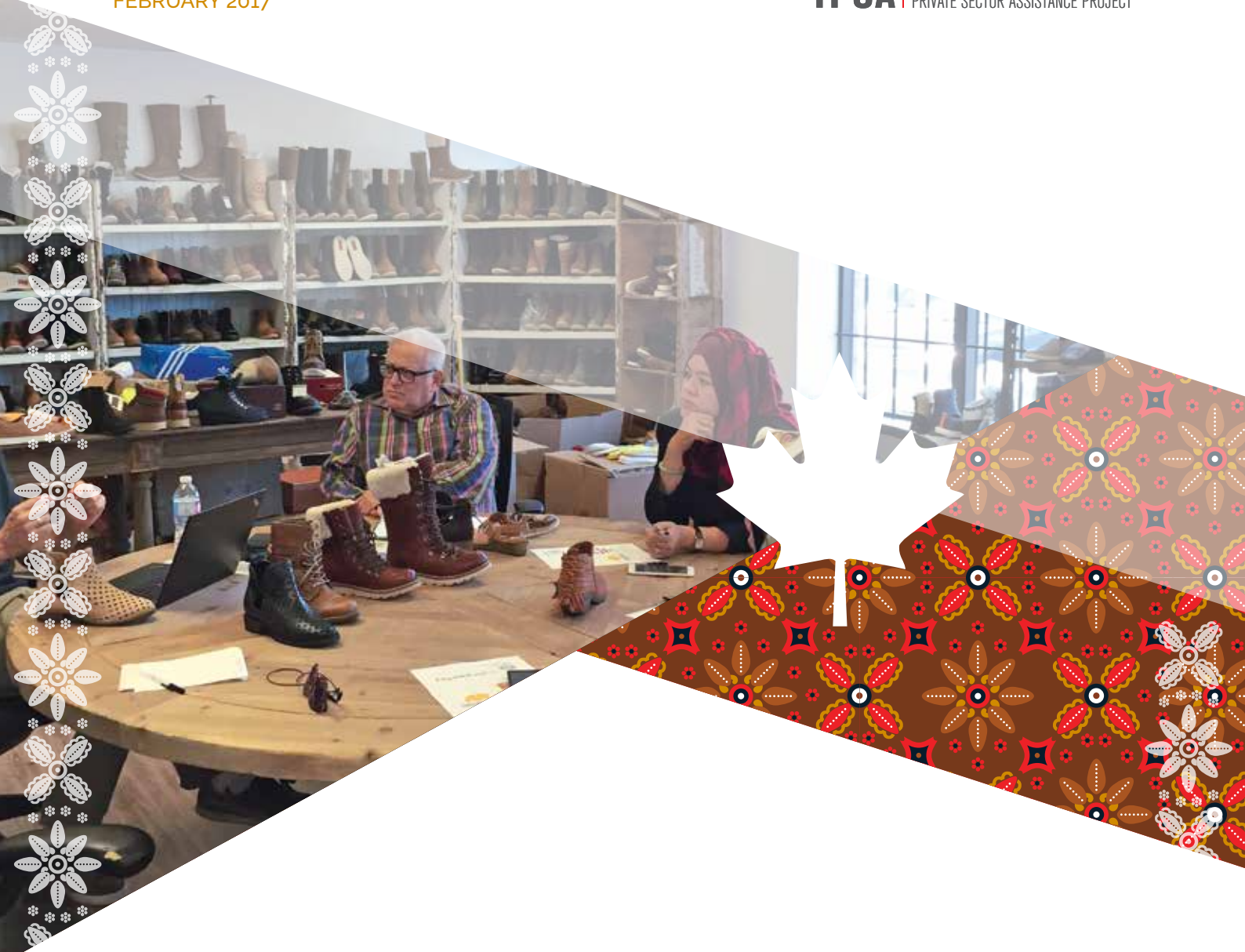


REPORT
FEBRUARY 2017



TPSA | CANADA-INDONESIA TRADE AND
PRIVATE SECTOR ASSISTANCE PROJECT



Strengthening Indonesian Business Associations:

Insights From the 2016 Indonesian Business Associations'
Study Tour to Canada

Canada

Program undertaken with the financial
support of the Government of Canada
provided through Global Affairs Canada

IN PARTNERSHIP WITH





Strengthening Indonesian Business Associations: Insights From the 2016 Indonesian Business Associations' Study Tour to Canada

About the TPSA Project

TPSA is a five-year C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector—particularly small and medium-sized enterprises (SMEs)—academics, and civil society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support higher sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

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Introduction



In September 2016, a delegation of 12 officials from five Indonesian business associations and the Ministry of Trade of Indonesia had the opportunity to travel to Ottawa, Montréal, and Toronto to meet with various stakeholders in the Canadian footwear, apparel, and coffee sectors.



Indonesian Footwear Association (APRISINDO)

- Mr. Binsar Marpaung, Secretary General
- Ms. Betty Wardani Nurbaety, Second Secretary General



ASOSIASI PERKESKILAN INDONESIA
INDONESIAN TEXTILE ASSOCIATION

Indonesian Textile Association (API)

- Mr. Liem Liliek Setiawan, Vice-Chairperson
- Mr. Budiman H. Wiryatmaja, Head of the Education, Training, and Certification Committee



Specialty Coffee Association of Indonesia (SCAI)

- Mr. Syafrudin, Chairperson



Association of Indonesian Coffee Exporters and Industries (AEKI)

- Mr. Pranoto Soenarto, Vice-Chairperson



Indonesian Business Women's Association (IWAPI)

