

FASHION

VALUE

CHAIN

REPORT

2016

A HEVA REPORT ON THE STATE OF
THE FASHION VALUE CHAIN IN KENYA



Acknowledgements

The HEVA analysis team would like to express its gratitude to the Centre for Culture and Development (CKU) for their support and assistance. We would also like to acknowledge the invaluable contributions of our respondents, our business consultants Viktoria Solutions, Andrea Bohnstedt and Raphael Mwai for providing professional advice, and our in-house fashion consultant Mr. Sunny Dolat for sharing his valuable overview of the sector.

Introduction

Kenya and several other Eastern African countries are currently developing their textile, apparel and manufacturing sectors, thereby positioning themselves as an alternative sourcing region for the global fashion industry.

Furthermore, following a decade of sustained economic growth, infrastructure development, high internet and telephone market penetration, financial inclusion and an increased ease of doing business, there is a growing regional consumer class that is demanding cultural and lifestyle goods and services, which is now also considered a frontier market for global brands and fashion.

HEVA believes in the transformative social and economic potential of the creative economy sector in the East African region. With the aim of developing a program that supports local producers of cultural goods and services to build high-value, profitable businesses as well as promoting the growth of the creative economy in Kenya, HEVA and the Nest Arts Company commissioned a value chain study exercise in order to better understand the constraints and opportunities of the fashion industry in Kenya.

The study exercise was designed to achieve the following objectives:

- a) To conduct numerous in-depth value chain analysis studies in order to identify critical artisan/practitioner skill gaps, and identify the most effective training strategies and interventions to plug these gaps,
- b) Through the analysis of the value chain reports, design learning and capacity building interventions to make available information on business models and technologies that would support the management of inventory, orders, payments, manufacturing, errors and quality control.
- c) To pilot a programme to support designers in addressing their intellectual property, taxation and legal needs in order to improve enterprise soundness and product competitiveness in the home market as well as in the region.

This assessment explored the nascent contemporary fashion value chains in Kenya with a view to identify high-potential constraints and opportunities. The primary information was gathered through interviews with over 75 market actors in Kenya, with additional interviews from consultants, financiers, stakeholders and upstream players.

To permit a greater depth of analysis, interviews were limited to market actors in early-stage ventures. The end market analysis identified important opportunities for unique fashion pieces to find greater market share particularly in the home and East African markets, in the U.S. through AGOA preferential trade agreements, and in the EU market.

The analysis identified principal constraints for market actors, which provide the best opportunities to increase the competitiveness of the fashion sub-sector in home markets. These constraints and opportunities are: low value addition due to low artisan skill levels, less sophisticated product characteristics, low access to product design skills and services; high costs of inefficiencies due to low technology adoption; low value chain integration; lack of access to regular, high quality and affordable fabrics, accessories and production materials; lack of access to tailored commercial sector financing and investments; low intellectual property registration and protection; few opportunities for designer/producers to provide services to larger factories and retailers through vertical integration, and lack of capacity to identify and link with buyers in all market segments.

Through the findings of this report, HEVA will develop a business support, learning and exchange program called HEVA Forum that will help tackle priority constraints identified by the study respondents to compliment its flexible finance facility. HEVA Forum will be available to interested creative professionals and businesses operating within the value chains identified by HEVA in Kenya and the East Africa region.

Value Chain Characteristics

This section describes the various components of the fashion value chain and its performance pertaining to early-stage ventures. It includes descriptions of industry self-definition, sourcing, production, selling, financing, intellectual property and end markets. There are three end markets; the home market, the East Africa market and the US and European export markets. Export markets can be accessed directly through independent retailers, or indirectly via vertical integration with large retailers. The functions of market actors in the value chain include:

Sourcing supply: This includes textiles and fabrics, small objects and accessories used in sewing such as buttons, snaps, collar stays, clasps, threads, pins and boning, with seam rippers and sewing equipment.

Production: This maybe done in-house by the designers or outsourced to a manufacturer. HEVA is working to build the capacity for light manufacturing companies to serve the local fashion industry.

Selling: This includes, pricing, packaging, point-of-sale, retail experience, after-sale service and end of product life. This may also include export depending on the market.

The core value chain market actors include:

Garment factories: Light manufacturing firms with organized production systems and optional export operations,

Designers workshops: Small-sized artisanal production and product consolidation operations,

Artisans and contractors: Tailors, finishers, pattern cutters, artisanal production with consolidation capacity,

Intermediary agent/retailers: Traders' agents or buyers and retailers,

Designer/producers: Product designers and manufacturers of small-quantity, high-value fashion for retail.

Findings

Findings

Idea Origination, Research and Design

We established that most of our respondents had envisioned their participation in the fashion industry from early in their lives. While most of these pursued tertiary studies in disciplines such as engineering, law and business and other non-design-related training, they eventually set up fashion ventures looking to address gaps in the market or explore their desire to create beautiful, high quality fashion for the local market.

Most of the designers interviewed benchmark their garments with fashion pieces from established production houses along with the abundant second-hand imported clothing. It is common for designers to buy second-hand clothes—especially those with unique cuts—deconstruct them and reconstruct them as part of their learning practice.

We found that most of the designers desire to work on full seasonal collections—a model which allows for more creative expression and an elaborate research and learning process which entails collecting inspiration images for mood boards, development of sketches and toiles, fabric treatment and manipulation experiments. Most designers are hoping that as the market evolves, their brands will evolve too, leaving less room for custom products and more time for developing collections.

Intervention

Through HEVA Forum's learning and exchange program, we are creating opportunities through mentorship, workshops and exchange learning for designers and artisans in our portfolio to not only improve their research and design practices, but also incorporate system-based practice which allows them to consider the entire product life cycle and environmental impact as well as minimize waste while creating timeless designs. As a result, users would be able to hold onto their high quality pieces for longer periods of time.

Findings

Industry Self-Definition

We found that a majority of our respondents specialize in women's clothing, in particular ready-to-wear pieces such as day dresses, coats, evening gowns, bridal wear, pants, kaftans and jackets, with lesser frequency production of haute couture pieces for runway shows or fashion shoots. 20% of respondents designed garments exclusively for men. The offering for men's products is much more limited, with most designers focusing on suits and wedding attire.

All our respondents indicate that their fashion pieces have been described as luxury items. According to the respondents, since some of their products have a high unit price, they are by default targeted at the consumer range with a higher disposable income. They often accept the tag 'luxury items' and may introduce ideas of exclusivity and uniqueness in their marketing strategy in order to sell. Some respondents desired to create fashion pieces with high levels of sophistication and craftsmanship in order to offer optimal product and service to clients, and thus establish true luxury African brands.

These designers aspire not only to create garments that are unique, but also allow their clientele an opportunity to buy into and experience their brand vision and lifestyle. A few of the respondents looked to create high quality affordable garments for the mass market. These designers believed that great designs should also be accessible to consumer groups with lower disposable incomes. It was common for these respondents to decry the cost of fabric sourcing and production as the reason for their higher price points.

Most of the respondents indicated a growing demand for their products, reinforcing the widely held opinion that there is a growing consumer class who have increasing amounts of disposable income and are hungry for unique designs and cultural products.

