

EXPORTING TEXTILE CONSUMER PRODUCTS TO VENEZUELA

by

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A Research Paper

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by

A handwritten signature in black ink, appearing to read "D. R. Vanden Bloomen", written over a horizontal line.

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ABSTRACT

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This Paper presents a comprehensive look at the issues involved in exporting textile consumer products (pantyhose - HS number: 6115.11.0000) from the United States to Venezuela

Venezuela's population is 23.7 million, growing at a rate of 2.0 percent annually. Consumer expenditure in clothing and footwear was almost \$ 3,500 million (USD) in 1996, representing 10 percent of the total consumer expenditure. Fashion is very important to the large and affluent Venezuelan middle class, with a preference shown for U.S. marks, labels, styles, designs and quality.

Venezuela experienced a dramatic slowdown in economic growth during 1998. Real GDP grew less than 1 percent in 1998 and shrank by 5 percent during 1999. This happened as the result of the drop in oil prices, which is Venezuela's principal exporting product, and the international financial crisis that began in Asia in mid-1997. Despite

Venezuela's current economic difficulties, US exports continue to grow and will most likely pass the \$ 6 billion (USD) mark in the present year.

The domestic consumption of the product is calculated based on the size of the market (women population, which is estimated to be 6.3 million for the year 2000), the quantities of the product imported from all over the world, which was \$ 46.9 million (USD) in 1996, and from the amount, in USD figures, expended over the years in clothing and footwear. It is important to mention that the expenditure on clothing and footwear tripled in Venezuela in the 1977-1996 period (going from \$ 1,26 million to \$ 3.5 million USD).

The main domestic competitions brands are Delux, Van Raalte, Marlene, Coqueta and Kentelle. Third country competition comes from the Andean Community of Nations (Bolivia, Colombia, Ecuador and Peru), Jamaica and several Asian countries. The Andean Community of Nations is well known for its high-end apparel products. Jamaica exports a huge amount of textile products through assembly activities (maquiladora industry) on the island. Asia is also considered as competition since there is a significant flow of low quality textile and apparel products coming from that region to all the countries in the hemisphere.

Among the issues to consider when entering this very particular market are the long processing times at Venezuelan ports and corruption. Both are particularly important. Long processing times are the norm at Venezuelan ports; payoffs or connections are often the only ways to speed things along. Transparency international Inc. in Berlin reported that Venezuela scored a 2.3 on a scale of 0 to 10 in its Corruption

Perception Index. Since a 10 would be given to a very uncorrupted country, this means that there is a lot of corruption going on in Venezuela.

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I also want to give special thanks to my wife, Denny Pimentel de Gómez, for her support, extreme patience and motivation.

Gabriel Gómez

DEDICATION

To my wife, daughter, son, parents, sisters and brothers.

Thanks to all of you.

Gabriel

EXPORTING TEXTILE CONSUMER PRODUCTS TO VENEZUELA

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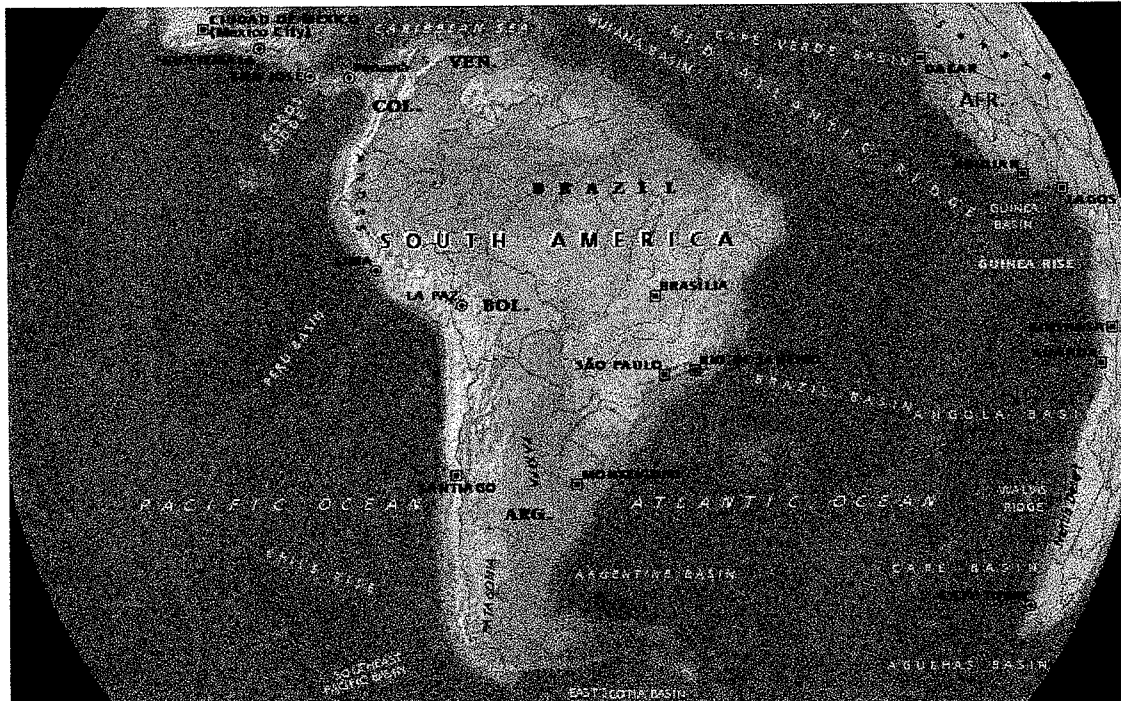
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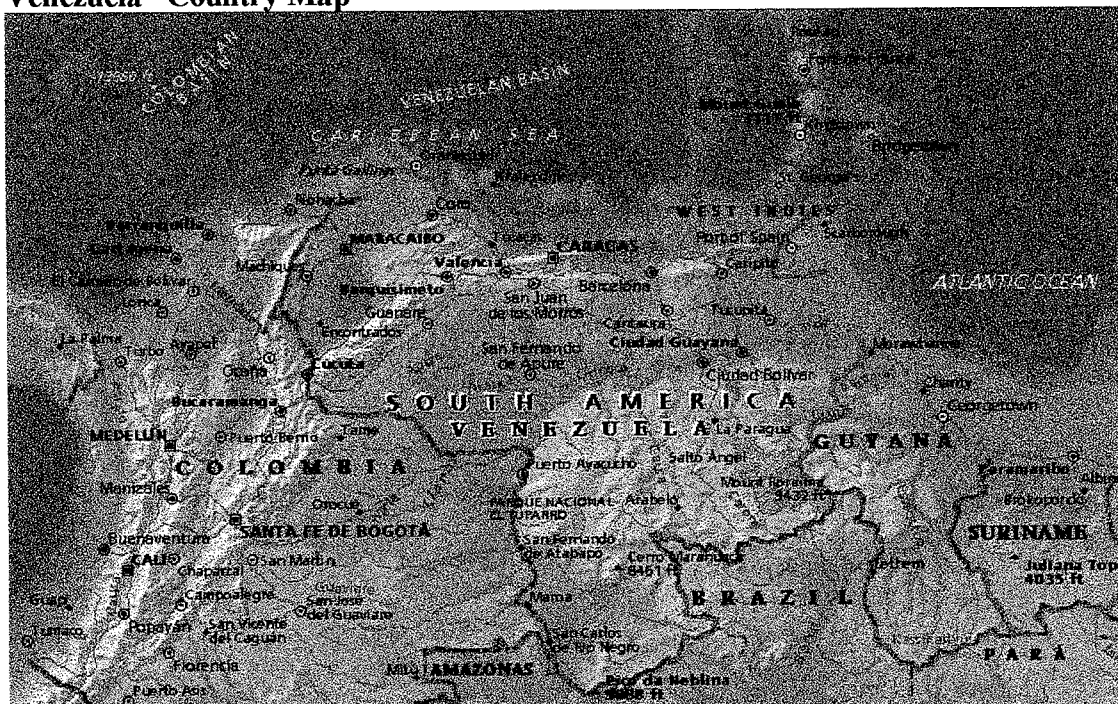
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South America - Regional Map