- Ms. Ida Farida, Chairperson of South Sulawesi chapter
- Ms. Rosi Malia, Chairperson of Aceh chapter
- Ms. Masrura Ramidjal, Chairperson of West Java chapter
- Ms. Shintamie Nastiti Surya Putri, Chairperson of Yogyakarta chapter



Ministry of Trade of Indonesia

- Mr. Marolop Nainggolan, Head of Sub-Directorate for America and Europe, Directorate for Export Development and Cooperation, Directorate General for National Export Development (DGNEDE)
- Ms. Meita Fitrianti Omar, Head of Section for American Market Development, Directorate for Market Development and Export Information, DGNEDE



The objectives of the Indonesian business associations' visit to Canada were (1) to build links between Indonesian and Canadian business associations, particularly those focusing on small and medium-sized enterprises (SMEs) in the three sectors, and (2) to share knowledge on Canadian business associations' best practices in providing services to its members, including coordination with various levels of governments in Canada.

The delegation visit was organized into two parts. The first part took place in Ottawa from September 14–16, where all delegates participated in mostly non-sector-specific meetings and received technical training on cross-cutting issues such as gender equality and environmental sustainability. The second part of the visit was dedicated to sector-specific meetings, which were held in Toronto and Montréal from September 17–20. Each delegate joined one of the following three groups based on his/her respective sector:

1. footwear group, which consisted of delegates from APRISINDO and IWAPI West Java chapter;
2. coffee group, which consisted of delegates from AKSI, AEKI, and IWAPI South Sulawesi and Aceh chapters;
3. apparel group, which consisted of delegates from API and IWAPI Yogyakarta chapter.

Delegates in the footwear and coffee groups attended their respective sector-specific meetings in Toronto, while delegates in the apparel group attended meetings in Montréal.





Part 1: Non-Sector-Specific Meetings in Ottawa

Overview

The meetings began in Ottawa at The Conference Board of Canada offices where delegates were provided with an overview of the TPSA project and how the delegation visit fits within the project and its goal of increasing exports from Indonesia to Canada. Delegates also learned about how business associations in Canada function and their relationships to various federal, provincial, and municipal governments.

Landscape of Canadian Business Associations

Alexandre Larouche-Maltais, TPSA Senior Trade Expert, outlined the role of business associations in Canada, their internal structure, and how they link the enterprises they represent with government authorities.

Business associations have been described as “membership organizations engaged in promoting the business interests of their members. These associations typically perform activities that would be unduly costly or time-consuming for an individual company to perform by itself, including lobbying, information gathering, research, and setting industry standards.”¹

Business associations may fill the “communication gap” between the government and the private sector by providing useful insights to policy-makers on potential reform impacts and disseminating updated information on future regulatory changes to the private sector.² For example, the Canadian Apparel Federation publishes main apparel-related regulations on its website and provides regulatory updates to its members to foster compliance within the industry.

Business associations also offer a wide portfolio of support services to improve or maintain their members' competitiveness on international markets. (See Exhibit 1.) Examples of these services are:

- Economic and sectoral forecasts: Canadian Manufacturers and Exporters publishes *Manufacturing Pulse*, a quarterly economic update.
- Trade promotion support: The Canadian Apparel Federation launched the Wear Canada program, which aims to highlight the advantages of Canadian sourcing and support Canadian firms in entering new export markets.
- Networking opportunities: The Coffee Association of Canada organizes a conference every fall to offer its members an opportunity to network and build partnerships.
- Foreign and domestic market insights: The Chamber of Commerce of Metropolitan Montreal organized a one-day event called Indonesia, The Archipelago that Combines Growth and Consumption to explore business opportunities in the Indonesian market.

¹ Inc., *Business Associations*, www.inc.com/encyclopedia/business-associations.html (accessed January 13, 2017).

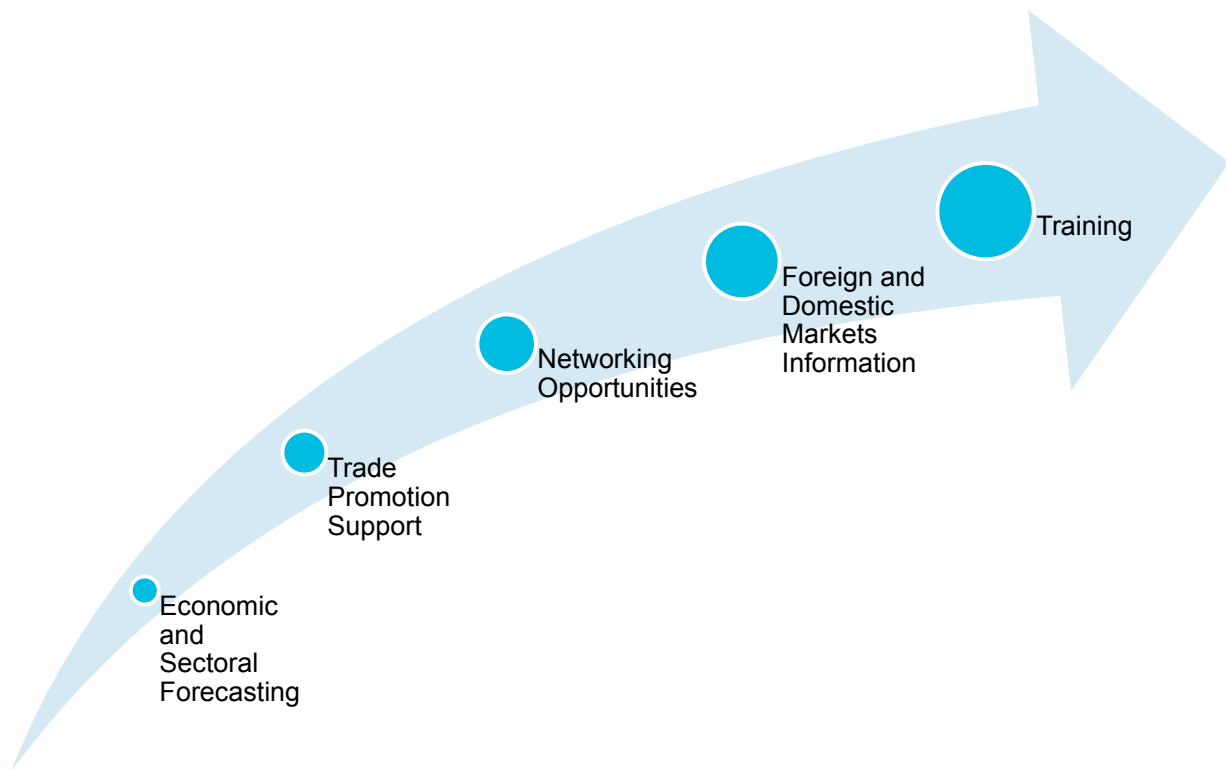
² Aleksandr Shkolnikov, *Building Successful Business Associations: Why Good Association Governance Matters* (Washington, D.C.: Center for International Private Enterprise, 2009), 2. www.cipe.org/sites/default/files/publication-docs/Building%20Successful%20Business%20Associations%20Why%20Good%20Association%20Governance%20Matters.pdf (accessed January 13, 2017).