Case Study and Best Practice

NUR Luxury Sportswear

www.nurclothing.com

[instagram.com/nurclothing](https://www.instagram.com/nurclothing)

[facebook.com/nurofficial](https://www.facebook.com/nurofficial)

NUR is a luxury sportswear brand that develops fashion lines reflecting its African cultural heritage and craftsmanship. NUR prides itself in sustainable manufacturing practices that integrate local artisanal techniques—passed on through generations of craftsmanship—to produce quality garments of international standards.

Inspired by uptown and downtown trends, traditional and contemporary imagery, as well as tribal and urban design, NUR embodies universal elements to create a refreshing new vision and take African fashion to its rightful place on the catwalks and streets of the world.

NUR is at the forefront of Africa's 'Sports Luxe' movement, with impeccable detailing and finishing, fusing athletic-inspired silhouettes with performance fabrics to producing high-end, versatile casual wear. NUR's collaborations with top African musicians has solidified the brand's place among the preferred brands by the trendiest packs across the region.



Case Study and Best Practice

Katungulu Mwendwa

www.katungulumwendwa.com

[instagram/kmwendwa](https://www.instagram.com/kmwendwa)

[facebook.com/mwendwakatungulu](https://www.facebook.com/mwendwakatungulu)

Katungulu Mwendwa is undoubtedly one of Kenya's most prolific contemporary designers. She has experienced tremendous growth and acknowledgement across the world, from winning the 2007 M-Net reality show Catwalk Kenya, showcasing at the 2013 Gen Art Fresh Faces Show in New York during New York Fashion Week, to opening her store—Mofti—in Nairobi.

Katungulu likes to experiment with new cuts and silhouettes, integrating subtle nuances from traditional African cultures across the continent. Her goal is to create quality designs by working solely with fine materials and paying close attention to detail for each item.

Her research process takes anything from a month to four months; coming up with numerous sketches and toiles, exploring new cuts and styles and experimenting with a range of textile treatments, unique to each collection, from dip-dyeing to creating a print for a collection.

Katungulu's latest collection is dubbed 'People Of The Taboo', which is both ideologically and stylistically an organic progression from the deconstructed nomad-inspired forms she has previously explored. This new collection takes its main cues from the Wodaabe men of Northern Africa during the Geerwol festival—an idea that has also been carefully developed into a textile print.



Findings

Textile Sourcing for Local Designers

Deciding which fabric to use is one of the most crucial aspects of a design process. This affects not only the look and feel of the garment, its quality and lifespan, but also its environmental impact. According to our respondents—at approximately 34–40% of all production costs (higher for natural fibres)—it is one of the highest cost components in production.

According to our respondents, it would be important to address challenges in textile sourcing in order to improve the competitiveness of local fashion products by lowering the price point of final pieces. The high cost of textiles and other inputs can be lowered through reduction of import taxes for imported textiles, public subsidies for local textile producers and other upstream players (cotton growers, spinners, weavers, producers of zippers, buttons etc.), regional integration for ease of trading, as well as simplifying importation procedures in order to reduce lead-up period.

All of our respondents imported fabrics through merchants and stockists for their production, with their preferred source countries including China, Hong Kong, Mauritius, Ethiopia, Nigeria, Tanzania, Switzerland, Turkey, United Arab Emirates (Dubai) and India. India was the most preferred of these source regions, as it provided better price and quality return because of lower freight costs due to its proximity to Kenya.

Most of these imported textiles are locally available through merchants' shops along the famous Biashara Street in Nairobi, as well as in Ngara, Westlands, Lavington and Limuru. This sourcing model posed numerous challenges to our designers, including the following:

Supplier catalogues do not respond to seasons or trends

There is limited interaction and exchange of information between merchants and designers, limiting the ability of stockists to forecast and stock textiles which respond to both trends and seasons. For instance, leading up to the fall/winter season of 2013, most of the stockists did not stock gabardine, twill or cotton blends that would have been appropriate for the production of trench coats and overcoats. In the subsequent year, they had these textiles and little else during the summer season. This was a source of frustration for many designers.

Uncompetitive prices for local fabrics

Notwithstanding the imposed high import taxes on textiles (at about 10% for yarn and 25–50% for fabric and apparel) the total cost of imported fabrics is often lower than the price points of locally manufactured textiles. One respondent indicated that purchasing fabric made in Kenya was more expensive than importing textiles from the US. From her experience, a yard of 100% cotton would cost an equivalent of KES 772 per meter in the USA, while the same fabric would cost KES1,249 in Kenya.

Reliability and consistency of suppliers

Since most of the respondents often relied on these merchants to make available a wide selection of high quality yarn and textiles in good time, maintain a good level of stock quantity, and sell at competitive prices, it was deemed important for merchants to have good relationships with yarn and fabric manufacturers, have good cash flows, have the ability to import and clear consignments, and have access to clean and safe storage facilities in order to sustain the local fashion industries.

Intervention

In 2016, HEVA is looking to launch a purchase order financing facility for designers who are looking to bid for and access large orders for home and export markets. This ambitious short-term financing vehicle best builds the ability of entrepreneurs in our portfolio to enjoy economies of scale in sourcing, as well as respond to larger purchase orders. This is also designed to encourage designers to consider using low-impact materials as well as renewable and locally sourced materials.

Case Study and Best Practice

The Textile Loft

[instagram.com/thetextileloft](https://www.instagram.com/thetextileloft)