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Venezuela - Country Map



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Executive Summary

This Research Paper presents a comprehensive look at the issues involved in exporting textile consumer products from the United States to Venezuela. Pantyhose (HS number: 6115.11.0000) was the product specifically selected for this study, which includes country background information, figures of the domestic consumption, market trends, current prices of goods, third country competition, as well as an overview of the distribution and sales channels.

Venezuela, with a population of 23.7 millions and growing at a rate of 2.0 percent annually, is a country that represents important market opportunities for apparel products from the United States. Consumer expenditure in clothing and footwear was almost \$ 3,500 million (USD) in 1996, representing 10 percent of the total consumer expenditure. Fashion is very important to the large and affluent Venezuelan middle class, with a preference shown for U.S. marks, labels, styles, designs and quality. This is especially evident considering that the United States is both Venezuela's largest trading partner, and largest single investor. Imports from the United States were near \$ 4.6 billion (USD) in 1996, representing 44 percent of all the imports that year.

Venezuela experienced a dramatic slowdown in economic growth during 1998. Real GDP grew less than 1 percent in 1998 and shrank by 5 percent during 1999. This happened as the result of the drop in oil prices, which is Venezuela's principal exporting product, and the international financial crisis that began in Asia in mid-1997. Despite Venezuela's current economic difficulties, US exports continue to grow and will most likely pass the \$ 6 billion (USD) mark in the present year.

The domestic consumption of the product is calculated based on the size of the market (women population, which is estimated to be 6.3 million for the year 2000), the quantities of the product imported from all over the world, which was \$ 46.9 million (USD) in 1996, and from the amount, in USD figures, expended over the years in clothing and footwear. It is important to mention that the expenditure on clothing and footwear tripled in Venezuela in the 1977-1996 period (going from \$ 1,26 million to \$ 3.5 million USD).

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Among the issues to consider when entering this very particular market are the long processing times at Venezuelan ports and corruption. Both are particularly important. Long processing times are the norm at Venezuelan ports; payoffs or connections are often the only ways to speed things along. Transparency international Inc. in Berlin reported that Venezuela scored a 2.3 on a scale of 0 to 10 in its Corruption Perception Index. Since a 10 would be given to a very uncorrupted country, this means that there is a lot of corruption going on in Venezuela.

Recommendations and suggestions are to buy, whenever possible, directly from the factories; to export small quantities of the product at the beginning; to ship the merchandise from Miami Beach-Florida, and to use an import agent until experience allows to by pass it.

Introduction

Venezuela is a country that represents important market opportunities for imported apparel products. Due to its location, history and economic conditions, the country has absorbed the fashion trends and designs of Europe and the United States.

In this report you will find information concerning the exporting of hosiery (Standard Industrial Code 2251) from the US to Venezuela. The product's code in different classification systems is also presented (see Table 5).

Information describing Venezuela's population, age distribution and the projected size of its market, as related to the target market, is presented (Figures 2 & 3). Venezuela's position in the world ranking, as an importing country of Pantyhose and Tights, is shown against the fourteen leading countries (Table 8). Pantyhose and Tights imports from the US are shown in detail, as well as the trends and forecast of the country's total imports from the US (see Tables 9 & 10).

In Venezuela, distribution channels vary according to the products and commodities involved. Alternatives for the distribution of Pantyhose and Tights are suggested and discussed. The country's textile and apparel industries products, capacity and competitiveness are described and the national pantyhose brands –the competition- are compared by prices and variety (see Figure 4).