- Training: The Canadian Federation of Independent Business offers online courses to meet the needs of its SME members.

Exhibit 1 Services Offered by Business Associations



Source: The Conference Board of Canada.

TFO Canada

The introductory session was immediately followed by a presentation by Steven Tipman, Executive Director of the Trade Facilitation Office (TFO) Canada, and Zaki Munshi, Project Manager for Asia and the Middle East, TFO. The presentation focused on three topics.

Canadian market and consumer trends in Canada focused on factors that matter the most to Canadian consumers, including the importance of corporate social responsibility (CSR), environmental considerations, and supporting women-owned businesses. Canadian consumers are relatively affluent, price conscious, well-informed, increasingly multicultural, and tech savvy.

The nature and structure of the Canada–Indonesia trade relationship covered existing export opportunities for Indonesia in the Canadian market and how Indonesia's top export products perform in the Canadian market. While smaller in population, Canada imports more on a per capita basis than does the United States. Imports represent 31 per cent of Canada's GDP and have been growing at about 5 per cent per year. This makes Canada the 11th-largest import market in the world. While Indonesia is currently not one of Canada's large source markets, imports from Indonesia to Canada have been strong.

The final topic, **accessing the Canadian market**, highlighted what steps exporters need to take in order to get their products into Canada.³

³ These steps are detailed in TPSA, *A Step-by-Step Guide for Indonesian SMEs to Export to Canada* (Ottawa: TPSA, 2016), www.tpsaproject.com.





Global Affairs Canada

Delegates had the opportunity to learn directly from high-level officials of Global Affairs Canada on how the Government of Canada supports and works with Canadian businesses and non-governmental organizations in making trade policy. Four trade-related topics were discussed by the following senior officials:

Rosaline Kwan, Executive Director, South, Southeast Asia, and Oceania Commercial Relations, discussed the **Canada–ASEAN trade relationship** and provided information on resources for importing into Canada, such as the Canadian customs tariff, guides to importing commercial goods into the country, and assistance in building trade partnerships between exporters and buyers in Canada.

David Usher, Executive Director, Trade Negotiations, discussed the **importance of consulting with various stakeholders in every trade negotiation process** in order to better understand the challenges and benefits for Canadian businesses and Canadians in general. Some stakeholders include SMEs, women entrepreneurs, labour unions, environmental organizations, and indigenous groups. Mr. Usher also highlighted the importance of the *Canada Gazette* as the government's communication tool to inform the business community of new legislations and to seek their views on the legislations with particular deadlines. He also emphasized the need to uphold confidentiality and privacy aspects in trade negotiations by having stakeholders sign non-disclosure agreements prior to conducting consultations.

Kyle Nunas, Executive Director, Aerospace, Automotive, Defence, and ICT, discussed **why and how the government engages with industry**. He explained that consulting with businesses and associations allows the government to align its efforts with priority industries, provide direct and indirect support for clients and partners, provide strategic guidance to Canada's trade commissioners worldwide, and provide trade commissioners with knowledge support. Mr. Nunas also elaborated on the four mechanisms of engagement with industries: convening sector-specific advisory groups, commissioning senior industry advisors, convening roundtable discussions, and conducting client outreach. He also explained how applying these mechanisms has enabled the government to engage more stakeholders (e.g., associations, other government departments) and consult on a wider range of issues (e.g., emerging trends, urgent issues in respective industries).



Indonesian business association delegation, representatives of the Indonesian Ministry of Trade, and the TPSA project team met with senior officials of Global Affairs Canada.

Josie Mousseau, Deputy Director, Missions, Consultations, and Outreach, discussed **how the government supports Canadian business women to succeed in international trade**. She presented the landscape of women-owned businesses in Canada and introduced Business Women in International Trade (BWIT) as the only nation-wide program that advocates for and supports women entrepreneurs to benefit from international trade. Ms. Mousseau also explained the importance of supplier diversity as a tool that brings women entrepreneurs and minority-owned businesses into the supply chain. She gave examples of women's business networks that provide such support, such as Women Business Enterprises (WBE) Canada and WEConnect International (Canadian chapter).





