUCCESS STORIES: GRADUATING TO HIGH VALUE PRODUCTION

Vision for a Manufacturing Shift

Mobilize enterprises to move from low- to high-value-added manufacturing to preserve jobs, grow incomes, and enhance industry long-term competitiveness.

Dominated by companies that fill orders based on patterns, fabrics and accessories sent by foreign clients—the simplest and lowest value segment of the industry, growth in Moldovan manufacturing industries domestically and internationally is limited. During the past several years, as part of USAID's support to improving the competitiveness of the industry, a growing number of companies that design and produce their own products have emerged. These own brand companies create higher value products and represent the model for the future of the Moldovan fashion industry. However, on the local market, they face tough competition from well-known foreign brands and consumers who are skeptical about buying Moldovan-made clothing, footwear, and accessories. These challenges, combined with limited promotion skills, marketing budgets, and availability of affordable retail space, threatened the success of the own brand companies.

Building Up Own Brand Businesses

Designing to Successfully Retail Quality Products. More than 30 fashion manufacturers participated in the Design and Pattern Making Coaching program set to improve the design knowledge and capabilities of local designers, and enable them to develop better collections and improve their vision about the design process and collection structure. "Flying" international designers from countries that set global fashion trends, such as the UK and Italy, came in season to Moldova to help domestic brands understand fashion trends and create designs consumers want.

Learning what it takes in Product Development

"We've learned how to define the products to comprise a collection, how often and when the products should be updated, and what tasks and responsibilities our design team members should share."

—Svetlana Sirghi, Owner, Vistline Apparel Company

Strategically Purchasing and Sourcing for Sales Growth. Quality apparel is about quality raw material. However, Moldova does not have its own textiles or leather supplies. Between 2013 and 2015, numerous designers were supported to attend the world-renowned raw materials and accessories exhibition, Premier Vision, in Paris. As a result, designers and procurement specialists from Moldovan own brand apparel companies learned to identify and negotiate with fabrics and accessories suppliers and select and purchase raw materials for new collections. To encourage the use of stock fabrics, 30 designers were sent to the biggest fabric warehouses in Turin, Italy, to learn how to select premium, natural fabrics for their collections and negotiate prices to obtain a better quality-price ratio for raw materials. After these visits, Moldovan own brand apparel companies found reliable

suppliers in Lithuania, Germany, Romania, Italy, Belgium, and other countries able to supply quality fabrics, leather, and accessories.

Building Stronger Brands to Expand Reach in the Domestic Market. More than 70 Moldovan companies are today selling under their own brand with CEED II support. Ensuring refined brand images and logos are used, branding corresponds to key market segments for each company. Creating product policies that correspond to the brand image and target consumers has been the key to successful launches into the market. In 2012, CEED II launched the "*Din inima branduri de Moldova*" or "From our heart—Moldovan brands", campaign to attract Moldovan consumers, build awareness about domestic fashion brands that were competitive with imports on both quality and price, and improve the perception of domestic products. Twelve companies participated in the first *Din inima* campaign, which generated significant interest from local media and consumers and boosted companies' sales. Every dollar spent on promotion brought a $65 increase in sales. Following this initial success, 10 more companies joined the next campaign, and it became a bi-annual activity with fall and spring events. To date, more than 60 local brands have participated in the campaign and presented their collections at the seasonal fashion shows. Companies participating in *Din inima* now contribute more than 70 percent of promotion budgets. Companies have learned to work together to enjoy the results of joint promotion, and *Din inima* has become a national brand.

The Benefits of Increased Promotion

"This unprecedented promotional campaign has changed drastically our consumers' perception, and made them feel proud of wearing Moldovan brands. Thanks to the Din inima campaign, Ionel's sales on the domestic market increased by more than 26% in 2013 compared to 2012."

—Tamara Luchian, Director, Ionel Apparel Company

Promoting Exports through Exhibitions

Embracing Positive Tradeoffs from Trade Shows. Over the life of the CEED II program, more than 40 local companies attended 40 trade shows or exhibitions in 10 countries, including Russia, Lithuania, Belgium, the UK, France, Italy, Romania, Ukraine, Germany, and Kazakhstan. Exhibition participation translated into clients and contracts generating $16 million in new sales. The main result of Moldovan fashion companies' participation at international trade-shows was the chance to attract services and orders with higher value added - compared to cut-and-make services - and to increase exports. For example, Olga Ceban started exporting lingerie manufactured under the client's private label to Belgium and Germany, while Georgette added pattern design and sourcing fabrics for its French customers. Companies able to shift from cut-and-make services to a private label are gaining two to three times higher value added. This enables these firms to pay higher salaries and increases profits they can reinvest in technological upgrades and development of their factories. In addition, Moldova started exports of own-branded apparel to nearby Romania, Russia, Ukraine, and Kazakhstan, where Moldovan brands are responding to customer preferences given the affinity in culture. Participation at the Kazakhstan Fashion Expo in spring 2015 has translated into dozens of business contacts and trial orders for all eight participating brands – demonstrating itself as a high-potential market for Moldova.