Specific characteristics of this market, such as population taste, custom problems, and hidden economy are discussed in detail.

Finally, suggestion and recommendations, as well as key industry contacts, are given at the end of the report for the entry in this very particular market.

Country Background Information

Physical Attributes and Demographics

Topography

Venezuela is a tropical land in the northern part of South America. It shares borders with Guyana, Brazil, and Colombia. The country is roughly divided into four geographical zones, the west, central, east, and south regions. The Andes Mountains dominate the west, where Espejo Peak rises 16,540 feet above sea level. The central zone includes the northern coast and Venezuela's largest cities. To the east of the Orinoco River is a large plain. High plateaus and jungle dominate the south. Angel Falls, the highest waterfall in the world at 3,300 feet, displays its beauty in the southeast. Venezuela's tropical climate is moderated at higher altitudes. The rainy season is from May to November. Temperatures average between 70F and 85F, but the mountains can experience cool temperatures and some Andean peaks are snowcapped year-round.¹

Population and Distribution

The population of Venezuela is currently 23.7 million and growing. There has been a 2.0 percent rise in the annual population. The main concentration of Venezuelans is in the urban areas, as over 80 percent of the people reside there. Caracas, the capital and largest city, is home to approximately 3.3 million. 67% of the population is *mestizo*, which is a mixture of Indian and

¹ David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

Spanish heritage. Along the coast, 21% of the population is either mulattoes, or of European descent (mostly Italian or Spanish). Blacks make up 10 % of the Venezuelan population.²

History

Christopher Columbus discovered the Venezuela area in 1498. Before his arrival, various Indian tribes mainly inhabited the country. Some of these tribes include the Caracas, Arawaks, and the Cumanagatos. The Spanish soon conquered the area and named it Venezuela; meaning "little Venice". Caracas, the capital, was founded in 1527. The Spanish Crown controlled the country through much of the 18th century. Starting in 1811, a 10-year struggle to gain independence began. After 10 years of battling, Simon Bolivar's forces were victorious at the Battle of Carabobo, and a republic was declared. This republic eventually dissolved, and Venezuela became an independent country. The 20th century began under a dictatorship headed by Cipriano Castro.

In 1958, a freely elected president came to power, and democratic elections have been held ever since. Carlos Andres Perez was elected president in 1989. When Perez introduced his economic plan for the country, riots erupted. These demonstrations were eventually halted by the military. In 1992, Perez was nearly overthrown in a military coup. The coup attempt was put to rest by some of Perez's loyal forces, and he held office until 1993. Today, President Chavez is serving the first year of his five-year term.³

² David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

³ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

Political Situation

Venezuela is a republic with an active multiparty democratic system, a bicameral congress, and a popularly elected president. It has a long-standing commitment to democracy.⁴

Relations with the U. S.

Venezuela and the United States have traditionally enjoyed strong trading ties. Despite Venezuela's current economic difficulties, U.S. exports continue to grow and will most likely pass the USD 6 billion mark in 1999. The U.S. is both Venezuela's largest trading partner and largest single investor. Venezuela and the United States have long shared a cordial bilateral relationship. As one of the hemisphere's longest-running democracies, Venezuela has been a key ally in our efforts to consolidate democracy in the region. President Chavez, elected in December 1998, has expressed his commitment to a number of goals that the U.S. shares—fighting drug trafficking, implementing judicial reform, promoting respect for human rights, and creating an atmosphere conducive to international investment that will allow the economy to grow. Chavez's administration has stressed the need for regional integration with other Latin American states. Various bilateral treaty negotiations with the United States have not progressed for the time being.⁵

⁴ Europe World Yearbook Vol I. 1997.

⁵ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

Economy

The economy has recently been in a recession due to the Asian economic crisis and a drastic drop in worldwide petroleum prices. Petroleum is the economic lifeline of Venezuela, and the drop in prices was a huge blow to the country. Newly elected President Chaves announced a broad economic reform program, which details an overhaul of the Venezuelan constitution. As a result of this reform program, many investors are awaiting the outcome before spending their money in the economy. Currently, cutbacks in oil production and government spending have kept the economy in a recession. Another contributing factor to the recession has been the overvalued Bolivar.⁶

Balance of Trade

After several years of a negative trade balance, Venezuela has recently enjoyed a positive balance. In 1996, the trade balance was 6.533 billion US\$. The 1997 totals show the trade balance to be a positive 3.245 billion US\$.⁷

Imports and Exports

Venezuela's most important natural resource is petroleum. Petroleum accounted for 81 percent of all exports. The revenues from oil exportation have allowed Venezuela to develop into a fairly wealthy nation. A wide array of other products are also both imported and exported.⁸

⁶ Economic Survey of Latin American and the Caribbean – 1998-1999. ECLAC 1999.

⁷ Economic Survey of Latin American and the Caribbean – 1998-1999. ECLAC 1999.

⁸ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

Trading Partners

Venezuela imports products from many countries. The three major import countries to Venezuela are the United States, Colombia and Germany. The top ten (10) import countries account for 23.83 percent of Venezuela's total imports. Venezuela's top three (3) major export countries are the United States, Brazil and Colombia. The top ten (10) export countries account for 36.31 percent of Venezuela's total exports (see Table 1 below).

Top Importing and Exporting Countries 1995- Venezuela

Table 1

(Value in Thousand US Dollars)

Imports			Exports		
Country	Volume	Percent	Country	Volume	Percent
	35547766	100%		43355160	100%
1 USA	4594521	12.90	USA	9645719	22.24
2 Colombia	808801	2.27	Brazil	1683907	3.88
3 Germany	521295	1.46	Colombia	1423147	3.28
4 Japan	473707	1.33	Nether. Antilles	927279	2.14
5 Canada	457317	1.29	United Kingdom	431776	0.99
6 Brazil	415521	1.17	Suriname	388973	0.89
7 Mexico	351636	0.98	Germany	345141	0.79
8 Italy	323736	0.91	Netherlands	317505	0.73
9 Argentina	292905	0.82	Anguilla	305351	0.70
10 Spain	250041	0.70	Japan	292775	0.67

* percent is rounded to nearest (0.00).