Supporting Women Entrepreneurs

The delegation had an opportunity to learn about other initiatives dedicated to supporting women entrepreneurs in business networking and in accessing international markets. Frances Mannarino, Chairperson of Ottawa's MyBusinessMyBoard at GroYourBiz, discussed the different types of support that GroYourBiz offers and the benefits they bring to women entrepreneurs in helping them grow their business. She welcomed further contact from any business association wishing to support a GroYourBiz model in Indonesia.

Barbara MacLaren, Gender Equality Specialist for the Canada-Ukraine Trade and Investment Support project, shared her experience working with the *Federación Nacional de Cafeteros* (FNC) to develop strategies to empower women in Colombia's coffee sector. She encouraged the delegation to reflect on the strategies used by their respective associations to support their female members and consider building a network link with the International Women's Coffee Alliance (IWCA).

Sustainable Practices in Global Apparel and Footwear Trade

TPSA organized a webinar on sustainability initiatives in the global apparel and footwear sectors for the delegates. Scott Miller, Director of Business Development of the Sustainable Apparel Coalition (SAC), discussed SAC as an initiative promoted by business and non-business communities to improve the sustainability aspects of apparel and footwear global value chains. Mr. Miller explained that SAC is developing the Higg Index, which is expected to become the sustainability standard in the apparel and footwear industries.

Business Associations and Corporate Social Responsibility

On the last day of the delegation's visit to Ottawa, TPSA organized a full-day workshop on corporate social responsibility (CSR) facilitated by Coro Strandberg, CSR and sustainability expert. Ms. Strandberg explained the concept of CSR, its business benefits, best practices in CSR, and the role that business associations play in advancing CSR practices among their members.

The workshop was an eye-opener for the delegates, as they realized that CSR could be a powerful way to improve a business's profitability and social and environmental performance. This is different from the view held in Indonesia, where CSR is often considered synonymous with charity. Several delegates stated that they would like to offer this kind of training to their business association members.

Ms. Strandberg noted that a growing number of major companies have adopted CSR to help them stand out in their industry. Meaningful CSR goals can be designed to meet the economic, social, and environmental sustainability goals of a specific association, industry, or firm. The workshop took delegates through hands-on exercises to help them consider what CSR might look like in their respective business associations.



Coro Strandberg leads the delegates at the CSR workshop.

The workshop took delegates through hands-on exercises to help them consider what CSR might look like in their respective business associations.





Lessons From Ottawa

At the end of the meetings in Ottawa, the delegation came together to reflect on and share lessons learned. Based on the feedback from delegates, five learnings were noted:

1. Delegates understand the importance of establishing contacts and building relationships with the most relevant stakeholders, organizations, and businesses in Canada to identify and implement best practices that support Indonesian members of the respective association.
2. The delegates now have a better understanding of export opportunities to Canada, the Canadian market, and consumers in the respective sector. As one participant noted: "It is now easier to understand the North American trends and how Indonesian business associations can take advantage of those trends to enter the Canadian market." Many participants noted that the increasingly multicultural nature of Canada was one such trend.
3. Delegates learned about the Canadian government's support for businesses and gained insights from business support organizations in Canada.
4. Many delegates remarked that the meetings with Canadian business associations had given them ideas of how to improve the organization and activities offered by their associations—such as in mentoring and networking activities. They were also impressed by how business associations and governments work together to support Canadian business competitiveness.
5. IWAPI delegates were particularly impressed with the way that both private and public organizations support women's businesses and business networks. This is something all IWAPI delegates would like to encourage in Indonesia. Some of the challenges noted by IWAPI delegates were limited access to funding, lower-skilled human resources, and lack of awareness about the contribution of women-owned businesses to the Indonesian economy. More work, IWAPI delegates noted, needs to be done to quantify the contribution.





Part 2: Sector-Specific Meetings in Toronto and Montréal

The TPSA project also organized a series of meetings for each group of delegates in order to conduct sector-specific discussions and build links with their industry counterparts in Canada. A few of these meetings were held in Ottawa on September 15, 2016, while the majority of them took place from September 19 to 20 in Toronto for the footwear and coffee groups and in Montréal for the apparel group.

Footwear Group: Lessons From Footwear Importers and Distributors

In Toronto, the footwear group visits were facilitated by Phil Zwibel, a senior-level sales executive with over 35 years of experience in fashion retailing, importing, and manufacturing footwear product lines ranging from high fashion to athletic. Mr. Zwibel began by giving delegates an overview of the Canadian footwear market. He noted that while Canada ranks 35th in the world based on population, it ranks 12th in terms of footwear imports.

On a retail tour of shoe stores in Toronto, Mr. Zwibel noted the following key points:

- There is no shortage of high-quality and reasonably priced shoes in Canada. Even low-cost shoes at Walmart and Ardene are high-quality. To compete in the Canadian market, the product must be unique.
- Brands have a specific demographic and identity. As Michael Bogdan, owner of Northern Royalty Distribution (NRD), put it: "Each brand has its own 'DNA.'" There is no future in generic products—it is all about the brand.
- While the market is complex, there is a certain sense of "sameness" from store to store.
- The best-selling shoe in the world, Skechers' Go Walk, is lightweight, comfortable, and not expensive. The shoe is made primarily of textile, which is a growing trend. Indonesia may be able to capitalize on this trend, as it has an excellent domestic textile industry.
- Stores carry a wide assortment of styles and colors.

