



## Sourcing Trends Shift in the Asian Markets

China is losing the competitive advantage it has enjoyed in traditional labor-intensive industries over the last two decades. Operating conditions for factories remain challenging, with quadrupling blue-collar wages, a shrinking labor market, and rising raw material costs coupled with expected appreciation of the RMB of about 3.5% in 2013. In response, companies are not so much looking to exit manufacturing in China as they are considering setting up parallel operations in other countries. Foreign direct investment in Cambodia, for example, jumped last year by a solid 70%, reaching US\$1.5 billion, and also soared in Myanmar, The Philippines, Thailand and Vietnam.

Piet Holten, President of Pactics, a Belgian company producing microfiber sleeves for luxury sunglasses in China and Cambodia, was quoted as saying Cambodia "... will never have China's productivity, but the cost is less than a third of China's, and China only gets more expensive." Mrs. Tatiana Olchanetzky, a consultant in the handbag and luggage industry, has analyzed the cost of moving manufacturing to countries like Cambodia, Indonesia, The Philippines or Vietnam. She found that any savings would be very small, because China has most of the needed materials, which would have to be shipped to these countries if final assembly is moved out of China. Apart from the cost aspect the increasingly important "time to market" aspect is negatively affected.

At the same time, LEGO of Denmark just announced that it will set up a major manufacturing facility in Zhejiang, near Shanghai, to become operational in 2014. They plan that by the time the plant is fully completed in 2017, it will supply 70 - 80% of all LEGO bricks sold in Asia.

The ICTI CARE Process has anticipated the market changes underway, is ready to expand and has prepared to do business in new geographies. A basic cadre of trained and accredited auditors has been established in the important secondary sourcing Asian markets for the children's products industry. According to ICTI CARE Foundation President and CEO, Christian Ewert, "We are ready to scale up as needed to service any upcoming demand from these new regions."

Source: ICTI Care Foundation

### Sports Goods Export Promotion Council

July, 2013

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## Tweens and Toys



*There are basically three "toy" stages – Baby, Preschool and Tween. Teenagers, while a fourth category, have become much less important as toy consumers and are now much more a factor in consumer electronics. This article will focus on the Tween category – arguably the most important of the three.*

- *Experience tells us that when children reach their Tween years (8–12 years old), they begin to develop unique social needs and desires, and reveal distinctive hopes, dreams, and expectations for the future. Most notably in this age group, physical changes brought on by the onset of puberty are accompanied by emotional changes.*

*Tweens begin to develop their own sense of self and seek out information from parents, the media, the Internet, and peers that will help them further define themselves. They are beginning to identify their own interests and express themselves through their activities and the first adult interests start to emerge, such as playing sports, playing musical instruments, buying toys, cooking, sewing, using computers, etc.*

*At the same time, Tween self-esteem is in development and is fragile at best, and this often results in rebellious behaviour and a rejection of the values held up to that point. As such, Tweens are highly affected by peers and face pressures and worries that are often focused on how they will fit in and interact with others in society. As a consequence, they will question the "rightness" of the things they had bought earlier and will often change direction in terms of their product preferences.*



*Mattel found out the hard way just how contrary Tweens can be. The company had reigned supreme in the fashion doll field since time immemorial – they had between Barbie and Disney Princess something like an 80% market share. Then, in 2004 an upstart, MGA Entertainment, determined that there was an opening for a doll that was not quite as nice and wholesome as Barbie or Princess. They created a new doll – Bratz.*

*Within a year, it was adopted wholesale by the Tweens as an alternative to Barbie or Princess, the two dolls that were totally identified with the older generations such as their mothers and other oldies. At its peak, Bratz was bought by nearly three-quarters of the Tween girl population. Mattel eventually hit back by creating Monster High, a doll that epitomized everything Bratz stood for, and the Tweens again went completely for it.*

*Another example is the Skylanders, Activision's marriage of video games and action figures. This, too, was and continues to be an astounding success story simply because it took the Tween population, both boys and girls, by storm. Today, Skylanders are arguably the #1 toy bought by Tweens.*

*Lego's astounding success is, too, due to the fact that the company focuses laser-like on the Tween population – for boys with their action figure licenses and for girls with their recently launched Lego Friends programs.*