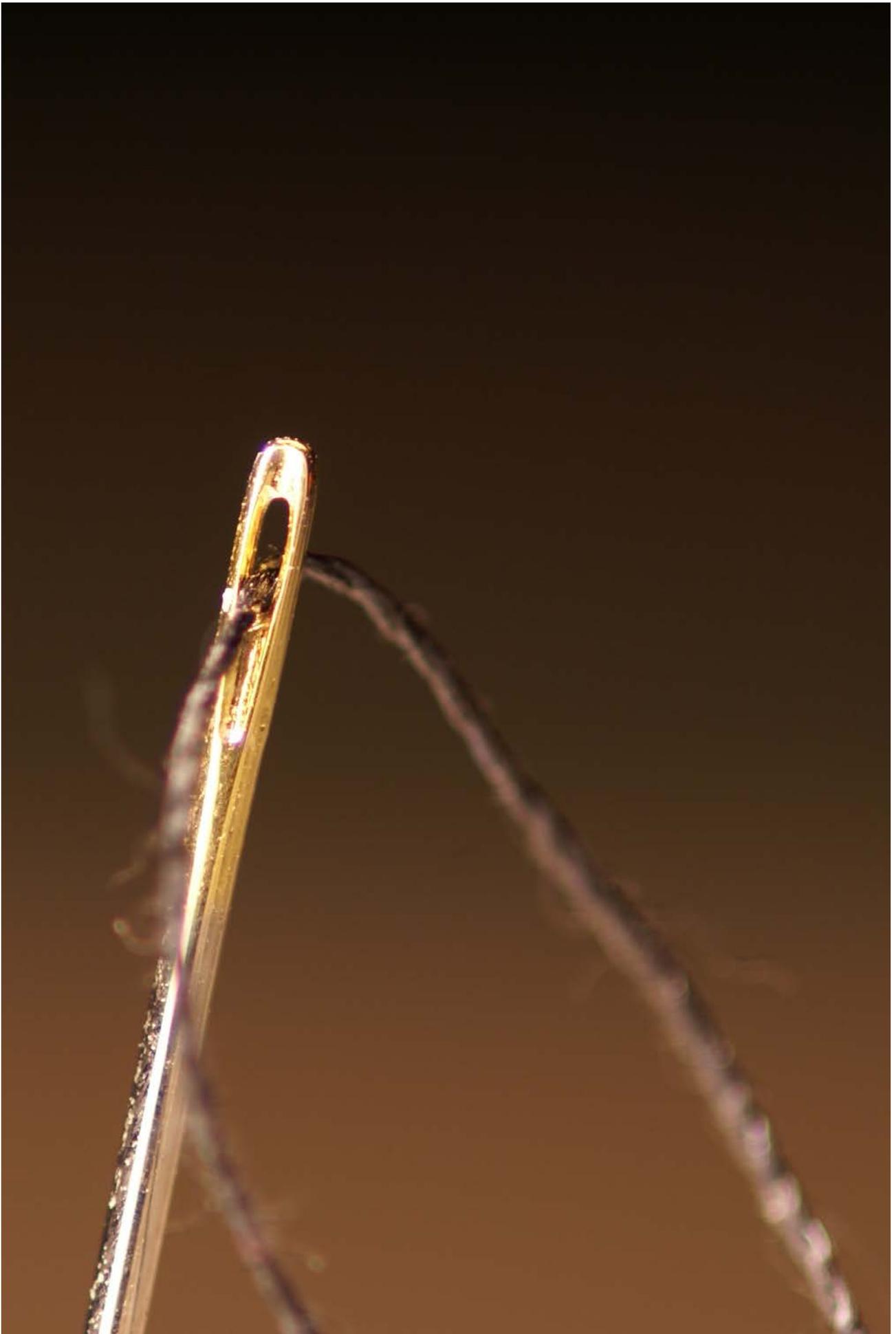
[facebook.com/thetextileloft](https://www.facebook.com/thetextileloft)

The Textile Loft is a premium quality fabric outlet that is also a one-stop shop for all clothing production needs from fabric and accessories, as well as industrial sewing machines.

The Textile Loft stocks high quality European-made fabrics, small objects and accessories used in sewing—such as buttons, snaps, collar stays, clasps, threads, pins, boning as well as seam rippers and sewing equipment—as well as offering advice to fashion designers eager to create superior quality garments.

The Textile Loft is renowned for its high quality, affordable fabrics with high natural fibre content; silks, linens, light wools and wool blends. They are also wholesalers for sewing accessories such as buttons, closures, loops, zippers, snaps, hooks and eyes, bias binding, jeans snaps, iron-on appliqués, sewing thread, lace, bra straps and cups, shoulder pads, buckles, heavy duty and delicate elastic, Velcro and corded piping.

Textile Loft enjoys a unique relationship with its clients. They commonly organize conversations with designers ahead of the sourcing trips, allowing designers to place orders and influence their buying decisions. The Textile Loft has worked with many local designers including Mille Collines and Katungulu Mwendwa.



Findings

Garment Production

More than 70% of our respondents adopted either the in-house boutique style production model associated with cottage industries, or the outsourcing light manufacturing model. It is also important to note that some respondents ran a mixed model offering both collection-based garments and made-to-measure pieces. In this case, they would price the custom pieces higher since they take more time to make.

A minority of our respondents have developed an excellent track record and clientele who request products exclusively on order. These designers tend to be older and more established, with a distinct aesthetic and the trust from clients to focus on their design and creative vision. Some of these respondents have developed innovative use of African textiles such as bogolan, kanga, wax print and are incorporating them into garments alongside more mainstream fabrics such as jersey, delicate silks, chiffon and neoprene to make elevated contemporary pieces.

Sizing—especially for women’s clothing—is a cross-cutting issue that has been raised by most of our respondents. Most made to-measure respondents do not find this an issue, since they produce fashion pieces according to the client’s measurements. The men’s suits designers also use patterns made to measure but only adjust them to fit the client.

The collection-based designers rely on manufacturers who often use UK or US size charts. These are acceptable for export markets but sometimes differ with home markets. 20% of the respondents indicated an interest in exploring and establishing an East Africa size chart, looking to better cater for the larger ratio of hips to chest especially for women’s clothing.

The following is a reflection on our findings on the in-house boutique style production model as well as the outsourcing light manufacturing model:

Cottage Industry In-House Production

Most respondents adopted the made-to-measure business model, offering a high degree of customization and involvement of the buyer in the production process, allowing a choice over the fabric used, features of the garment and overall fit.

This model is popular in cottage industries where the business has a few workers who undertake all the activities from measuring, pattern drafting and cutting, sewing, stitching, button and zipper attaching, final fitting, finishing and selling.

For these designers, sewing, assembly and finishing represent 25% and 24% of total garment production costs, respectively. It is likely that the price points on the pieces would be high since labour, production inefficiencies and wastage take the highest costs.

Human Resources and Staffing

Our respondents employed an average of six full-time employees but were always hiring from a pool of casual workers and part-time employees to increase capacity when responding to large orders, with most of these involved in production (tailors).

Some of our respondents employ a model where the employees work in teams of two or three—the team leader is much more experienced than the others who learn from him or her during the production process—instead of a pure line production model.

It was common for our respondents to hire specialized staff for specific tasks—pattern drafting, cutting or finishing—while other staffers worked on more general tasks. Other staffers included cleaners, digital marketers, other sales staff and interns.

The surveyed ventures employed about 53% male employees and about 47% female employees. Most of the ventures are women-led, with the marketing and sales jobs handled by women and the tailoring jobs being handled

by men. 5 years was the period of service for the longest serving employee. It is a common assumption among our respondents that tailoring is a predominantly male-dominated craft, especially for women's wear.

We noted that all the staffers had completed secondary school education with many years of hands-on industry experience, but only a few had attained tertiary qualifications. All of our respondents retrained their staffers and artisans on the preferred cuts and the vision of the venture to conform to the specific brand expectations, regardless of their level of experience or educational background.

Our respondents also identified numerous challenges affecting the optimization of their workforce to include their low exposure to developing combinations of line, proportion, colour, texture and tailoring styles of garments, as well as the ability to work with synthetic fabric such as jersey and neoprene, or finer materials such as chiffon and delicate silks.

They also observed a generalized low knowledge and/or interest in learning and adopting technologies useful for creating precise drafts, prototypes of patterns that would create a precise finishing and fit therefore limiting the capacity to replicate and standardize the production.

The staffers also suffered the combined disadvantages of low skills, low exposure and low motivation—attracting low wages and therefore affecting their pride in their craft.

Workspace and Workplace Conditions

Most respondents design, manufacture and sell from the same space. These spaces range from 85–1,000 square feet, housing at least four tailors, sewing machines, cutting tables, fabric storage space and sometimes fitting areas.