Source: Europa Yearbook page 3609 Vol. I. (1997).

Imports and Exports

The top three imported products, by value in dollars, to Venezuela are Machinery & Trans. Equipment (44.59 percent), Basic Manufactures (14.62 percent), and Chemical and Related Products (13.50 percent). The top three (3) products account for almost 73 percent of the total imports to Venezuela. The top three exported products, by value in US dollars, are Mineral Fuels (75.94 percent), Basic Manufactures (11.37 percent) and Machinery and Trans. Equipment (3.10 percent). The top three (3) exports account for almost 91 percent of Venezuela's exports. More detailed information is shown in Table 2 below.

Table 2 Imports and Exports 1994 - Venezuela
(In Million US Dollars)

Imports			Exports		
Commodity	Volume 8,036.7	Percent*	Commodity	Volume 16,649.7	Percent*
1. Machinery & Trans. Equipment	3,583.5	44.59	1. Mineral Fuels	12,644.4	75.94
2. Basic Manufactures	1,174.9	14.62	2. Basic Manufactures	1,893.2	11.37
3. Chemicals and Related Products	1,085.2	13.50	3. Machinery & Trans. Equipment	516.5	3.10
4. Food and Live Animals	800.6	9.95	4. Chemicals and Related Products	504.1	3.02
5. Misc. Manufactured Articles	653.4	8.13	5. Food and Live Animals	334.4	2.00
6. Crude Materials Exclu. Fuels	374.2	4.66	6. Crude Materials Exclu. Fuels	286.8	1.72
Total	7671.80	95.46	Total	16179.4	97.18

* percent is rounded to nearest (0.00).

Source: Europa Yearbook, Vol. I. Pages 3608-3609 (1997).

Distribution and Sales Channels

There are no existing laws or regulations that limit distribution. All channels are possible: manufacturer's representative or commission agent; wholesale importing distributor; importing retailer; or direct sale to end-user. It is quite common to find Venezuelan companies undertaking several of these functions simultaneously. No specific business license is required for a local company or individual to be an importer. Many retailers administer their own imports, sometimes placing orders through commission agents or purchasing directly from foreign suppliers.⁹

Use of Agents/Distributors

Although agents are not required by law, they are often contracted to promote sales. These agents are not used for documentation and importation services, they are more so commissioned agents. Customs agents usually handle importation and documentation services. Distributors are frequently used when a product requires strong after-sale support.¹⁰

Direct Marketing

Marketing, through TV commercials, newspaper inserts, house visits or street vendors, is common. Mail orders are not an option because of low reliability of the postal system. Placing orders by phone with delivery by messenger is becoming popular, and several such companies have been successful by placing their catalogs in newspapers as weekend-issue inserts. As the telephone system continues to improve, direct marketing by phone will become more common. Almost all businesses now use fax in

⁹ International Trade Statistics Yearbook Vol. II 1994.

¹⁰ International Trade Statistics Yearbook Vol. II 1994.

their day-to-day business and many utilize email. E-Commerce is in the very early stages but could be a promising area for growth.¹¹

Branch Offices

A business is required to register with the Venezuelan "Commercial Registry" to be legally established. Opening and operating a coordinating or reporting office isn't considered foreign investment or a business activity as long as the office doesn't sell and is being financed from the home office. Other detailed activity would be considered part of the Commercial Code. Business enterprises can be registered four different ways. These ways include corporations, limited liability companies, partnerships, or as sole proprietorships.¹²

Warehouses

Venezuelans warehouses are similar to those in the US. There are both public and private warehouses, which house a variety of products and raw materials. There are also distribution centers, which are designed to speed the flow of goods and avoid unnecessary stored costs.¹³

Transportation

The country of Venezuela uses many different methods of shipping and receiving their products and materials. The following section will give statistical analysis, as well as other information pertaining to the different methods of transportation.

¹¹ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

¹² Venezuela Country Commercial Guide. U.S. Department of State, 1999.

¹³ Europe World Yearbook Vol I. 1997.

Ports-ocean

Venezuela ranks in the upper middle of the world for the amount of metric tons shipped totaling 7,100,000,000 metric tons-km. The main importing port is located in La Guaira, which is the port for Caracas. All in all, there are nine major ports, 34 petroleum and mineral ports, and five fishing ports in Venezuela. The chief port for the giant petroleum industry is found in Maracaibo. In recent years, there have been several new ports developed for the meeting Venezuela's increasing need for port capabilities. In addition to the new ports, several have been improved and/or expanded since 1979. The revisions to the Venezuela ports have greatly raised the overall capacity.¹⁴

Rail

Venezuela isn't too greatly involved in Railway freight, ranking in the bottom in metric tons shipped, which totaled 13,700,000 metric tons-km. Currently, the government is planning on constructing a railway network. The project would be completed by the year 2000, and would run 1,400km throughout the country. The estimated cost for the railway is \$2.5 billion US dollars.¹⁵

Air

There are over 280 authorized airports and landing strips in Venezuela, but only about 40 deal with commercial service. The *New Book of World Rankings* places Venezuela in the upper middle for metric tons-km of air cargo shipped, totaling over 215,200,200 million tons-km. The airports are government ran, with the exception of two independent mainland airports, and one

¹⁴ The Illustrated Book of World Rankings, 1997.