*Tweens are responsible for more than half of all the toys bought in the United States.*

*And there are good reasons for this sharpened focus. There are about some twenty million Tweens in the U.S. alone. White non-Hispanics continue to be the majority of this group with something like 45% of the total. Hispanics are the second group with around 12% but are expected to grow to nearly 20% by end of this decade.*



*Tweens are financial powerhouses. They are responsible for about \$200 billion in spending on clothes, cosmetics, accessories, toys, consumer electronics, etc. – 20% spent by them themselves, 80% spent by their parents on them. Most of the decisions surrounding this 80% are taken jointly, so Tweens are the real decision makers for the totality.*

*In addition, Tweens are not only a primary and an influencer market, they are also a future market in that they tend to be extremely brand conscious and brand loyal. Once they have decided that a given brand is what is right for them, they will stay with the brand into teenagehood and beyond as long as it keeps up technologically with the expectations of the group overall. Apple is an excellent example for this. Tweens started with iPods, graduated to iPhones and are now migrating over to the iPad. As long as Apple is "in" the Tweens will stay with the company.*

*Obviously, each toy marketer is extremely interested in reaching the Tweens. And they are spending big bucks on this – at last look about \$1 billion a year. Hence, looking at the chart above, the logical place to start would be Television advertising. But then, these are Tweens and unlikely to do what you expect them to. And this includes TV viewing.* (cont. on Page- 5)

### **DGFT inks MoU with Delhi govt for use of e-BRC**

Directorate General of Foreign Trade (DGFT), have signed an agreement with Delhi government for the use of electronic Bank Realisation Certificate (e-BRC), a move which will help in reducing transactions cost of exporters.

The e-BRC initiative leads to electronic transmission of foreign exchange realisation certificate from the banks to the DGFT's server on a daily basis. With this facility, there will be minimum human interface between the Commerce Ministry and the exporting community for grant of benefits.

It would help reduce transaction cost to exporters, who will not be required to make any request to bank for issuance of bank export and realisation certificate.

It establishes a seamless electronic data interchange connectivity among DGFT, banks and exporters.

Transmission of bank realisation against shipping bills has been made mandatory from August 2012.

"Eighty-one banks have transmitted more than 38 lakhs e-BRC to DGFT. DGFT has requested State Governments to use e-BRC in their efforts to refund VAT and other related tax administration. The central/state government departments have shown commendable response to this initiative," an official statement said.

The government of Delhi has become the second state to sign the MoU after Maharashtra.

"MoU was signed between DGFT and Commissioner (Trade and Taxes), Government of NCT of Delhi here today for the use of e-BRC," it said.

Source: Economic times

## **Buenos Aires elected as Host City for 2018 Youth Olympic Games**

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The 3rd Summer Youth Olympic Games will be hosted by the city of Buenos Aires in 2018, International Olympic Committee (IOC) President Jacques Rogge announced today following a vote by the IOC members at an Extraordinary IOC Session in Lausanne.

Buenos Aires (Argentina) was elected ahead of Glasgow (Great Britain) and Medellín (Colombia).

The announcement was the culmination of a bidding process launched in September 2011, which originally included six Candidate Cities - the three other cities were Guadalajara (Mexico), Poznań (Poland) and Rotterdam (Netherlands).



After a thorough review of the Candidature Files and other relevant documentation submitted by five of the Candidate Cities (Poznań withdrew from the bidding process), the IOC Working Group, led by Claudia Bokel, presented a report to the IOC Executive Board (EB). Based on this report, the EB announced Buenos Aires, Glasgow and Medellín as shortlisted candidates at a meeting in Lausanne in February 2013.

The 2nd Summer Youth Olympic Games will be held in Nanjing, China, from 16 to 28 August 2014.