These are often rented studio apartments or shop fronts with the back space

serving as the factory floor, or partitioned homes at monthly rents of between KES 25,000–200,000 per month.

With the absence of a fashion district, most designers make and sell closer to their markets. Popular locations include the Nairobi Central Business District, Westlands, Hurlingham, Ngummo, Lower Kabete, Kilimani, Kileleshwa, Ngong Road and Muthaiga. About 80% of surveyed businesses have not moved to a new location since their inception, with an average of four years at the same location.

The designers in shopping centres and in the city liked their locations, citing proximity to suppliers and clients, as well as to shared spaces which bring together other complementary services such as photography and design.

Respondents working from home cited the costs of space, ability to work late nights and convenience as incentives. Most of these respondents had very low levels of awareness of their occupational and workplace safety compliance requirements.

Most respondents also indicated a willingness to redesign their workspace to minimize employee movement required to perform assigned tasks and eliminate wasted movements and lifting, which all increase production time. Most of these respondents would also like to eventually outsource all their garment manufacturing.

Quality

Most of our respondents observed that the garment quality standards in the market are quite high as a result of exposure to new, imported ready-to-wear garments and second-hand clothes, as well as the perception that local designs are often perceived as luxury items. As a result, high quality is no longer a major competitive issue—it is a requirement.

All but one of our respondents is responsible for pattern cutting and replicating in addition

to supervising the quality of products along the production line. One of the respondents has hired a staffer to monitor the quality of garments. The general quality issues respondents would like to address include:

Fabric quality: Sometimes the quality of imported fabrics differ and they are faced with issues such as colour variation, holes, tears, thin spots or missing threads. Sometimes fabrics are even dimensionally skewed (off-square).

Linings and interlinings: There is inconsistency found in the availability of affordable high quality supplemental fabrics such as linings, interlinings, and interfacings which are compatible with the primary fabric in weight, fibre content, texture, colour and quality.

Hardware: Due to high costs of equipment importation and maintenance, the bespoke designers have to manually install buttonholes, zippers, button attachments, belt loops, which can compromise quality, inflate cost and delay production.

Intervention

HEVA has launched a flexible financing and business support facility which makes investments twice a year to early-stage ventures looking to acquire new productive capacities, increase existing production capacities, launch new products or develop new product characteristics, as well as enhance the capacities of our creative professionals to engage in sustainable design, smart sourcing, efficient production and effective commercialization of products which are satisfactory, unique and continuously fulfill the needs of targeted market segments.

In this program we shall track the health of the ventures in our portfolio along—but not limited to—these metrics: revenue, number of employees, number of products, product characteristics, square foot increase, number of trademarks, registrations and patents, adoption of new technologies, legal, workspace and taxation compliance, product life cycle and earth friendliness, as well as profit growth.

Case Study and Best Practice

Nick Ondu Sartorial

[instagram.com/ondunick](https://www.instagram.com/ondunick)

[facebook.com/NickOnduSartorial](https://www.facebook.com/NickOnduSartorial)

Nick Ondu Sartorial's tailoring style has placed him at the forefront of Kenya's bespoke suit-making industry. His meticulous craftsmanship has made him the go-to designer for male suits for artists as well as discerning clientele looking for classic, durable suits. His personalised touch and attention to detail create timeless elegance distinguishing his brand.

Nick Ondu has participated in FAFA (Festival for Fashion and Arts) and has been widely featured in editorial publications throughout the country. He set the standard in the art of bespoke tailoring and versatility with collections, and bespoke suits made with ankara, bogolan and wax prints to an elegant fusion of British and Italian traditional cuts.

Nick Ondu Sartorial's business premises is located in Kenyatta Market and is an open stall housing four sewing machines. The business produces all garments in-house with a workforce of four trained tailors.

As and when demand necessitates outsourcing, Nick hires one temporary tailor to assist the workflow. Certain finishings that require particular machinery such as button-hole making are outsourced. Each tailor is trained in all aspects of suit making. However, over time, Nick noticed strengths within his team and begun maximising on them. For instance, each employee is specialised in either specifically jacket making, pant making, finishings or administration.

In the course of a month, Nick Ondu Sartorial produces on average 30 complete suits. The turnaround time from the point of measurement until completion and delivery is between 10 to 14 days.



Outsourcing and Light Manufacturing Models

Alternatively, some have separated the creative process from the manufacturing process and prefer to originate collections, develop production samples in-house, and only after receiving orders of between 50 - 200 units, outsource the production, replication and grading to a garment manufacturer.

The popular manufacturers who are able to serve both the domestic (small order sizes) and international markets include Panâh (Nairobi) and Bedi (Nakuru).

The respondents interested in this business model are also willing to learn and adopt new design and presentation technology including the apparel CAD software, with which they can be able to develop and share line sheets and patterns. This will enhance their transition into collection-based, outsourced garment production models, from which they can explore available vertical integration opportunities.

As buyers increase pressure for lower prices while increasing emphasis on speed to market, efficiency gains on outsourced production are of critical importance for the competitiveness of these products. As noted by some of our respondents, production inefficiencies, wastages, errors and corrections, and inventory losses greatly contribute to the often inhibitive price points associated with bespoke garments.

50% of the respondents who designed collections and outsourced production expressed the desire for the establishment of an East African fashion calendar which would help from forecasting production to retail strategy planning. In the absence of this calendar, customers continue to order pieces from old lines, since collections are open ended, and therefore energies are always split between new and old collections.

According to our respondents, the responsibility to invest in increasing production efficiency, reduce downtime and introduce new, more

efficient technologies, sourcing catalogues and workflow models is transferred to the manufacturer, which allows the designer to focus on research, origination and selling.

Use of Technology

Use of technology in design, pattern-making, spreading and cutting is particularly important to reduce wastage. All of the designers interviewed did not use machines or technology during the design/pattern making processes. A key point where technology can pay relatively quick dividends is in improving efficiency points.

All designers interviewed used non-industrial sewing machines. All but one had an overlock machine—used to sew over the edge of single or multiple layers of fabric for edging, hemming, or seaming. Other machinery and tools used by the designers included embroidery machines, pattern machines, cutting tables, thimbles, zip locks as well as different needles for holding materials.

Assembly Lines

Most of the manufacturers have adopted the assembly line production model where each worker prepares one particular part of a garment, instead of one worker constructing an entire garment. This workflow model seems to improve efficiency—by allowing each worker to become a master of one individual step or technique—and helps to reduce wastage and redundancy.

Intervention

In 2015, HEVA invested in two light manufacturing facilities in Nairobi and Eldoret to acquire machinery necessary to increase their production capacity to process smaller local orders. This financing was targeted at increasing the production capacity among light garment manufacturers in Nairobi in order to reduce the lead time before production and pass on the efficiency dividends to the early-stage ventures.

Case Study and Best Practice

Panâh

www.panahproject.com

facebook.com/panahproject

Panâh is a fashion production house founded by Morteza Saifi and Evgeniya Khromina. Panâh provides consulting, sourcing, and manufacturing services for global and emerging African fashion brands. Most of our respondents appreciate the support in design and product development, sourcing, and manufacturing services offered by Panâh.