On the second day, delegates visited The Indeka Group, one of Canada's largest importers of global footwear brands in every category, including men's and women's fashion, athletic, cold weather, safety, comfort, and slippers. Indeka's President and COO, Paul Papadopoulos, spoke to the delegates about the company's strategies to address the need for fast turnaround and what Indeka looks for in its suppliers. He also took the group on a tour of the 150,000 sq. ft. (13,900 m²) facility, where state-of-the-art technology and processes guarantee an eight-hour turnaround time on orders. The following key lessons emerged from the meeting:

- The entire footwear value chain is in transition.
- Indeka looks for long-term partnerships with both the brands they distribute and the factories they source from. The company wants to work with factories that can make to their specifications. This is more important than price.





- Indeka had an excellent relationship with an Indonesian factory for their own safety footwear brand, around 30,000 pairs per year. But problems with the Indonesian supplier forced Indeka to source elsewhere.
- When asked "how do we connect with distributors," the answer was: "Tell us your story." The brand has to have an emotional connection to the consumer.

"Indeka is always in the market to find the best place to source from. We want a long-term relationship that is built on integrity and dependability."

—Paul Papadopoulos, President and COO, The Indeka Group

The group then visited Trend Marketing, a footwear distributor with the largest portfolio of international brands in Canada. Shai Burstein, Managing Partner, noted that the company is open to showing Indonesian products to the large U.S. companies Trend Marketing distributes for, but those products must be special.

The final meeting was at Northern Royalty Distribution (NRD). NRD sells a major U.S. brand as a distributor and has developed its own Canadian brands, as well as private labels for national accounts. NRD is typical of the "average" Canadian importer—smaller scale, owner-operated. Michael Bogdan, owner of NRD, told the group that Canada is a niche market, and NRD is focused on three brands for three niche markets. He noted that the key to successful importing is the ability of export factories to meet the following requirements:

- respond on time
- keep their promises
- adapt their product to the Canadian market in general
- adapt their product to a specific brand's requirements in particular



Michael Bogdan of NRD speaks with the footwear group.

Coffee Group: From Policies to Logistics, Roasting, and Retailing

During the coffee group's time in Ottawa, they had the opportunity meet with Fairtrade Canada and two local coffee roasters and retailers—Bridgehead and Happy Goat Coffee Company. José Abad-Puelles, Coffee Account Manager of Fairtrade Canada, gave an overview of what standards and values are respected by Fairtrade Canada, what the certification means to all stakeholders along the coffee supply chain, and how producing and selling Fairtrade-certified coffee help farmers earn a better living. Mr. Abad-Puelles also introduced a program called Fairtrade Campuses and Towns, in which universities and government offices within a municipality only sell Fairtrade-certified coffees on their premises. Toronto is currently the largest Fairtrade Town in Canada. The group noted that the demand for Fairtrade-certified coffee in Canada has been increasing in recent years, and that Fairtrade-certified coffee is also beginning to reach Canadian consumers through fast-food chains, micro-roasters, and grocery stores. Regarding Indonesian coffee, Mr. Abad-Puelles noted that, while Canada mostly buys coffee from Sumatra, there are many coffees in Indonesia that Canadians could be introduced to. There is also market opportunity, given the current collapse of coffee imports from Mexico.

The group met with Cliff Hansen, Head Roaster at Bridgehead; Henry Assad, owner of Happy Goat Coffee Company; and Hans Langenbahn, Head Roaster at Happy Goat. Happy Goat currently imports coffee from Indonesia, but in small quantities—i.e., less than container loads (LCL). Bridgehead imports 180 bags of





Sumatra coffee annually and states that this is about the right amount for their market. Both roasters noted the problem of getting consistent quality and supply from Indonesia. Mr. Langenbahn expressed interest in acquiring P88 coffee from Flores and Aceh.

The group learned that the two coffee roasters have different approaches to sourcing and marketing their coffees. Bridgehead only sources coffee beans that are organic and Fairtrade-certified, which are then sold to customers as coffee with such certifications. Happy Goat sources mostly organic coffee beans that are sold to customers as conventional coffee. Happy Goat does not hold a certification that allows them to market their coffee as organic. Despite the differences in sourcing and marketing approaches, both companies face the same situation when it comes to importing coffee beans: Coffee roasters in Canada rely heavily on the U.S. to supply its coffee. This is partly due to the fact that the U.S. is a significantly larger coffee market, making it more lucrative for coffee-producing countries to export to the U.S. to cater to clients in both the U.S. and Canada.

One of the implications this has on Canadian coffee roasters is limited access to good quality (specialty) coffee beans. The U.S. has more of a coffee culture and the best quality beans are destined for U.S. roasters. More paperwork, expense, and customs scrutiny are required to import beans to Canada through the United States. Mr. Langenbahn also raised the issue of Indonesian coffee not being as well-known by Canadian consumers as coffee from other parts of the world. To overcome this challenge, he suggested that trade shows or cupping events be organized to promote Indonesian coffee varieties to Canadian consumers in major coffee markets across the country. The events could be a collaboration between representatives of the Indonesian government in Canada (i.e., embassy and/or consulates general), the TPSA project, and a number of Canadian roasters/retailers.

In Toronto, the group also had the opportunity to meet with two local coffee (micro) roasters and retailers—Green Beanery and Hale Coffee Company. Similar to the Ottawa roasters and retailers, these companies have their own approaches to sourcing their coffee beans. Micro-roasters in Canada operate independently, and do not have a specialty coffee association to facilitate their interests. During the group's visit to Green Beanery, Patricia Adams, Executive Director of Probe International, explained how her organization facilitates sustainable development and supports Green Beanery's vision and mission. She discussed how Probe established its own mechanisms—Probe International Certifications—one of which it calls Probe International Free Trade Certified. Free trade helps improve the marketplace for coffees produced by small farmers without inflating consumer cost. The mechanism differs from fair trade certification in that the latter may be unaffordable to small farmers, thus limiting their access to the global marketplace. Hale Coffee Co. has a similar philosophy. Khaldoun Toukan, owner of Hale Coffee Co., explained that the company sources its coffee beans directly from farmers, allowing it to build direct relations with the farmers and have assurance over the quality of beans. A fair trade certification scheme in his operation is thus unnecessary.