¹⁵ The Illustrated Book of World Rankings, 1997.

located on Margarita Island, which is managed under a concession. Along with commercial aviation, Venezuela also is home to 61 civil airports, seven of which are international. The main civilian airports are actually two adjacent airports located 13 km outside of Caracas.¹⁶

Road

According to a 1995 estimate, there are 82,700 km of roads in Venezuela, of which 32,500 km were asphalted. There are three main highways in the country. The first runs 960km from Caracas to Ciudad Bolivar. The Pan-American Highway runs 1,290km from Caracas to the Colombian frontier. The third major highway runs North South from Coro to la Ceiba. There is a new "marginal highway" being built along the Western Amazon Basin in Venezuela, Colombia, Ecuador, Peru, Bolivia, and Paraguay. The Venezuelan section currently runs for 440km and is fully paved.¹⁷

Marketing U.S. Products and Services

Market Opportunities--Top 10 US Exports to Venezuela

The top three (3) exported products for the United States, by value in US dollars, to Venezuela are Civil Eng. & Contractor Plant Equip. (12.69 percent), Parts and Accessories of Motor Vehicles (5.34 percent), and Mechanical Handling Equipment (4.23 percent). The top ten (10) exported products account for 38.17 percent of the total exports to Venezuela from the United States. More detailed information is shown in Table 3 below.

¹⁶ The Illustrated Book of World Rankings, 1997.

¹⁷ David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

Table 3 Top 10 US Exports to Venezuela 1998 - General Customs Value

SITC*	Nomenclature	Customs Value (1,000,000 USD)	Percent
	All Commodities	4,741	100
723	Civil Eng. & Contractors Plant Equip.	602	12.69
784	Parts and Accessories of Motor Vehicles	252	5.34
744	Mechanical Handling Equipment	201	4.23
764	Telecommunications Equipment	151	3.18
041	Wheat (including spelt) Unmilled	119	2.51
044	Maize Unmilled	105	2.21
752	Automatic Data Process Machines	101	2.13
728	Specialized Machinery	95	2.00
994	Est. Low Val. Shp	93	1.96
759	Parts etc. For Office Machines	91	1.91
	Total Top 10 Products Imported		38.17

***SITC- Standard Industrial Trade Classification. Source: US Department of Commerce**

Overview of Import Market

Top 10 products imported from Venezuela to the U.S

The top three (3) imported products, by value in US dollars, to the United States from Venezuela were Crude Petroleum (86.11 percent), Aluminum (2.93 percent), and Organic Chemicals (1.82 percent). The top 10 US Imports from Venezuela account for 98.04 percent of the total. More detailed information is shown in Table 4 below.

Table 4 Top 10 US Imports from Venezuela 1996 (FAS Value)

SITC	Nomenclature	FAS Value (\$1,000,000)	Percent
	All Commodities	8,378	100
333	Crude Petroleum	7,214	86.11
684	Aluminum	246	2.93
516	Organic Chemicals	153	1.82
671	Pig Iron	151	1.80
784	Parts & Accessories of Motor Vehicles	126	1.50
342	Liquified Propane and Butane	103	1.22
281	Iron Ore and Concentrates	78	0.93
335	Residual Petroleum Products	78	0.93
278	Crude Minerals	65	0.77
	Total Top 10 Products Imported	8214	98.04

*SITC- Standard Industrial Trade Classification. Source: US Department of Commerce

Advertising

While there are some specialized publications, the daily newspapers are the most common forms of advertising. This holds true with regards to machinery or industrial equipment as well. TV and radio commercials are used heavily to promote durable and non-durable consumer goods. Billboards are common as well as distribution through leaflets, newspaper inserts, and in-store promotions. There are numerous advertising agencies, some being subsidiaries of well-known U.S. companies.¹⁸

Pricing Policies

The market and the competitive forces surrounding the market basically determine pricing in Venezuela. There are a few price controls, mainly on pharmaceuticals and some basic foods. Mark-ups of over a 100% are not uncommon if the market can bear it. Violators of price fixing will be issued a heavy fine, as price fixing is prohibited by Venezuelan law. Despite the low labor costs, the real cost of doing business in Venezuela is fairly high, due to the fringe benefits many employees receive.¹⁹

Consumer Attitudes

Consumer attitudes towards products are very similar to those in the United States. Venezuelans do not look down up on American products. This is especially evident considering that the US is both Venezuela's largest trading partner, and largest single investor.

¹⁸ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

¹⁹ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

Business customs

It is customary for to give a nice gift to valued business customers during the Christmas season. These gifts are often quite expensive. Americans make several mistakes when conducting business in Venezuela. The order forms Americans offer the Venezuelan businesses often contain English, and this is unacceptable. Another mistake commonly made by Americans is pointing with an index finger during conversation. It is much more polite to motion with the entire hand.²⁰ Weekends and holidays are generally off-limits for business meetings with Venezuelans; these times are reserved for family.

Hours

The workweek is generally 8:00 a.m. through 6:00 p.m. Monday through Friday. There is usually a one or two hours break each day for lunch. Government offices maintain similar hours, although it varies by region.²¹

Holidays

During each official public holiday, statues of Simon Bolivar, who is the father of Venezuela, are decorated with colorful wreaths. Carnival, which occurs two days before Ash Wednesday, is an especially festive time. One will often find water fights, parades, dancing in the streets, amusements, and other activities. Other official public holidays include New Year's Day, Ash Wednesday, Easter, Declaration of Independence Day, Battle of Carabobo, Independence Day, Simon Bolivar's Birthday (24 July), Public Officials' Day, Columbus Day, Christmas Eve and Christmas, and New Year's Eve.²²

²⁰ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

²¹ David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

²² David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

Gestures

An *abrazo* is a full embrace while patting each other on the back of the neck. Men greet close friends with an *abrazo*, and women add a kiss on the cheek to the greeting. This greeting is usually given only between two people who are close friends or relatives. For the common stranger, a handshake is very acceptable. When in conversation, Venezuelans stand much closer than in the United States. Uncomfortable as that may be for a typical American, it is improper to back away. Common greetings include *Buenos Dias* (Good Morning), *Buenas tardes* (Good afternoon), and *Buenos noches* (Good evening). A more casual way to greet some one is with a simple "*Hola*" (Hello). Often after a greeting, people will inquire about one another's health.²³