### **24x7 customs clearance facility for export cargo from July 1**

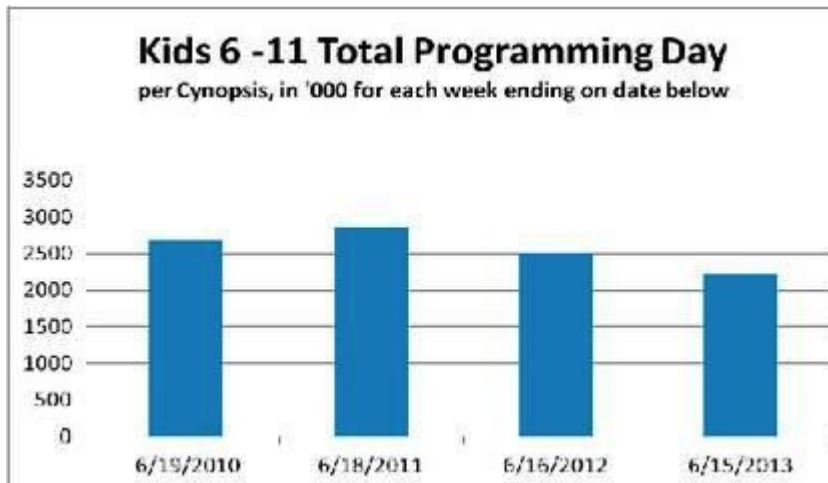
With an aim to boost exports, the Finance Ministry today said customs clearance of all export goods will take place on 24x7 basis from four major air cargo complexes at Bangalore, Chennai, Delhi and Mumbai from July 1.

“All exports including those made under export incentives scheme as well as duty drawback scheme will now be able to be move out of the country on 24x7 basis,” Finance Ministry said in a statement. The Government expects this initiative to greatly facilitate the exporting community and boost the country’s exports by reducing dwell time and enabling exporters to meet their deadlines, it added.

The expansion of the 24x7 facility at the four major air cargo complexes /airports follows closely on the heels of similar customs clearance facility for exports made under Free Shipping Bills (without claiming export incentives) with effect from June 1, 2013 from thirteen air cargo complexes/airports. These 13 air cargo complexes/airports are Ahmedabad, Amritsar, Cochin, Calicut, Coimbatore, Goa, Hyderabad, Indore, Jaipur, Kolkata, Nashik, Vishakhapatnam and Thiruvananthapuram.

The extension of 24x7 customs clearance facility for imports and exports has been under consideration by the government for some time, the statement said.

The customs had began functioning on 24x7 basis to clear select export consignments under Free Shipping Bills as well as identified import consignments which were facilitated by its Electronic Risk Assessment System from September 1, 2012.



According to Cynopsis, who measures children audiences for the top 10 cable providers, the attendance of the 6 – 11 year olds is declining:



So, if the Tweens as a TV audience are declining, what about the Internet? Well, there again is a problem. The first place that comes to mind would be social forums such a

Facebook, Twitter etc.

However, the Children's Online Privacy Protection Act sharply curtails what personal information marketers can collect from or about children under 13 years of age and this makes the obvious Internet forums pretty much a waste of time. That is not to say that the Internet is not the perfect place to reach the Tweens; just that you have to be more creative than doing the obvious things.

Tweens rely nearly totally on two avenues for their brand choices – what they see on the Internet and what their friends tell them (which is often again based on opinions formed via the Internet). For a marketer, the approach is presumably to find online programs popular with the Tweens and to use these as a vehicle for branding communication.

The other avenue is cell phones, More than half of the Tweens have them and use them not only for phoning but, more so, for texting and surfing.

Movies are, too, a potent vehicle but not for all toy categories. In the case of Tween boys, the movies tied to action figure toys tend to be an extremely important factor. There are also films focused on Tween girls and tied to fashion dolls but these tend to be much less frequent and less important as sales generators. To illustrate the point, there are in 2013 seven major movies tied to action figures with an estimated U.S. box office of \$1.7 billion whereas there are only two doll-related movies with an expected box office result of \$500 million.

Also, Tweens tend to be an impulsive lot and are very likely to react to in-store promotions such as endcaps and aisle caps. This has been recognized by the marketers of boy-focused action figures but much less so by those that market fashion dolls, electronics, video games and other hot-button items.

The long and short of it is that for toy marketers there is no more promising and no more difficult consumer group to tackle than the Tweens. And whoever caters to them will have lots of surprises and disappointments, but life will never be dull.