Mary-Ann Ferrando, Store Manager of Green Beanery, raised two issues concerning sourcing coffee beans from Indonesia. First, the company has not been able to receive a continuous supply of beans from Indonesia, particularly Kalosi coffee. This challenges the company's ability to ensure a consistent supply of all coffee varieties to customers. If the supply is not consistent, the company must reintroduce the variety to customers once the supply is back on. This is a particular challenge when Green Beanery wants to feature coffee with a back story—for example, a women's cooperative. Just as the coffee is receiving market attention, the product becomes unavailable.

Second, there is not much information about Indonesian coffee that is made available to coffee consumers in Canada, which is holding back the potential of Indonesian coffee to become as popular and widely consumed as coffees from other parts of the world. Ms. Ferrando shared that Green Beanery is working toward organizing cupping events in its store that will be open to the public to introduce the company's





coffee varieties and the stories behind their production. Having shared this plan, Ms. Ferrando suggested that an event(s) could be hosted in Green Beanery to introduce and promote Indonesian coffee varieties to the general public. She further explained that the event could be a collaboration between the company, the TPSA project, representatives of the Indonesian government and businesses, and other parties who are interested in promoting Indonesian coffee in Canada. The group also learned that, while Hale Coffee Co. is keen to source varieties of coffee from Indonesia, the samples that the company has received were not high quality. In response, representatives of AEKI, AKSI, and IWAPI Aceh and South Sulawesi chapters offered to provide good quality samples to Hale Coffee. Regarding logistics, Hale Coffee Co. noted that they make it a practice to consolidate coffee orders through mixed containers with other local micro-roasters.

In addition to learning about the technical issues faced by coffee roasters and retailers in Canada, the group also learned about issues that are dealt with at the industry-association level. The group met with Lesya Balych-Cooper, Interim President of the Coffee Association of Canada (CAC), and learned how the association promotes and protects the interests of its membership. In particular, three key policy-related issues were highlighted:

1. Limits have been proposed on the quantity of unroasted coffee bean imports that are linked to food safety issues. CAC gathered evidence to show that there have not been any cases of food-borne disease in Canada caused by or linked to importing unroasted coffee beans.
2. Coffee must be imported into Canada through specialized U.S.-based importers. CAC is working toward making direct imports permitted in order to help its members import directly from their countries of origin.
3. Food fraud cases in Canada call the origins or certification of coffee into question. CAC is working with federal government agencies to help increase traceability and transparency.

Ms. Balych-Cooper also discussed the areas of CAC's work and their stakeholders. She explained that CAC's work centres on evidence-based advocacy, education, and networking for its members, which range from multinational companies to micro-businesses. CAC helps micro-businesses have their voices heard in consultations with government and other industry associations. CAC is working to engage the federal government on a regular basis. Ms. Balych-Cooper welcomed all representatives in the group to attend CAC's annual conference on November 1, 2016, and benefit from the discussions by experts on the global and Canadian coffee markets, government regulations, and the global coffee supply chain.

The coffee group met with Naushad Panju, owner of Kencaf Importing and Distributing, a company with long experience importing diverse types of Indonesian coffee into Canada. Mr. Panju noted that Indonesia has not promoted its coffee much in the Canadian market. This is evident by Canadian coffee consumers not knowing much about Indonesian coffees compared with those produced by countries in Central and South America and Africa. The group agreed with his suggestion of increasing efforts to better promote Indonesian coffee (e.g., organize cupping events, write articles). Mr. Panju also remarked that specialty coffees sourced from Indonesia are priced higher than those from Central and South America. As a result, the latter are more sought after by Kencaf's clients, which are mostly small and micro-roasters. Representatives from AEKI and AKSI explained that this is mainly due to the cost of transporting specialty coffee beans within Indonesia from remote farms to ports, which is plagued by poor infrastructure and inefficient



The coffee group visits Kencaf Importing and Distributing in Toronto.





transportation networks. As well, climate change and seasons affect production, and Indonesian farmers may not be efficient coffee growers because of their focus on mixed farming.

The group also had the opportunity to learn about the technical challenges of importing Indonesian coffee from the perspective of a third-party logistics company in Canada. Doug Eland and Endah Eland, owners of Eland Inc., and David Villa, Operations Manager of Eland Inc., took the group on a tour of their food-grade warehousing facilities. They shared their experiences in handling the logistics for clients who purchase coffee (organic and conventional) from Indonesia. The group learned that the packaging quality of coffee beans from Indonesia needs to be improved. Currently, all coffee jute bags received from Indonesia are not compact (the bags are floppy), which creates inefficiencies and safety hazards during warehousing (i.e., the bags and pallets easily slide) and distributing (i.e., the space in trucks is not maximized as bags and pallets do not stack well). The group also took note of the suggestion made by Eland Inc. to export directly to Canada if it is the final export destination. This would allow buyers in Canada to receive the goods in a shorter period of time while also saving costs for exporters in Indonesia.