Safe Travel Considerations

Although Venezuela was once expensive to visit, the prices have moderated and the travel industry is making great strides. For stays longer than 60 days a visa and valid passport are required for U.S. travelers. A tourist card issued by an airline will suffice for stays less than 60 days. While no vaccinations are required, malaria suppressants are highly recommended, especially in certain areas.²⁴

Negotiations

Negotiations often occur at the many trade shows that Venezuela has every year. These trade shows have proven to be a very effective method of promoting a new product, or finding an agent or distributor, and often lead to off the floor sales. Conventional business meetings also

²³ David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

²⁴ David, M. The Nations Around US-Venezuela. Brigham Young University, 1994.

take place to negotiate a contract or an order. These meetings are usually slightly more laid back than Americans are accustomed to.²⁵

Customs

Aside from those required for public health, all non-tariff barriers have been eliminated in Venezuela. The maximum duty levels are currently at 20% of the cost, freight value, and insurance of the good. Goods are subject to review of market value relative to international pricing.²⁶

Import/Export Documentation

Three documents are generally required for imports to Venezuela. These documents include a customs declaration, a commercial invoice, and a bill of lading. In addition to these documents, imports must also comply with international quality control standards.²⁷

Labeling/marketing requirements

Because Spanish is the official language of Venezuela, all labels must be written in Spanish. The official measuring system is metric, so all labels must list ingredients, and all other numbers in metric. All operating instructions and other text must be in Spanish. Stickers are allowed for imported items. The importer must be identifiable by the stickers.²⁸

²⁵ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

²⁶ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

²⁷ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

²⁸ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

Specific Product

Panty hose is a product that, as any other good significantly produced and traded, has been coded in different classification systems for control, rate of duty and statistical purposes. There are numbers and descriptions –codes- assigned to this product in the Standard Industrial Code, in the Standard Trade Classification and in the Harmonized Tariff Schedule of the United States. To find specific information about classification descriptions see Table 5 below.

Table 5 Panty hose and tights Codes in Different Classification Descriptions

Harmonized Classification (HS)	Standard International Trade Classification (SITC)	Standard Industrial Code (SIC)
6115.11.0000	846.21	2251
6115.20.0000		
Panty hose and Tights of Synthetic Fibers	Panty hose and tights	Women's Full-Length and Knee-Length Hosiery, Except Socks
Women's Full-Length Hosiery		

Domestic Consumption in Venezuela

The main concentration of Venezuela's population is in the urban areas, as over 80 percent of the people reside in cities. The major cities of Venezuela are Caracas (the capital), with a population 3,345,822, Maracaibo (pop. 2,249,670), Valencia (pop. 1,903,621) and Barquisimeto (pop. 1,625,450). Around 67 percent of the population is meztiso, which is a mixture of Indian, African and Spanish heritage.²⁹

²⁹ David, M. The Nations Around US-Venezuela. Brigham Young University, 1994

Venezuela is a very fashion conscious country. The latest styles from the U.S. and Europe will often be seen in Venezuelan cities.³⁰

Venezuelan consumers show a preference for U.S. marks labels, fashion, style, designs, prints and quality. Cultural ties with the U.S. are a key factor for buying “U.S. made” products and the United States is a major supplier of apparel to Venezuela. Even though the influence of the American culture is determinant in Venezuela, there are differences when it comes to how certain segments of the population dress. For example, workingwomen in Venezuela tend to dress up more than their American counterparts –many are actually required to wear dresses at work- being pantyhose an important part of their garments.³¹

In recent years Venezuela has absorbed the designs of the great couture houses of U.S. (New York) and Europe, and is now producing its own high fashion, albeit usually with imported textiles.³² “Fashion is what is changing the most in Venezuela”, comments Guillermo González, General Manager of Creaciones Grossman, C.A.

Venezuela’s textile industry produces fibers and blends, cotton knits and cotton and wool wovens. Manufactured apparel includes all types of garments, notably swimwear, children’s wear, young adult’s clothing, mature women’s sport wear, career wear and a considerable variety of hosiery. Apparel producers export minimally, many buying imported materials for assembly. There are 1,900 apparel plants in Venezuela, mainly located in the country principal cities, which are Caracas, Maracaibo, Valencia and Maracay. About 5 percent of these plants are of large size,

³⁰ Exports 1998: Analysis of a Regional Success. Apparel Industry Magazine, Sept. 1999.

³¹ CIA World Factbook -Venezuela.

³² The Andean Region: A Vision of Integration. Apparel Industry Magazine, Sept. 1999.

25 percent are medium size and 70 percent are small. These plants give direct employment to around 100,000 people.³³

Currency –Exchange rate.

The Bolivar has been increasingly weakening over the last five years, with an especially large change between 1995 and 1996. The Ministry of Finance returned control of the currency to the Central Bank of Venezuela (BCV) in 1996, effectively ending exchange controls. The BCV has used the exchange rate as an anchor against inflation since 1996, when prices rose by 103 percent. The Bolivar is allowed to fluctuate plus or minus 7.5 percent around a central parity. The parity depreciates by a pre-determined rate of 1.28 percent each month to compensate for the large inflation differential between Venezuela and its main trading partner, the United States. This rate was most recently established by the BCV in January 1998 and it has not been readjusted. However, the gap between monthly inflation and this monthly depreciation has led to an increasing overvaluation of the currency, which was estimated to be 44 percent at the end of June 1999. This has affected the competitiveness of non-traditional exports.³⁴

The following Table shows the exchange rate for the past six years.

Table 6. Exchange Rate trends for the Past Six Years (1994-1999)

	Years					
Exchange Rates	1994	1995	1996	1997	1998	1999
	148.503	176.843	417.333	488.635	547.556	620.528

Source: CIA World Factbook

³³ Europe World Yearbook Vol I. 1997.