In Kenya, Panâh produces for Mille Collines, Adèle Dejak and Katungulu Mwendwa. Panâh has an installed capacity to produce 500 pieces a month and plans to double this over the next year.

The company has carved a niche in ethical production—an emerging sector driven by consumers' desire for more transparency in the clothing manufacturing process.

For Panâh, ethical production means providing a secure space for its staff, paying them above minimum wage, providing free breakfast and lunch, and offering training and skills development opportunities. Its raw materials also have to be sourced sustainably and handled in ways that do not harm the environment.



Other Findings

Service Oriented Sales Models

All of our respondents acknowledge evolving consumer needs. Consumers are increasingly interested in the impact of materials on climate, water and natural resources used to make their clothes and accessories, the conditions of the workers and the margin of profit going back to the producers. It has become more important to open up the business process to the consumer, communicate shared values and how those are related to products, costing and choice of materials.

Most of the respondents would like to engage more with their consumers and help to plan their ideal wardrobes with a closer focus on personal style, share care plans for washing, drying and maintenance to extend the life of the products, pass on maintenance skills like sewing and knitting to help people to repair their own clothes, develop easy and interactive (online/mobile) buying, resizing, paying, return and re-design experiences, and generally look to build relationships that prolong the life of the product through reuse.

Inventory Management

Most designers would like to adopt an integrated inventory system to better manage or monitor their stock levels, orders, sales, payments and purchases to reduce redundancy on materials, avoid carrying excess inventory, reduce downtime due to lack of material, reduce storage needs as well as reduce costs associated with damaged, soiled, or lost inventory, or erroneously replacing/re-ordering existing inventory. Adopting new online solutions will help to minimize the impact of these inefficiencies on production costs, minimize losses as well as help to keep delivery timelines by reducing turnaround time.

Labelling

Only 30% of respondents who produce made-to-measure garments attach permanent labels on individual garments. The details on labels vary from manufacturer's details, country

of origin, fibre content to care instructions. Some designers do not see the need to label due to the fact that all items are custom made and they have a small client base.

Pricing

Most of our respondents carry products whose prices range from KES 3,500–25,000 per item. These price points are very high when compared to similar imported products from countries with a more efficient manufacturing sector, secure sourcing and lower labour costs, cheaper energy costs, access to credit etc.

As a result, most respondents pursue a dual pricing strategy—one considerably higher for international markets (up to five times the local price) and a local price that is usually three times the cost of production.

Packaging

Most of the respondents have differentiated their products for different market segments. This may be through the quality of textiles used, and price or service differentials. For the higher end market segments, the respondents provide personalized service, higher quality packaging, consultations and even delivery. For the average consumer, the respondents use branded, recyclable brown bags in which they fold the garment with or without the hanger and branded tag. The menswear designers use ordinary suit bags and hangers when packaging.

Relationships with Consumers and Point of Sale Service

All the respondents have a social media presence and use these platforms to interact with consumers, exhibit and sell their products. Most of the respondents indicate the critical role that social media plays in their business strategy and a preference for Facebook, Instagram and—on a smaller scale—Twitter.

Most of these designers desire to hire staffers with specialized digital marketing

skills to guide their online marketing and manage these online presences.

Most respondents rely on referrals, online platforms, fashion shows, craft fairs, celebrity endorsements and magazine editorials to reach out to new customers. Most respondents indicate that word of mouth has been the most effective strategy for introducing new clients. All the respondents sell some of their products in the domestic market and have integrated both mobile payment solutions and online retail platforms as part of their sales strategies.

Product End of Life and After Sale Interactions

The respondents who specialize in made-to-measure garments indicated that it is rare to have returns. Returns are common with manufactured collections and would only be occasioned by production errors. Upon return, the piece would be adjusted to fit the client better or completely redone. The respondents take the full cost of the returns.

Most respondents who produce tailored garments are in constant consultation with the consumer throughout the production in which case dissatisfactions are addressed along the production timeline. Most respondents do not plan the product's end of life, but hope that the products can be redesigned, up-cycled or handed down to another user.

Intervention

Through the HEVA Forum's business support program, we are looking to create opportunities through mentorship, workshops and exchange learning for designers and artisans in our portfolio to not only improve their research and design practices, but incorporate system-based thinking which allows them to consider the entire product life cycle, environmental impact, minimize waste and create timeless designs. As a result, users tend to hold onto these higher quality pieces for longer periods of time.

Case Study and Best Practice

Wambui Mukenyi

www.wambuimukenyi.com
[instagram.com/wambuimukenyi](https://www.instagram.com/wambuimukenyi)
[facebook.com/wambui.mukenyi](https://www.facebook.com/wambui.mukenyi)

Wambui has established a successful and respected fashion brand and practice, with bridal wear and women's clothing as her signature products.

Wambui Mukenyi is one of the few Kenyan fashion designers who consistently releases three collections every year and publishes a look-book as well as runs a media campaign for each of these collections.

Wambui has one of the most interactive and highest-subscribed online presence; On Facebook she has over 150,000 unique users, 6,000 on Twitter and about 30,000 on Instagram.

Wambui's website is always up to date, with working telephone numbers which are promptly answered. She also always responds to her email. Wambui promises to ship any online orders within 48 hours.



Registration, Contracts, Trademarks, Copyrights and Patents

60% of our respondents had formal registration of their fashion businesses but little else. Most of these were registered as limited liability companies, and a few as sole proprietor/business names. There was generalized interest in other forms of registration, but the processes seemed too tedious for most.

While there is no clear law that protects fashion designs in their entirety, given the variety of protection options available, a designer can use trademark, copyright or patent law to obtain protection for different aspects of their designs.

While the fashion and design industry will likely continue trying to obtain greater protections, it may be comforting for designers to know that options exist with respect to protecting the innovation and creativity in their work. For example, the trademark law offers protection for a word, symbol or phrase used by producers to identify their products as long as it serves as a source identifier.

Fashion designers have been able to use trademark law to protect their brand names and logos by registering them. However there is a distinction between the business and the product.

In the case of a patent, a designer may register the visual appearance of a product. If the design is new and distinctive it may be afforded protection. In the fashion industry, a design could be a new pleating technique, a specific cut, a decorative pattern on an article.

The registration of such a design gives the designer protection for the visual appearance of their product, but not the product's feel or function.

It is important—before filing a design application—that a designer should not disclose their design to anyone so that it will be completely new at the time of filing. One should also research other designs that have been publicly disclosed in order to make

sure the design is distinctive. It must also be distinctive from the owners' previous designs.

Intervention

HEVA has engaged a law firm looking to provide our portfolio of practitioners with legal, taxation and compliance support in order to help overcome challenges related to business contracts, registration and intellectual property matters.

HEVA shall track business and intellectual property registration as some of the indicators for growth for the ventures.

Case Study

Copyright Infringement of the 'Kura Bronze and Bone Necklace'

<https://ipkenya.wordpress.com/tag/kura-necklace/>
<http://weheartit.com/entry/group/8247486>

In April 2014, there was the much-publicized case concerning the copyright infringement of the 'Kura Bronze and Bone Necklace' by the Amani Women's Group after receiving a cease and desist demand notice from Penny Galore Ltd.

