

## Ties That Bind: Case Study

### Ghana Scentless Hunting Attire to Walmart

This case tracks the relationship between a Ghanaian textile manufacturer (Belin Textiles) and end buyers in the United States. The case will highlight the benefits suppliers potentially experience when taking advantage of preferential trade agreements for duty-free exporting. The case will also demonstrate that locating in duty-free zones, is not enough to win business, suppliers must market themselves in the venues where their buyers seek them, like well known trade shows. Finally, the case will show that by continually innovating product design, and differentiating their products, suppliers have better chances for repeat orders, and the possibility for longer-term supplier relationships.

#### Origins and Nature of the Buyer-Supplier Relationship

Belin Textiles is the brainchild of Berty Fong, a Mauritius businessman that decided to move his textile manufacturing plant to Ghana in order to take advantage of incentives found under the African Growth and Opportunities Act (AGOA)<sup>1</sup>. AGOA offers tangible incentives for African countries to continue their efforts to open their economies and build free markets by extending them duty-free access for more than 6,400 products eligible for export to the United States. AGOA also provides the framework for U.S. technical assistance to build trade capacity and to expand business links.

In response to the passing of AGOA, the President of Ghana, Mr. John Agyekum Kufuor, launched the 'Presidential Special Initiative' (PSI) intended to benefit from AGOA and spark public-private sector partnerships, investment, new businesses and job creation.

Under PSI a focus was placed on two sectors, exporting starch that was extracted from cassava, and exporting garments and textiles to U.S. markets. It was hoped that the garment and textiles sector would create 70,000 jobs with export revenues of \$3.4 million in four years.

Seeing an opportunity to profit from AGOA and PSI, Mr. Fong decided to relocate from Mauritius to Ghana. He brought machinery from Mauritius, found a local entrepreneur (Mr. Robert Paapa Cudjoe) to partner with and opened a 20,000 square foot factory, which employed 150 workers and had a production capacity of 100,000 garments per month. In 2003, Belin Textiles was the first textile manufacturer to locate in Accra under AGOA and PSI.

Soon after opening, Belin Textiles sought the assistance of international donors such as the Danish International Development Agency (DANIDA), and the USAID-funded West Africa Trade Hub (WATH) to assist them in landing contracts with British and American retailers. By August of that year, their success enabled them to begin manufacturing low-cost t-shirts at a rate of 3,000 per day for their global clients. Unfortunately, this quantity amounted to only half of Belin's expected production requirement for those orders. Seeking to improve its competitiveness, Belin again relied on technical assistance to overcome its operational inefficiencies, and find new markets.

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<sup>1</sup> AGOA is a United States act that was signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000

Through that assistance, Belin Textiles not only improved its production capacity, but also landed a trial contract in 2004 with Walmart to manufacture t-shirts equaling USD100,000. Successfully meeting the demands of the order, in February 2005, Belin executives attended the ASAP Global Sourcing Show in Las Vegas Nevada, USA and impressed Walmart buyers enough to win three more orders of t-shirts totaling USD246,000. Mr. Fong believes it was his presence at the show that allowed him to solidify his sales to Walmart. According to Fong, “There’s just no substitute for face-to-face contact. We were able to explain more clearly our operations in Africa, and the advantages afforded by AGOA, which built confidence”<sup>2</sup>

The relationship and follow-on orders paid off for Belin Textiles. They shipped six containers of t-shirts, to Walmart in 2005. After attending yet another ASAP Global Sourcing Show in 2006, Belin won a more lucrative contract with Walmart. This time, instead of low-cost t-shirts, they manufactured and supplied unique scent-less hunting apparel to Robinson Outdoors, which in turn sells to Walmart. Today, in addition to manufacturing and selling 70,000 t-shirts a month, Belin Textiles still supplies Robinson Outdoors with scentless hunting apparel.