³⁴ CIA World Factbook -Venezuela.

Inflation rates and trends - With the exception of a giant rise in inflation during 1996, Venezuela is seeing a trend of the inflation rate decreasing. The following table illustrates the inflation rates for Venezuela the previous five years.

Table7. Inflation Rates

	Years					
Inflation Rates	1994	1995	1996	1997	1998	1999
	70.8%	56.5%	103.2%	37.6%	29.9%	14.4%

Source: Country Commercial Guide

Trade Data

The total world volume of Pantyhose and Tights have been growing steadily over the past decade, rising from just under 18 billion US Dollars in 1992 to slightly more than 27 billion USD in 1996. The leading three importers of these products are the United States, Germany and Japan. Venezuela's position in the world ranking as an importing country of Pantyhose and Tights is in the thirty-second place, with 0.17 percent of the total for 1996. This information is depicted in Table 6 below.

Table 8

Merchandise Imports of Panty hose and tights, SITC No. 846.21 into Venezuela, 1992-1996

WORLD VOLUME:	17877428		18406784			20461920			25167008			27383190		
					92/93			93/94			94/95			95/96
	1992	MKT	1993	MKT	PERCENT	1994	MKT	PERCENT	1995	MKT	PERCENT	1996	MKT	PERCENT
COUNTRY	VOLUME	%	VOLUME	%	CHANGE	VOLUME	%	CHANGE	VOLUME	%	CHANGE	VOLUME	%	CHANGE
1 USA	2826083	18.37%	3255573	17.88%	0.01%	4049770	19.78%	0.02%	5384334	21.39%	0.02%	6049708	22.08%	0.01%
2 Germany	3157890	17.88%	3088801	16.78%	-0.01%	3078386	15.03%	-0.02%	3568940	14.19%	-0.01%	3561755	13.01%	-0.01%
3 Japan	1458558	8.15%	1545808	8.40%	0.00%	1847840	9.03%	0.01%	2511908	9.98%	0.01%	2585925	9.44%	-0.01%
4 Hong Kong	1428828	7.98%	1550280	8.45%	0.00%	1757812	8.58%	0.00%	2054020	8.16%	0.00%	2210232	8.07%	0.00%
5 France	1480655	8.34%	1389824	7.54%	-0.01%	1558183	7.62%	0.00%	1782800	7.12%	0.00%	1856028	7.14%	0.00%
6 United Kingdom	1173467	6.56%	1183643	6.43%	0.00%	1112885	5.44%	-0.01%	1338368	5.31%	0.00%	1638584	5.98%	0.01%
7 Netherlands	717537	4.01%	734207	3.98%	0.00%	752389	3.68%	0.00%	778419	3.08%	-0.00%	913614	3.34%	0.00%
8 Belgium	484226	2.76%	550548	2.99%	0.00%	563895	2.75%	0.00%	707407	2.81%	0.00%	735288	2.69%	0.00%
9 Italy	482365	2.70%	502051	2.73%	0.00%	508333	2.48%	0.00%	652256	2.59%	0.00%	689179	2.44%	0.00%
10 Spain	488336	2.62%	350156	1.90%	-0.01%	385182	1.83%	0.00%	472873	1.88%	0.00%	542884	1.98%	0.00%
11 Austria	346609	1.94%	353808	1.92%	0.00%	383080	1.87%	0.00%	484788	1.85%	0.00%	515312	1.88%	0.00%
12 Canada	319490	1.79%	328042	1.79%	0.00%	351637	1.72%	0.00%	422273	1.68%	0.00%	410021	1.50%	0.00%
13 Singapore	221167	1.24%	282888	1.43%	0.00%	314529	1.54%	0.00%	380877	1.55%	0.00%	410799	1.50%	0.00%
14 Mexico	125373	0.70%	187345	0.91%	0.00%	282832	1.38%	0.00%	355152	1.41%	0.00%	441845	1.61%	0.00%
32 Venezuela	58254	0.33%	51842	0.28%	0.00%	35011	0.17%	0.00%	85343	0.34%	0.00%	48870	0.17%	0.00%
TOTAL VOL TOP 15	14884738		15320385			18989844			20978837			22688634		
TOTAL % - TOP 15		83.15%		83.23%			83.03%			83.36%			82.85%	
% CHANGE					0.00%			0.00%			0.00%			-0.01%

Source: Yearbook of International Trade Statistics, Vol. II, 1996, page 212.

Exports of Women's Full-Length Or Knee-Length Hosiery from the United States

The total quantity (in pairs) of women's full-length hosiery exported from the U.S. rose from 478,067 pairs in 1997 to 915,479 in 1998. The leading three (3) exporters of this product in 1998 to US were the United Kingdom 52.77 percent, Mexico at 15.78 percent and Canada with 13.33 percent. The top 10 exporters -which includes Venezuela- of the 15 countries actively exporting this product from the US represented a volume of 915,479,000 pairs (95.44 percent) in 1998, a volume of 478,067,000 pairs (86.36 percent) in 1997, and a volume of 812,583 pairs (30.54 percent) in 1996. This information is depicted in Table 9 below.