In the explicit demand notice, Amani was accused of infringing Penny Galore's rights under both copyright and the law of passing-off with respect to the latter's handmade necklace branded and marketed widely as the Kura Necklace.

According to Penny Galore's counsel, Coulson Harney, the necklace is 'made up of bone quills that are creatively decorated around a ring necklace which is joined by a hook and comes in various colours such as grey, cream and black'.

Penny Galore Ltd. created the 'Kura Bronze and Bone Necklace' in 2010. It had been sold in stores all over the world including Neiman Marcus, Bergdorf Goodman, as well as through the GOOP and Net-a-Porter websites. This creative work was protected by copyright.

The Amani Women's Group in Nairobi was found to have created similar works and sold the same as part of their portfolio. Penny Galore Ltd.—through their counsel Coulson Harney—asked the women's group to stop selling and destroy all remaining infringing works.

In addition, the demand notice required that Amani provide a written promise not to infringe any more on Penny Galore's rights in the Kura Necklace, Penny Galore's counsel threatened to sue Amani if the latter did not comply with the demand notice.

Financing and Capitalization

90% of our respondents relied on self-financing and savings to start their ventures. Only 10% of respondents received support from family and friends. The average initial capital invested into the respective businesses amounts to KES 1,600,000. The highest contribution was at KES 10,000,000 and the least was at KES 25,000.

Access to Credit

50% of our respondents had accessed credit either informally or from a formal financier. One respondent accessed a loan of about KES 2,000,000 from NIC Bank and another a similar amount from Rafiki Bank. 50% of respondents were reluctant to apply for credit from commercial banks for many reasons including: complicated paperwork, previous applications declined due to lack of collateral, lack of understanding of how loans work, uncertainty over loan eligibility, as well as uncertainty on whether the business would have sufficient cash flow to manage the repayment.

Banking

90% of the respondents managed separate bank accounts for their businesses. 10% of the respondents used their personal bank account for all transactions but looked to set up a separate account for the business soon. The popular banks include NIC Bank, CFC Stanbic Bank, Equity Bank and Barclays Bank.

Membership, Savings and Credit Schemes

10% of our respondents are members of a savings scheme. 20% are members of the Association of Fashion Designers (AFAD)—a self-organized guild. Another 20% are members of the African Cotton and Textile Federation (ACTIF) and are enjoying the events, exhibitions and opportunities afforded to the members.

Equity Investment

All our respondents indicated their openness to investors. 60% of the respondents had some reservations on the level of control over the creative process and the business that they would allow an investor to have. Most respondents indicated that they would be willing to give not more than 50% equity in their ventures. The ideal investment amount ranged from KES 1,000,000 to KES 50,000,000. 10% of the respondents indicated that they were not ready for equity investment.

The respondents would require investments in order to increase production, develop new products, retain employees with specialized skills, acquire new machinery, adopt new technology, develop new distribution systems, explore new markets, acquire new retail and workshop space, invest in marketing, design shop fronts and promote their brands.

Accounting and Tax Compliance

40% of the respondents have hired a full-time or a part-time staffer to perform the accounting and bookkeeping support duties as well as tax and licensing compliance. The rest of the companies are looking to comply as they hire an accountant.

Intervention

HEVA has competitively recruited and hired a credit officer to offer regular one-on-one accounting and monitoring support for the businesses in our portfolio. This is necessary as part of our due diligence in order to assist with compliance, support the achievement of milestones, and ensure repayment of the debt facility offered.

Case Study and Best Practice

Jiamini by Katchy Kollections

[instagram.com/katchykollections](https://www.instagram.com/katchykollections)

[facebook.com/KatchyKollections](https://www.facebook.com/KatchyKollections)

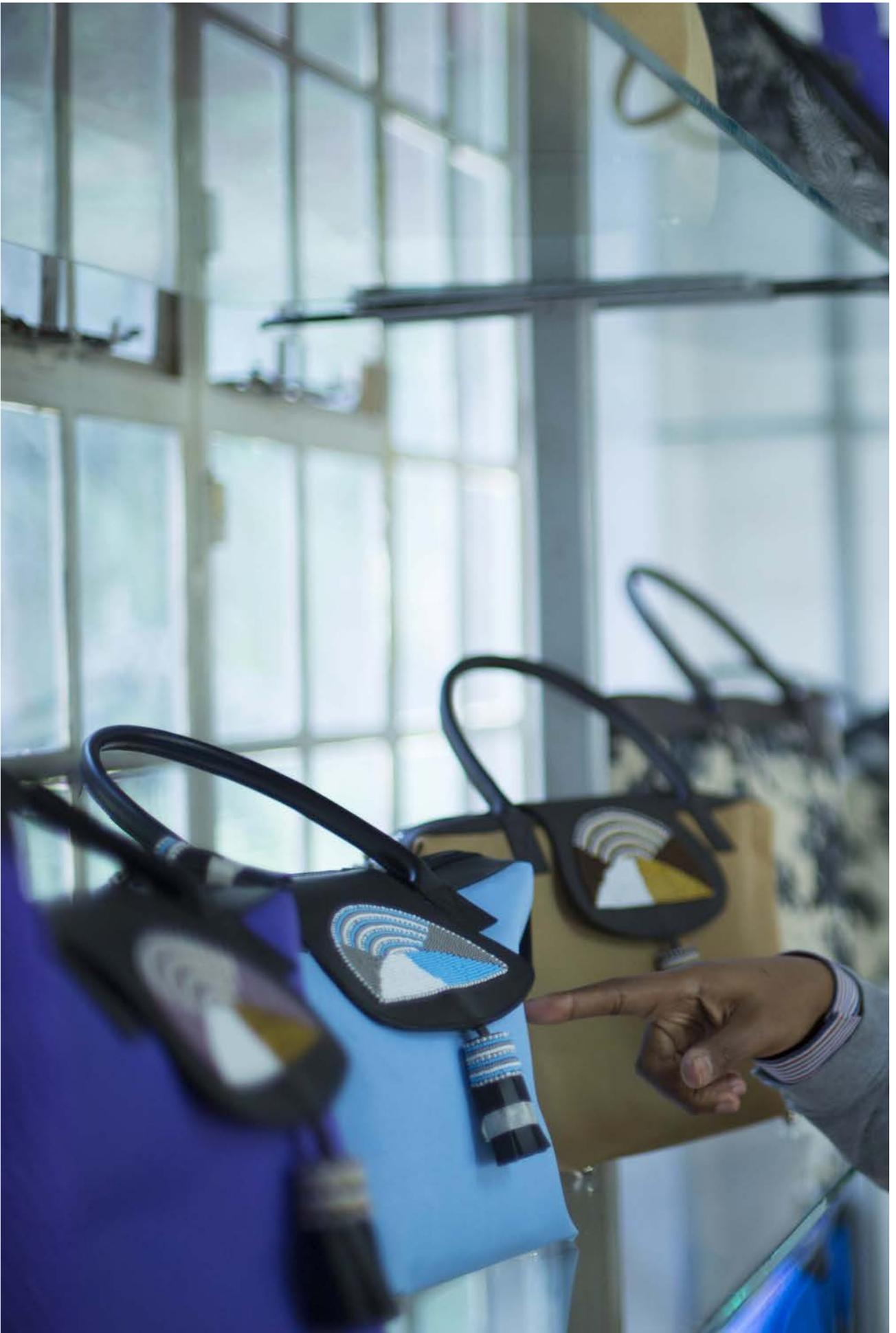
Jiamini—meaning ‘believe in yourself’—is the name of a fashion brand that is focused on expressing cultural pride in the construction of unique garments. Jiamini is a subsidiary of Katchy Kollections, a fashion line that has a history spanning over a decade of producing traditionally crafted structured bags and accessories.