### **Role of Outside Support / Facilitation**

International donors and donor sponsored intermediaries played a critical role in helping Belin Textiles improve its production capacity, market themselves to larger global retailers, and differentiate their product lines with innovative designs. In particular, the USAID-funded West African Trade Hub (WATH), provided the following technical assistance:

- Trade Show preparation. In addition to sponsoring the booth for the ASAP Global Sourcing Shows, WATH also trained Belin in customer relationship management, and client interaction tactics.
- AGOA education and support. Though Mr. Fong was aware of the potential benefits of AGOA, he was able to better educate himself through information and training sessions coordinated by WATH.
- Production capacity building. When Belin Textiles suffered from inefficiencies in their production cycles which led to them not fully able to complete orders, WATH provided technical advisors skilled in garment manufacturing to help Belin identify areas of improvement.

### **Costs and Benefits of the Buyer-Supplier Relationship**

Robinson Outdoors and Walmart Costs:

It is unclear whether the buyers traveled to Ghana to inspect Belin’s facilities before placing orders with the firm. There was an expense incurred to travel to the U.S.-based trade shows, but this cost was minimal for the buyers.

Belin Textiles Costs:

In addition to the travel-related costs Belin incurred attending the various ASAP Global Sourcing Shows, the manufacturer also incurred expenses in upgrading its production plant to meet the quantity and quality demands of its buyers.

Robinson Outdoors and Walmart Benefits:

Both Walmart and Robinson Outdoors have benefited from their relationship with Belin Textiles by being able to diversify their sources of low cost apparel manufacturers. In particular, Robinson Outdoors has been able to reduce its operating expenses and increase margins by sourcing from Belin Textiles, and selling the garments manufactured there to Walmart.

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<sup>2</sup> AGOA Forum 2005

### Belin Textiles Benefits:

Belin has benefited from their relationship with Robinson Outdoors and Walmart by earning an international reputation as a quality apparel manufacturer. Walmart provides Belin a growing business partner with the best name in global retailing. Belin's transactions with Walmart have given them credibility and opportunities to pursue higher-value sourcing relationships with other international buyers

### Strategies for Overcoming Risks

Both supplier and buyer had to face and overcome some risk for doing business. For the supplier, their main strategy was to rely on the technical assistance of others to help them overcome operational, and marketing challenges. Additionally, Belin realized that it was a significant risk, (and cost) to attend the ASAP Global Sourcing Shows in the USA without the promise of orders. However, they recognized that the risk of not going, and making personal contact with their buyers outweighed the cost of going. For Belin, the risk paid off.

The buyers also had risks to overcome. Not having traveled to Ghana, nor having a sense for the capacity of Belin, these buyers tested Belin's capabilities through trial orders. At first, Belin was not able to meet the production demands of the buyers, but over time, once Belin's production capacity and quality increased, buyers were more willing to source higher quantities from them.

### Lessons Learned

There are four key lessons that can be taken from the case of Belin Textiles sourcing garments to Walmart

- Duty free agreements, like the African Growth and Opportunities Act are very effective in setting the environment that fosters foreign direct investment and business creation.
- Client interaction, preferably face-to-face client interaction, is very effective in helping to build relationships, and establish trust between supplier and buyer. In this instance, the attendance in global trade shows is critical to build credibility, and brand awareness to buyers who otherwise have no awareness of new suppliers.
- Product improvement and differentiation helps suppliers set their products apart from others, and create a value proposition greater than 'price' for their buyers. For Belin, diversifying their production capabilities from low-cost t-shirts to higher value hunting apparel allowed them to create a niche market not easily replicable by other firms.
- The role of the facilitator cannot be overlooked. In fact, as in many cases, it is the facilitator that functions as the bridge, technical assistance provider, and broker for initial transactions between supplier and buyer. Despite this critical matchmaking role, facilitators have a broader responsibility to ensure that their interaction within the buyer-supplier relationship is not disruptive, and that their matchmaking doesn't place an artificial reliance on external intervention. Facilitators can counteract the market's reliance on their matchmaking in the following ways:
  - Seek opportunities to build local the capacity of complementary firms that can provide fee-based services after intermediation projects end
  - Where applicable, adopt and encourage cluster strategies that enable entire sectors to benefit from shared knowledge, collaboration, and improved competitiveness.
  - Incorporate a work-force development strategy with the cluster strategy to encourage a broader skilled labor force for improved production capacities