Supporting Viable Sector Resources

Create a Center of Excellence to Boost Education and Innovation. In 2015, the Zip House center of excellence will be launched to address the industry skills gap, foster innovation, and cultivate entrepreneurship. As a public-private partnership between Technical University, APIUS, government (Ministry of Economy, MIEPO), and USAID, the center will fill industry gaps in education, business acceleration services, and the up-to-date technological environment. Students, industry specialists, and the young designers will develop their creativity, design, engineering, and technological skills, ensuring that the industry is fueled with competitive human capital.

"USAID CEED II is a unique project which contributed to significant and successful transformation of the apparel and footwear industry in Moldova".

—Alexandra Can, Chairman of APIUS and Director of Artima factory

Moving Forward

Global fashion chains are dramatically changing, impacting supply chains for faster client delivery. Moldova's fashion manufacturing industry must continue to reposition itself in regional and international markets as a supplier of value- added manufacturing in Europe, with competitive prices per unit and provide additional services as core offerings, such as textiles sourcing and pattern making. Factories should further innovate to reengineer their business models to improve their products and processes. To fit into the global fashion landscape, the industry should breed excellence in design and engineering, as well as creativity. Finally, internationalization in regional markets of Moldovan brands that succeeded domestically should be further facilitated, using *Din inima* as the umbrella brand for joint promotion.

Reaching higher value added manufacturing

Higher value-added enables to preserve jobs, to grow incomes and to enhance industry long-term competitiveness.

Own Label

Provided Assistance

+ BRANDING
+ MARKETING
+ SALES

Branding & image building
Umbrella brand, joint campaigns and stores "Din Inima"
Marketing, sales, merchandising and stock management skills
Professional websites & online presence

Private Label

+ COLLECTION DESIGN
+ PATTERN MAKING
+ GRADINGES

Design coaching and product concept development
Fashion trends awareness
Pattern design and grading skills

FOB Shipping

+ RAW MATERIALS SOURCING & TESTING

Sourcing skills & fabric libraries
Accessing supply channels from Turkey, France, Italy & India

Cut, Make & Trim

+ ACCESSORIES SOURCING

Visits of big accessory suppliers, including Romania, Turkey, Belgium, Germany
Participation at key trade events in EU and CIS such as Zoom by Fatex, GDS, White Label

Cut & Make

= MANUFACTURING

Productivity enhancement coaching, including workflow management and MODAPT
Implementation of Management Information Systems (MIS) for streamlined and efficient operations

BOOSTED THE SHIFT TO HIGH-VALUE ADDED

Share of companies providing low-value Cut & Make services decreased from 95 to 80 percent

70 new generation brands emerged as backbone of Moldovan fashion industry

95 to 80 low-value services

70 new brands

ENHANCED EXPORTS TO EU AND OTHER MARKETS

Companies acquired important new European customers including from Italy, France & Germany, for value-added manufacturing

Branded Moldovan apparel is now being exported to Eastern markets

over 30 companies

over 10 markets

16.1M new sales

38 B2B and trade events

REVIVED MOLDOVAN MARKET

Assisted brands had new sales of $7.4M or 34% growth in 3 years

Unparalleled umbrella brand—Din Inima/Branduri de Moldova—raised industry profile and consumer pride

58 participating companies

5 joint campaigns

60%+ companies cost-share

$2.6M private investment in Din Inima stores was leveraged, as affordable trade infrastructure for Moldovan brands

IMPROVED PRODUCT COMPETITIVENESS

Over 80 companies increased efficiency and product quality, through know-how in design, marketing, manufacture and technology

35 trainings

684 participants

556 women

Over 6,000 employees, or 30% of industry labor force, attained better productivity skills

Over 30 companies increased productivity by 15-20%

CONSOLIDATED INDUSTRY CAPACITY

Industry association—APIUS—increased capacity, doubled membership and became a strong industry voice

90+ members

20 trainings

Din Inima campaign ownership

Industry acquired a strategic development vision, embraced by private sector and government

Premiere Center for Fashion and Technology Education and Acceleration in Moldova—Zip House—adapts education to industry needs