Source: Lutz Miller (July 2013, TD monthly)

## **GSP Developments: Bangladesh Sports Equipment Threatened**

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The Office of the U.S. Trade Representative (USTR) is considering two possible actions regarding the U.S. Generalized System of Preferences (GSP) that would affect sporting goods importers. Meanwhile, Congress needs to take action to ensure that the program as a whole continues beyond its July 31, 2013 expiration.

In a Federal Register notice published on January 8, USTR announced that the interagency GSP Subcommittee believes that the lack of progress by the government of Bangladesh in addressing worker rights issues warrants consideration of the possible withdrawal, suspension or limitation of the country's GSP benefits. The announcement, which comes after a long review and multiple hearings concerning a petition filed by the AFL-CIO back in 2007, invites public comments by a January 31 deadline.

Sports equipment has been the second largest GSP import from Bangladesh in recent years. During the first ten months of 2012, golf club parts (\$3.0 million) and golf gloves and other miscellaneous golf equipment (\$0.9 million) accounted for the bulk of the \$5.0 million in sporting goods imported from the country.

Meanwhile, given the upcoming July 31 expiration of the GSP program's statutory authority, Congress plans to take up legislation to extend the program. As has happened on several occasions in the past, there could be a temporary lapse in GSP benefits if Congress fails to act quickly enough (in all such prior instances, the GSP renewal legislation has been made retroactive to the expiration date).

With the exception of athletic footwear and apparel, nearly all dutiable categories of sporting goods equipment are eligible for duty-free GSP treatment when imported from any of the nearly 140 developing countries that are beneficiaries under the program.

Source: Sports & Fitness Industry Association

### **Target Founder Douglas Dayton Dies at 88**

Douglas Dayton, who led the transformation of the family's Dayton Hudson department store business into the discount giant Target, died at the age of 88. Dayton passed away Friday after a long battle with cancer.

The Target Corporation, originally the Dayton Dry Goods Company and later the Dayton Hudson Corporation, is an American retailing company, founded in 1902 and headquartered in Minneapolis, Minnesota. It is the second-largest discount retailer in the United States, preceded by Walmart. The company is ranked at number 38 on the Fortune 500 as of 2012 and is a component of the Standard & Poor's 500 index.

The first Target store was opened in 1962 in nearby Roseville, Minnesota. Target grew and eventually became the largest division of Dayton Hudson Corporation, culminating in the company being renamed as Target Corporation in August 2000. In 2013, Target expanded into Canada and now operates over 100 locations through its Canadian subsidiary.

## Outdoor Recreation Categories, Led by Firearms, Dominated Industry Growth for Sporting Goods Equipment

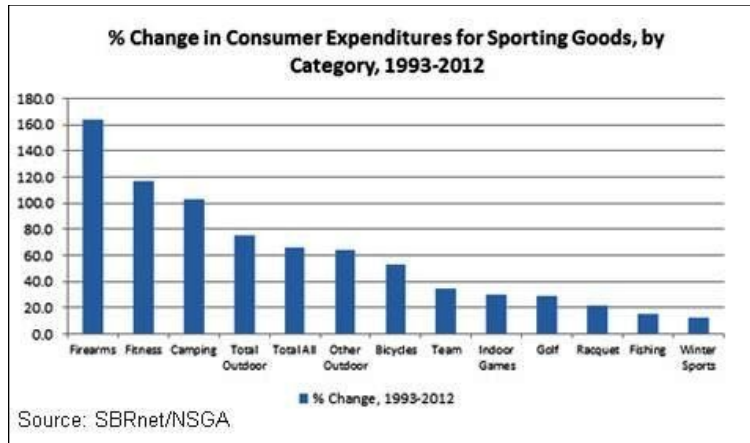
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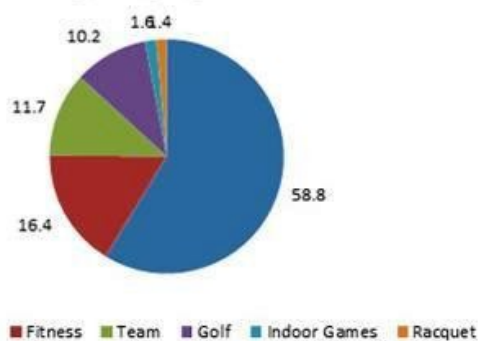
With regard to trends in consumer spending for sporting goods equipment (not including apparel and footwear), firearms exhibited the fastest growth, with 2012 sales increasing more than 2.5 (163%) times between 1993 and 2012. Other categories experiencing above-average growth were fitness (up nearly 120%), and camping (up 100%).