Possible Next Steps for TPSA

1. Consider organizing an event(s) in Canada that focuses on introducing and promoting Indonesian coffee to Canadian consumers. The event(s) would need to complement TPSA's existing activities that work toward improving Indonesian coffee exports to Canada. TPSA project could consider engaging existing partners to further build current relations and strengthen its networks with stakeholders in the industry.
2. Address the issues raised in the meetings in future TPSA activities through technical assistance.
3. Consider forging closer cooperation with Indonesian coffee associations by engaging them as key resources in relevant future TPSA activities.
4. Support environmentally and socially responsible coffee production. TPSA strongly supports a coffee supply chain that subscribes to independent third-party sustainability certification (e.g., Fair Trade, Organic, UTZ, Rain Forest Alliance). Coffee firms that support social and environmental responsibility under their own sustainability schemes may also be considered by the project.

Apparel Group: Lessons From Retailers, Distributors, and Research Centres

In addition to delegates from API and IWAPI Yogyakarta chapter, the Montréal group was joined by the Ambassador Extraordinary and Plenipotentiary of the Republic of Indonesia to Canada, H. E. Teuku Faizasyah, the Indonesian Embassy Trade Attaché, Christophorus Barutu, and the Assistant to the Commercial Attaché, Yusuf Wiharsoyo. EQ Foundation apparel expert, Maria Fernanda Guzman, acted as a resource person.

The three-day visit was structured around the four thematic /s: (1) identification of market characteristics and opportunities; (2) industry institutional structure; (3) inspiration and style; and (4) innovation in textile and apparel.

1. Identification of market characteristics and opportunities

Ms. Guzman began the Montréal meetings by giving an insightful technical presentation on Canada's apparel landscape, focusing on Canadian consumer characteristics, market growth of different apparel types (women, men, children, baby), the different market segments (low, middle, upper income levels), key apparel players/suppliers, and major retailers. The largest exporter of apparel to Canada is China, followed by Bangladesh and Vietnam. Canada also manufactures apparel, mainly for a niche market focusing on high-end and outdoor clothing. The current trend in Canadian apparel is the growing importance of low-cost and fast fashion. However, this does not necessarily mean that Indonesian SMEs need to target this market. Ms. Guzman emphasized that if Indonesian SMEs want to increase their apparel exports to Canada,





they must understand the Canadian market landscape and identify the most suitable market segment for which they have a comparative advantage.

An overview of Canada's latest apparel retail market trends was provided by Zeljko Vucetic, Director of Sourcing for Mark Edwards Apparel. Mr. Vucetic reiterated that the past decade has witnessed the growing importance of low-cost and fast fashion, pioneered by retailers like Zara, Forever 21, and H&M. The average Canadian consumer is increasingly sensitive to the latest fashion trends, which has fuelled a boom of fast fashion where runway fashion design quickly moves into the retail market. Fast fashion focuses on capturing the latest fashion style and is often characterized by low price and quality (as the product is not expected to be worn for a long period of time). The lead supplier of fast fashion is China, although Chinese dominance is now starting to wane and other players such as Bangladesh, Cambodia, and Pakistan are gaining market share. Mr. Vucetic emphasized that this market is very competitive and new clothing enters the market quickly—e.g., in a few weeks rather than by season. If Indonesian SMEs want to tap into this market, they must be ready and capable to produce quickly, efficiently, and with a competitive price.

The group visited three retailers: one focused on the low-price segment (Joe Fresh), a second with a niche market position selling Islamic clothing (Boutique Fatima), and a third selling locally produced hats (Mod-Atout Inc.). Joe Fresh is a fashion brand and retail chain carried by Loblaw Companies Limited, a Canadian food distributor. Most Joe Fresh products are produced in Bangladesh and China, and most Canadians consider the retail price to be affordable. Ms. Guzman indicated that the Canadian retail price is generally 6 to 6.5 times the apparel's imported price. Some of the apparel delegates thought Joe Fresh prices to be low; that it would be difficult for Indonesian SMEs to produce apparel to meet that retail price.

Boutique Fatima specializes in Muslim apparel (mainly for women) and imports its products from Saudi Arabia and Lebanon. Boutique Fatima also distributes these products to Toronto. Delegates informed the boutique owner that Indonesia recently sponsored a successful Muslim apparel fashion show in New York and shared photos of the show. The owner indicated that different cities in Canada have different fashion "taste." Muslim women in Montréal tend to prefer more traditional/conservative Muslim apparel with simple, loose design and dark, plain colour. Fashion trends like those in Indonesia, which are more colorful and accessorized, tend to be the taste of Muslim women in Ottawa. A side discussion between the delegates and the Indonesian ambassador led to the idea of organizing an Indonesian fashion week during Ottawa's celebration of Canada's 150th birthday in 2017. This visit to Boutique Fatima highlighted the importance of having a solid understanding of submarkets within Canada, especially for such niche products.

Mod-Atout primarily sells hats for women, although the 25-year-old enterprise founded in Quebec did sell a much broader variety of apparel products in the past. With rising global competition, especially from Asia, Richard Pelletier, owner of the firm, adapted his approach by outsourcing a portion of his production to China and adopting innovative selling strategies. Mr. Pelletier explained that, over the years, he has become importer, producer, and wholesaler, as well as retailer, in order for his company to remain competitive.

2. Industry institutional structure

In order to identify best practices, the group met with Debbie Zakaib, Executive Director of mmode. Mmode is an organization that unites Quebec designers, manufacturers, retailers, and government to improve the competitiveness of Quebec's fashion industry. Mmode is funded by both the Quebec government and private sector. It was established to help the government develop its industrial policy and sectoral strategy as increasing global competition was hurting textile and apparel production in the province. It acts as the main platform for the industry's information exchanges and collaboration, and aspires to become a world-class cluster organization that will position Montréal as a world-renowned fashion city. Mmode noted that Montréal fashion stakeholders have become more aware of the importance of joining forces and focusing on a specific market segment in which the Quebec industry has a comparative advantage. In order to be





more competitive, Quebec apparel firms have increasingly moved toward high-end and outdoor (especially winter) clothing and protective clothing.