The creative director—Anthony Mulli—set up Jiamini to add a garment line to the growing business three years ago and has succeeded in gaining visibility and penetrating markets locally and abroad.

Due to the inaccessibility of conventional finance institutions such as banks, Katchy Kollections looked to HEVA as an affordable alternative incorporating business support as part of the facility. The HEVA investment is primarily to support Jiamini’s garment production and the business’s retail expansion.

In the course of several months, the investment has already had a significant impact in the running of the business. Through this partnership, Jiamini is set to open its flagship store in the first quarter of 2016 to be stocked with a new collection.

Jiamini employs an accountant to assist with bookkeeping and file annual tax returns. A constant concern is the high rate of import tax. Importing using DHL and FedEx means that the retail price of the finished garment has to accommodate the high import tax to facilitate sustainable margins.



Analysis of Key Markets for Fashion, Accessories and Garments

All of our respondents indicated a strong desire to establish their businesses in Kenya and in key cities around the region. 80% of our respondents indicated a desire to explore international markets, with particular interest in France, United Kingdom, South Africa and the United States of America.

Although access to international markets (especially European and American value chains) is important to producers in Africa, the development of regional markets is perhaps most critical to long-term sustainable economic growth and diversification. We believe that for our continent to truly develop its productive capacities and develop competitive economies, we must trade with each other.

HEVA is looking to continuously design business and financial interventions which help to deepen our presence in the East African Community market, increase competitiveness, support regional value chains and explore opportunities for vertical integration in production processes.

A Focus on the Domestic and East Africa Markets

Africa is now considered the world's fastest-growing economy, offering tremendous opportunities for foreign direct investment and new frontier markets for brands and products. A recent report by the African Development Bank found that Africa's middle class has tripled to more than 310 million people over the past 30 years. Meanwhile, household spending in Africa is projected to increase from USD 860 billion in 2008 to USD 1.4 trillion in 2020, according to a 2015 report by McKinsey.

Countries in Africa are also urbanizing rapidly with about 40% of the population now living in cities. It is estimated that by 2030, Africa's top 18 cities could have a combined spending power of USD 1.3 trillion and by 2050, 63% of Africa's population will be urban. As of July 2014, the combined population of all five EAC member states was 153,301,178—with more than one-half of its population under 24 years of age, thereby making the EAC one of the youngest and most populated markets in the world.

As young Africans get connected (through telecommunications and banking services), move to cities and acquire more disposable income, it is projected that the consumer class will continue to grow and—along with it—the demand for goods and services at par with those being consumed globally.

A PWC report states that the number of mobile telephone subscriptions in the continent has risen from 16 million in 2000 to more than 500 million today, while consumer spending will almost double in the next ten years.

In 2015, Kenya topped the list of African countries with ease of access to financial services—thanks to its high uptake of mobile money—placing the country ahead of economic giants such as South Africa, Nigeria and Ghana, according to the World Bank.

With some of the most influential American and European brands and retailers in the fast-fashion sector such as Mango, Zara, Levi's,

ASOS, H&M, Walmart and GAP considering Kenya, Ethiopia and other Eastern African countries as alternative sourcing regions, there is great potential for the local garment sector to move beyond providing cut, make and trim (CMT) facilities to availing designs and sophisticated cultural products to the global fashion industry through vertical integration. This can catalyse the establishment of indigenous businesses which can compete in increasingly larger markets as well as trade in intellectual property.

The United Nations Conference on Trade and Development (UNCTAD) undertook global studies and issued two definitive reports in 2008 and 2010. These reports revealed that Africa's share of the global creative economy stands at less than 1%, and pointed to underinvestment in the creative and cultural industries on the continent and to its potential for growth.

The 2010 UNCTAD report states that "the growth is a confirmation that the creative industries hold great potential for developing countries that seek to diversify their economies and leapfrog into one of the most dynamic sectors of the world economy".

In Kenya, the creative industry accounts for an estimated 5.3% of the national GDP (Kenya Copyright Board, 2013). This is equivalent to roughly USD 2.2 billion or KES 182 billion of Kenya's USD 40 billion (KES 3.4 trillion) national GDP. With concerted efforts, the creative economy has the potential to contribute 10% of the GDP in Kenya within the next ten years.

As a finance and business support facility, we are convinced that East Africa can grow into a critical creative economy hub beyond the niche sourcing option for several large retailers. We look to complement the efforts of upstream players by designing interventions which:

- catalyse the growth of youth and women-

led creative ventures through financial inclusion, business development, deepening integration within the regional value chains, and opening up export opportunities,

- promote the professionalization of designer and artisanal products through increased business knowledge, technology adoption, increasing production capacities and protecting intellectual property,

- unlock debt financing for micro, small and medium enterprises as well as de-risking commercial investments.

Intervention

In 2016, we shall continue to support the ventures in our portfolio to acquire and cross-host product at strategic retail spaces in major East African cities: in specific shopping malls, high traffic hotels and airports, through craft fairs and pop-up shops during major events.

Through these efforts we hope to support the growth of strong indigenous players who will thrive in the regional market and compete or collaborate with players in international markets. This would support equitable development, secure livelihoods for artists and deepen cultural expression, therefore creating sustainable jobs and happy people.

A Focus on the American Markets through the Africa Growth and Opportunities Act (AGOA)

America's preferential trade scheme with many countries in Africa through the Africa Growth and Opportunities Act (AGOA)—which exporters from Kenya, Uganda, Tanzania are eligible for—has been extended for another ten years until 2025.

The AGOA scheme provides a tremendous market for garment and footwear manufacturers—as well as makers of luggage, handbags, flatware, clothing accessories, leather trunks, suitcases, vanity and all other cases, occupational luggage, patent leather, handbags, travel, sports bags, gloves, mittens, mitts of leather, artificial fur and wood wool (excelsior), wooden clothes hangers, footwear, glass/ceramic ware of a kind used for household, office, indoor decoration, straps, bands, bracelets, watch straps—among 1,400 other product lines.

Following favourable and sustained economic growth, improvement in the ease of doing business as well as the dramatic changes in Chinese market dynamics, East Africa's potential as an apparel and garment sourcing region has increased. While the interest is still modest, there is a potential to grow the sourcing to above USD 1 billion per annum in the next five years.

With some of the most influential American and European brands and retailers in the fast-fashion sector starting some of their sourcing in Kenya and Ethiopia, there is a potential for the sector to move beyond cut, make and trim (CMT) facilities and to explore vertical integration opportunities with these large retailers—such as Mango, Zara, Levi's, ASOS, H&M, Walmart and GAP—which are already active in Africa.