Over the same 20-year period, team sports, indoor sports, racquet sports and golf each grew at much slower rates... between 25% and 30%. Experiencing the least growth were fishing and winter sports, both growing less than 20%. (See chart on the right for all categories).

Not only do outdoor recreation and fitness categories dominate sporting



### **% of Total Consumer Expenditures for Sporting Goods Equipment, by Category, 2012**



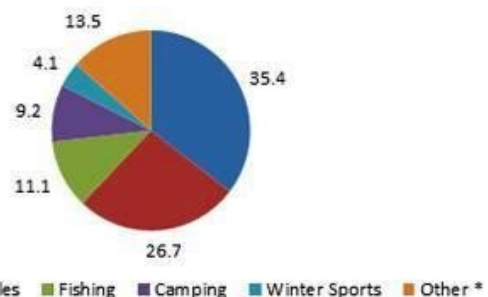
goods industry growth; they also represent the largest segment in the market. As shown in the chart on the left, outdoor recreation and fitness categories combined comprise 75% of the total market.

Within the entire outdoor recreation market, an examination of the size of various categories reveals that over 60% of all expenditures were for Firearms and Bicycles. Fishing and camping expenditures combined represented 20% of expenditures for

outdoor recreation equipment, with water sports, optical equipment (binoculars, etc.), archery and wheel sports comprising the other 20%.

Source: SBRnet

### **% of Outdoor Equipment Consumer Expenditures, by Category, 2012**



\* Archery, Scuba, Optics, Other Water Sports, Wheel Sports

## **New opportunity for Indian Sports goods exporters in the US market**

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A new UNFAIR COMPETITION ACT (UCA) has recently been passed in United States of America. The UCA is a threat for the countries using pirated/unlicensed software/hardware whereas an opportunity for the countries like India whose piracy percentage is at 63% which is minimal as compared to 77% in China and 81 % in Vietnam and reached further heights to 86% in Pakistan. In the aftermath of the UCA India clearly has the potential to become a preferred trading partner with States.

As per the UCA, “any country, company or person using a pirated software or hardware at any level from factories to offices, while manufacturing its product and selling it to the US may lead to the prosecution of the US Company leading to the cancellation of their licenses. This would mean that if a sports good manufacturer uses a pirated software or hardware, not only in any one step alone but anywhere in his business and sells it to a US company, in such a scenario US company is liable for damages. This has resulted into an obvious shift in preferences of the US buyers from buying ONLY from the IT compliant firms. Indian sports goods exporters manufacturers therefore need to use genuine software or hardware and increasingly implement more modern and value added technology in the process of manufacturing and evolving innovative products. This will help in meeting the growing competition in the international market on one hand and reap UCA benefit in the US on the other. Please [click here](#) to have more information on it.

### **Export Promotion Activities for the year 2013-14**

S.No	Events	Sector	Dates
1	Exhibition of Indian Sporting Goods & Toys in LAC (Brazil, Argentina and Chile)	Sports Goods and Toys	October , 2013
2	Sports Source Asia 2013, Hongkong	Sports Goods	29th – 31st October, 2013
3	Hong Kong Toys and Game Fair 2014, Hong Kong	Toys	6th – 9th January, 2014
4	ISPO 2014	Sports Goods	26th – 29th January, 2014
5	Spielwarenmesse International Toy Fair, Nurnberg, Germany	Toys	29th January – 03rd February, 2014

SGEPC Newslines is the electronic newsletter of the Sports Goods Export Promotion Council

For any suggestions/ queries, please contact us at:-

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**Government of India  
Ministry of Commerce & Industry  
Department of Commerce  
Directorate General of Foreign Trade**

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**PUBLIC NOTICE No. 12 (RE:2013)/2009-2014**  
**NEW DELHI DATED 8<sup>th</sup> May 2013**

In exercise of powers conferred under paragraph 2.4 of the Foreign Trade Policy, 2009-14, the Director General of Foreign Trade hereby makes the following amendments in Appendix 5 of the Handbook of Procedures (Vol. I) with immediate effect:-