To get a better sense of Montréal's role and importance in North America's apparel industry, the group visited the Montréal Fashion Mart, or Centre International de Mode de Montréal (CIMM), in the heart of the Chabanel area. The CIMM building houses Canadian fashion collections and resources including designers, manufacturers, agents, and importers. In its heyday as a North American fashion centre, CIMM was a bustling place where buyers and sellers from all over the world met, showcased their products, and made business transactions. Although the building still retains its original function, some of its spaces are empty, possibly reflecting Montréal's declining role in the global apparel value chain.

3. Inspiration and style

To understand the latest trends in the apparel and fashion industry, as well as see examples of higher-end clothing products available in the Quebec market, delegates were invited to attend the *Cabinet éphémère des créateurs* at Ogilvy's department store. This temporary exhibition of Quebec's most recognized fashion and clothing designers allowed delegates to become more familiar with the artistic process of emerging local designers and the materials they used, assess the newest trends, and analyze the market opportunities in Montréal. They could also evaluate the relevance and feasibility of competing with local providers in this niche market.

Delegates also went to the McCord Museum to view a temporary exhibition on Italian fashion design entitled *Eleganza*, as well as the permanent exhibition, *Wear Our Identity*, on Canadian first peoples' collection of clothing. These exhibitions showcased how Canadian multiculturalism can translate into fashion and apparel.

4. Innovation in textile and apparel

The delegates were also exposed to the newest local innovation initiatives in the textile and apparel industry. They visited the facilities and met with the staff of the non-profit Vestechpro, an apparel research and innovation centre that is affiliated with Cégep Marie-Victorin and its fashion school. Isabelle Lessard, Project Manager, explained that Vestechpro partners with companies and organizations in Quebec and other parts of North America to help them advance their position in the global apparel industry. Vestechpro offers innovation, research, training, development support services, and access to reliable and strategic information. Smart clothing (e.g., containing sensors and monitors to keep track of the body's vital signs) is one example of the organization's innovative products. Ms. Lessard also gave the group a tour of Vestechpro's laboratories and provided a technical description of the equipment and machinery needed to conduct the centre's activities.

Another initiative contributing to the transformation of the local textile industry is being led by the CTT Group, which is affiliated with Cégep de Saint-Hyacinthe. The CTT Group is the leading R&D laboratory in Canada focused on technical textiles, geo-synthetics, and advanced textile-based materials. Valerio Izquierdo, Vice-President of Laboratories and Textile Expertise, explained that the centre also performs rigorous analysis for certification purposes (e.g., for environmental protection). The CTT Group helps industry in the conception, production, and marketing of value-added (i.e., technologically advanced) products. One of the CTT Group's products is intelligent textiles. These textiles integrate specific elements such as electronics (e.g., chips, LEDs) and chemical components so that they have certain functionalities (e.g., protective clothing to guard against extreme environmental hazards like fire and radiation). Mr. Izquierdo also gave the group a tour of the centre's state-of-the-art laboratories and other facilities.





Lessons Learned and Possible Next Steps for TPSA

1. The delegates were impressed with the way Quebec's fashion industry has adapted to losing its traditional market shares to Asia; how it has shifted to a niche market catering to high-end and ethically (e.g., eco-friendly, locally made) and technologically conscious consumers.
2. Quebec fashion stakeholders' strategy to join forces (under mmode) inspired the delegates, who raised the idea of establishing a similar organization to encourage SME collaboration in Indonesia to help compete in the global market.
3. The delegates realized that Indonesian apparel products are generally produced at a higher price than products from other Asian countries and how difficult it is to compete with cheap, fast fashion. Indonesian exporters need to target suitable market segments.
4. Fashion shows are considered an effective venue to introduce Indonesian apparel products. TPSA could support the delegates and the Indonesian embassy should they follow-up on their idea to organize an Indonesian fashion week during Ottawa 2017 celebrations.



The textile group at Vestechpro.





Delegate Take-Aways and Recommendations

The TPSA project asked the Indonesian business association delegates for their top take-aways and recommendations. The take-aways fell generally into three main categories:

1. Government support is important for business associations.
 - Competitiveness is enhanced when business and government align their efforts to promote the global success of domestic firms.
 - Direct and indirect government support for business associations and, by extension, their members is critical to a country's success in a highly competitive world market.
2. Data availability is important for evidence-based policy-making.
 - It is difficult for business associations to effectively champion the role of SMEs and women-owned businesses without reliable data to substantiate their contributions to economic trade and development.
 - As a result, the government needs to begin to collect and publish industry data for SMEs and women-owned businesses as separate categories.
3. CSR and environmental sustainability can be a competitive advantage for increasing exports.
 - Companies can differentiate themselves in a market that increasingly takes CSR and environmental practices into consideration.

Some delegate recommendations focused on a “wish list” of what TPSA can do to help their business associations more effectively represent their members:

- help business associations create reliable member databases
- help IWAPI to produce a study on the economic contribution of women-owned businesses in Indonesia
- conduct a study tour with more focus on potential buyers and niche markets

In addition, other recommendations focused on what the delegates can do or suggest to their association when they return to Indonesia:

- lower entry barriers to business associations
- engage more with government to advocate for their members
- share best practices among members
- provide targeted support to select SMEs
- explore the possibility of doing more member trainings
- establish a mentorship program; perhaps where larger companies share their knowledge and experience with SMEs
- establish a coordinated marketing plan to promote their members' products as a group to enlarge the market, rather than competition among members to steal share from an existing or shrinking market





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