Intervention

In order to complement the efforts of upstream players, we are looking to launch a purchase order financing facility to help to stimulate the appetites of our businesses to bid for and access large orders away from

home markets. Unlike sole factoring which only accelerates the cash from invoices, we look to provide a more ambitious short-term financing vehicle that best builds the ability of our portfolio to respond to purchase orders from the relevant international markets.

We are also looking to build a partnership with the East Africa Trade and Investment Hub (the Hub)—a one-stop shop in the East African region for businesses seeking to take advantage of the African Growth and Opportunity Act—in order to provide opportunities for direct business linkages between the United States and businesses in our portfolio, as well as access valuable business networking opportunities through trade shows, trade missions, business-to-business events and conferences for our exporters.

A Focus on Export Markets in Europe

There is a demonstrated demand in Europe for African products. Europe imports more manufactured goods from Africa than the US and Japan combined. The European Union (EU) is also one of the largest unified markets in the world.

There is a familiarity and history with Africa in Europe which contributes to the development of business relationships. Africa is also relatively close to Europe and within the same time zones—factors which add to the continent's desirability as a source of supply if product quality, delivery and price requirements can also be met.

Demand for unique hand-crafted merchandise is particularly strong in the growing home products sector. According to retailers in Europe, European consumers appreciate one-of-a-kind items which can personalize their home decoration. Handmade crafts which combine quality construction with a unique appearance fit well into the more modest, back-to-basics style for the home which is now popular in Europe.

Designs which are incorporated in African aesthetics, textiles and handicrafts also have a market in Europe. These authentic products often display geometric patterns and simple designs which complement abstract and modern décors. At the same time, they appeal to consumers who value diverse cultures and natural materials, such as wood, stone and natural fibres.

Garment exports from Africa have also been finding a market in Europe. African producers must compete head-on with international competition in terms of price, delivery and quality to be successful in selling standard garments in Europe. Some garment producers in Africa are already successfully doing so; Mauritius is by far the largest exporter in this sector. However, other sub-Saharan African nations—including Kenya, Zimbabwe, South Africa and Côte d'Ivoire

—are also exporting garments to Europe.

In virtually all cases, these exports are basic garments such as t-shirts, sweaters, trousers and briefs. It is important to note that African garments represent only a small fraction of the clothing imported into Europe. So, as African nations undertake policy reforms to encourage exports, there are significant opportunities for garment producers to increase their penetration of the EU market.

The recently negotiated Economic Partnership Agreement negotiated between the East Africa Common Market and the European Union now provides duty-free entry access and freedom from all quota restrictions for Kenyan exports entering the European market.

This agreement spells out the Rules of Origin—defining which products are eligible for trade preferences under the EPA, fully taking into account the following: EAC specificities and the needs of its sectors and industries, customs-related provisions aiming to facilitate trade between EAC countries and the EU, promotion of better customs legislation and procedures, and provision of support to the EAC's customs administrations.

There is also a chapter on economic and development cooperation aimed at enhancing the competitiveness of the EAC economies and building supply capacity and assisting the EAC members in implementing the EPA smoothly, as well as clauses foreseeing further talks on trade in services and trade-related rules addressing sustainable development, competition policy, investment and private sector development, intellectual property rights and transparency in public procurement—all to be concluded within five years following the entry into force of the EPA, among other provisions.

These agreements provides an opportunity for our designers to explore these markets by competing for space or through vertical integration into existing value chains.

Designers looking to explore these value chains are open to apply for financing through our purchase order facility and for compliance through the learning programs designed through HEVA Forum.

Conclusion

While this study has revealed a tremendous opportunity for growth, it has also highlighted critical limitations associated with early-stage businesses which—if addressed—would unlock the tremendous growth possibilities for these ventures as well as the fashion industry in Kenya.

While there are some external issues around sourcing, IP protection, level of skills in the market, access to finance as well the dynamics of a growing local market, there are also some chronic challenges at the enterprise level which limit the adaptability capacity as well as stifle the growth potential.

These challenges include: product characteristics and value proposition, the cost of production, inventory management issues, production management, demand forecasting, market entry challenges and—most of all—the cost of inefficiencies. These challenges have a direct effect on the competitiveness of the apparel and fashion products in the desired markets.

In order to grow beyond the vulnerable early stage and to effectively commercialize, these ventures need to acquire new productive capacities, make smart sourcing decisions, adopt efficient production practices in order to improve product characteristics to align with consumer demands and develop innovative market creation strategies.

In line with the objectives of this study to identify priority constraints in order to develop a business support, learning and exchange program, we have identified three correlated learning and capacity building areas which have the highest potential to increase value, reduce inefficiencies and accelerate growth for fashion ventures.

Process Upgrading

The aim of process upgrading intervention is improving productivity through new capital investments in design, production, inventory

and logistics technologies. The aim is to improve efficiency, reduce resource wastage.

While this is a systems change, if implemented, this strategy changes how the ventures carry out its fundamental activities. From digital design software, production machines and technologies, inventory management, retail POS systems and logistics technologies, the benefits are immediate and are experienced by the business as well as in the value chain.

Some of the benefits can be observed in reduced total time, reduced cost and the increased flexibility of the supply chain process. The impact on performance improvements following a successful process upgrading helps to lower operating costs in the long-run, enhances quality and delivery performance, shortening time to market. Skills needed include on-the-job training as well as training for use of new equipment and technologies.

Product Upgrading

The aim of product upgrading interventions is a deliberate increase in the unit value of a product by producing more complex and sophisticated products, enabling a move from low-cost commodities to higher value-added fashion goods that warrant higher returns.

While our designers are already producing a portfolio of complex garments, there is need to invest in the research and design process, and in learning to use intricate patterns, better cuts, high quality fabric and accessories as well as superior finishing. This requires increasing the design and product development capabilities of the business.

Our designers can also focus on improving their identities and brands, which can dictate their choice of market, materials and inputs, service provision and the product story. Sophisticated products require high skilled labour, typically take more time to produce and require higher quality inputs. For designers to sustainably produce increasingly

complex apparel products which are also high quality, eco-friendly, satisfactory, unique and continuously fulfilling to the needs of targeted market segments, they require a high demand that can cover the costs of value addition. This is often a challenge in Kenya. Skills needs include on-the-job training, specialized skills training, investment in research and design, as well as exchange visits.

Building East African Markets

Although access to international markets is important to countries in Africa, the development of regional markets is perhaps most critical to long-term sustainable economic growth and diversification. We believe that for our continent to truly develop its productive capacities and develop competitive economies, we must trade with each other.

Functional upgrading allows us to focus on assisting ventures to secure necessary post-production capacities, including retail management, brand development, market development and networks to establish distribution channels in home and regional markets. Functional upgrading can also assist with skills to help businesses build networks and deepen relationships with their buyers.

Skills needs include soft skills and managerial skills, brand development, retail management as well as learning and exchange opportunities to inspire our designers to benchmark their products with their peers globally, rethink the life cycles of their products, experiment with new retail ideas, and consider the product end of life-plan and/or disposal.



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A HEVA Report on the Fashion
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