The following Pre Shipment Inspection Agencies (PSIA) shall be added after Sl.No.30 in the Appendix-5 of the Handbook of Procedures (Vol-I), Appendices and Aayaat Niryaat Forms:-

Sl.No.	Name of the Inspection Agency	Area / Region of Operation
31	<b>TUV Rheinland India Pvt Ltd.,</b> 82/A, West Wing, 3 <sup>rd</sup> Main Road, Electronics City, Phase I, Bengaluru-560100, India. Tel: +91 80 3989 9888, +91 80 3055 4319, Fax: + 91 80 3055 4342 Email: info-ind@ind.tuv.com  Website: <a href="http://www.ind.tuv.com">http://www.ind.tuv.com</a>	India
32	<b>Controlex Limited,</b> Fairmont Business Centre, Level 7, Office # 712, P.O. Box 121904, Dubai, UAE Tel: +971 50 8832129 Fax: +971 48867402 Email: operations@controlex.co	Brazil, Canada, Djibouti, Egypt, Iran, Mozambique, Qatar, Saudi Arabia and Sudan

2. The details of existing PSIA at Sl.No.30 in Appendix-5 of Handbook of Procedures (Vol - I) as notified in Public Notice No.52 dated 28.3.2013 are amended / corrected to read as under:

Sl.No	Name of the Inspection Agency	Area / Region of Operation
30	<b>Worldwide Logistic, Survey and Inspection [WLSI] Group and Affiliates,</b> B-1/1 Second Floor, Saket New Delhi-110017, India Phone: +91 11 41664409, Fax: +91 11 41671050 E-Mail: <a href="mailto:info@wlsi.us">info@wlsi.us</a> , Website: <a href="http://www.wlsi.us">www.wlsi.us</a>	Indonesia, European Union, Israel, South Korea, Bangladesh, Sri Lanka, Mauritius, West Africa, Japan, Saudi Arabia and Bahrain

**Effects of this public notice:**

2. Two new Pre Shipment Inspection Agencies (PSIA) have been notified. Area of operation of one existing PSIA has been widened.

(Anup K. Pujari)  
Director General of Foreign Trade  
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**No.54/1/2013-FT(AF)**  
**Government of India**  
**Ministry of Commerce & Industry**  
**Department of Commerce**  
**FT(Africa) Division**  
**Udyog Bhawan, New Delhi**  
**Dated 8th Day of July,2013**



**Subject: Pre-export verification of conformity for goods destined to Uganda.**

Sir/Madam,

The undersigned is directed to say that Uganda National Bureau of Standards has put in place a program referred to as Pre-Export Verification of Conformity (PVoC). This program ensures that all goods that affect public health, safety and the environment are inspected in the country of origin to facilitate this exercise; inspection agencies have been contracted by the Government of Uganda to undertake verification. The inspection agencies are:

A. For general goods:

1. Societe Generale des Surveillance (SGS)
2. Intertek International Limited (INTERTEK)
3. Bureau Veritas

B. For used Motor Vehicles:

1. Japan Export Vehicle Inspection Centre Co. Ltd. Located in Japan
2. Jabal Kilimanjaro Auto Mechanic & Paints located in United Arab Emirates
3. East Africa Automobile Services located in Japan and UAE.

It is requested that the above information may kindly be circulated to all the exporters.

Yours faithfully  
(Prem T.N.)

Under Secretary to the Govt. of India  
Phone: 011-2306 3694

**INDO-PAK TRADE THROUGH ATTARI SEES HUGE JUMP**

The Indo-Pak trade through Attari land route in Amritsar registered a substantial increase in 2012-13 compared with 2011-12. While the imports grew 81 per cent, exports registered an increase of 122 per cent, showing the Integrated Check Post (ICP) at Attari .

**According to the Customs, the total value of imports in 2012-13 was Rs 1,749 crore against Rs 965.18 crore in 2011-12. While the exports touched Rs 3,052 crore in 2012-13 compared with Rs 1,376 crore in 2011-12.**

**SHIPMENTS ACROSS BORDER**

Quantum of trade in terms of value of goods

(in ₹ crore)

