

## MEN'S CLOTHING

### THE CANADIAN EXPERIENCE - OSCARDO INC.

#### Trading Canadian technology for Mexican market access

Eduardo Lulka, President of Oscardo, is a native Mexican, so Mexico was a natural choice as the first export market for his fast-growing, Toronto-based tie manufacturing company. Ten percent of the company's sales are in the Mexican market, and Lulka expects considerable growth not only in Mexico, but throughout Latin America.

Lulka decided to work with a Mexican manufacturer which carried a non-competing line and which was targeting the same type of retailer. As Lulka points out: "retailers in Mexico are used to working with the owners: there are direct relationships based on years of doing business together. The retailers are only now learning to deal with distributors."

Oscardo's first Mexican partner went out of business, and Eduardo and Oscar Lulka subsequently founded a new company in partnership with a Mexican men's-wear distributor to manufacture lower-end ties and to distribute the high-quality, Canadian-made silk ties in Mexico. Oscardo considered producing its high-end ties in Mexico but learned that it could produce them more competitively with the advanced technology and skilled labour in its Toronto plant. Oscardo is also using its technical and marketing expertise to help its Mexican partner to improve manufacturing efficiency and to develop export markets.

According to Lulka, the Mexican consumer is very fashion conscious. Tie widths change as frequently as they do in Canada and at about the same time, but the Mexican businessman tends to be more conservative: "we would never sell bold flowers; rather, the consumer is looking for something more traditional, something that is neat and classic looking."

The men's clothing market is estimated at about one-quarter of the total apparel market, or about US \$1.3 billion. Import penetration is estimated at about 18 percent which is triple the rate of women's clothing.

Compared with Canadian styles, Mexican men's business and work wear tends to be less fashion oriented, at least in the low- and medium-price ranges. Suits and shirts are more likely to be made of blended fabrics with a higher synthetic component. The most common are polyester/wool for suits and polyester/cotton for shirts. Mexican apparel plants are fairly well-equipped to meet the demand for basic commodity goods such as shirts, socks, underwear, suits and jeans. Where they are less competitive, imports from the United States and the Far East have filled the gap.

The high end of the work and casual market is well-served by the big-name European designers, such as Hugo Boss and Giorgio Armani. A few Mexican companies, such as *Confitalia* are able to compete effectively in this market through licensing agreements with foreign designers and access to foreign fabrics. Other domestic men's wear manufacturers are becoming more aware of the mid-to high-end market. Some of them perceive the potential to compete in this niche if they establish strategic alliances that will give them access to capital, technology, marketing and design expertise.

### OPPORTUNITIES FOR CANADIAN SUPPLIERS

There is an opportunity in this market segment for strategic alliances between Canadian apparel manufacturers and Mexican firms. Industry observers agree that there is a shortage of design-intensive products targetted at younger consumers in the medium- to low-end of the market. In general, young people in Mexico are style conscious, but lack the income to purchase high-end products. A private labelling program represents one way of establishing stylish and relatively low-cost products.

There are also opportunities for direct exports of high-fashion casual wear aimed at the youth market. Trousers, outerwear and shirts are all imported in substantial quantities.