Table 9
Women's Full-Length Or Knee-Length Hosiery, Measuring Per
Merchandise Trade - U.S. Exports by Commodity
Top 15 Importing Countries from the USA

	Country	Qty 98	%	Qty 97	%	Qty 96	%	Qty 95	%	Qty 94	%
Number	World	915479		478067		812583		4828864		997969	
1	U. Kingdom	483137	52.77%	180519	37.76%	13163	1.62%	15215	0.32%	8967	0.90%
2	Mexico	144460	15.78%	28959	6.06%	67868	8.35%	20602	0.43%	9771	0.98%
3	Canada	122000	13.33%	111139	23.25%	107773	13.26%	95173	1.97%	124550	12.48%
4	Japan	69386	7.58%	31554	6.60%	8706	1.07%	52141	1.08%	20763	2.08%
5	Australia	11996	1.31%	9081	1.90%	17781	2.19%	6019	0.12%	11030	1.11%
6	Germany	11318	1.24%	2721	0.57%	24252	2.98%	125777	2.60%	390277	39.11%
7	S. Arabia	10020	1.09%	1	0.00%	877	0.11%	29	0.00%	100	0.01%
8	Haiti	7803	0.85%	36582	7.65%	936	0.12%	1	0.00%	1	0.00%
9	Venezuela	7237	0.79%	5768	1.21%	188	0.02%	1097	0.02%	3896	0.39%
10	Neth Antilles	6428	0.70%	6522	1.36%	6686	0.82%	11628	0.24%	10777	1.08%
11	Bahamas	5718	0.62%	320	0.07%	6943	0.85%	10846	0.22%	1	0.00%
12	Hong Kong	5207	0.57%	17917	3.75%	1624	0.20%	1806	0.04%	6971	0.70%
13	Paraguay	3701	0.40%	2590	0.54%	6025	0.74%	1889	0.04%	3149	0.32%
14	Switzerland	3386	0.37%	313	0.07%	1439	0.18%	1	0.00%	1	0.00%
15	Colombia	2989	0.33%	3376	0.71%	50	0.01%	1359547	28.15%	189905	19.03%

Source: STAT-USA®/Internet, U.S. Department of Commerce

Exports of Panty hose and Tights of Synthetic Fibers from the United States

The total quantity of panty hose and tights of synthetic fibers exported from the U.S. rose from 4,099,536 pairs in 1997 to 5,254,294 in 1998. The leading three (3) exporters of this product in 1998 to the US were Jamaica at 41.35 percent, El Salvador at 35.71 percent and Mexico with 13.86 percent. The top 15 exporters, which includes Venezuela, of the 20 countries actively exporting this product from the US represented a volume of 99.22 percent in 1998, 98.18 percent in 1997, and 97.18 percent in 1996. This information is depicted in Table 10 below.

Table 10
**Panty hose And Tights Of Synthetic Fibers Measuring Per
 Merchandise Trade - U.S. Exports by Commodity**
 Exports from the USA to the top 20 Countries

	Country	Qty 98	%	Qty 97	%	Qty 96	%	Qty 95	%	Qty 94	%
Number	World	12708163		10781697		8705194		5860926		6266545	
1	Jamaica	5254294	41.35%	4099536	38.02%	3225260	37.05%	4951223	84.48%	5352464	85.41%
2	El Salvador	4537968	35.71%	3395726	31.50%	2658529	30.54%	389	0.01%	1	0.00%
3	Mexico	1760850	13.86%	2483209	23.03%	1927619	22.14%	64384	1.10%	219197	3.50%
4	Colombia	447465	3.52%	7540	0.07%	8908	0.10%	2136	0.04%	30664	0.49%
5	Canada	228967	1.80%	253276	2.35%	247963	2.85%	330231	5.63%	293805	4.69%
6	Dom. Rep.	98567	0.78%	40590	0.38%	1	0.00%	4192	0.07%	20280	0.32%
7	Netherlands	72164	0.57%	7058	0.07%	60241	0.69%	99349	1.70%	1191	0.12%
8	Haiti	37324	0.29%	1	0.00%	1	0.00%	1	0.00%	1	0.00%
9	U. Kingdom	34394	0.27%	6020	0.06%	7696	0.09%	9409	0.16%	47017	0.75%
10	Germany	27188	0.21%	112939	1.05%	36581	0.42%	36462	0.62%	74248	1.18%
11	Israel	26952	0.21%	32921	0.31%	13491	0.15%	7003	0.12%	4752	0.08%
12	Brazil	26412	0.21%	21071	0.20%	9758	0.11%	1677	0.03%	1286	0.02%
13	Japan	21142	0.17%	104205	0.97%	246912	2.84%	107970	1.84%	31168	0.50%
14	Venezuela	18043	0.14%	2971	0.03%	9207	0.11%	1	0.00%	739	0.01%
15	Bahamas	16257	0.13%	14913	0.14%	7524	0.09%	14702	0.25%	8299	0.13%
16	Argentina	14640	0.12%	8373	0.08%	8322	0.10%	29016	0.50%	9237	0.15%
17	Hong Kong	9064	0.07%	6501	0.06%	8043	0.09%	7780	0.13%	3727	0.06%
18	Guatemala	8687	0.07%	4565	0.04%	3385	0.04%	316	0.01%	4000	0.06%
19	U. Arab Em.	7184	0.06%	1067	0.01%	9032	0.10%	194	0.00%	2750	0.04%
20	Panama	5963	0.05%	45414	0.42%	8615	0.10%	1	0.00%	1	0.00%

Source: STAT-USA®/Internet, U.S. Department of Commerce

Third Country Competition

There is a significant amount of textile and apparel products imported to Venezuela from countries other than the U.S. The Andean Countries, the Asian Countries as well as Jamaica are to be considered of primordial importance in this issue.

The Andean Community of Nations

With Mercosur and Andean Pact, the configuration of Latin America is changing. Venezuela has initiated the opening of its markets, especially with the Andean Pact, which includes Bolivia, Colombia, Ecuador, Peru and Venezuela itself. It is important to mention at this point that Colombia –a neighboring and very culturally close country- is among the seven big apparel producers in Latin America, which includes Mexico, Costa Rica, Dominican Republic, El Salvador, Guatemala and Honduras. Venezuela has also initiated bilateral agreements with Brazil.³⁵

Most of the nations that conform the Andean Pact are well known for their high-end apparel products. The countries' exquisite designs, styling and materials are sought after by customers far and near –the region's commerce with Europe has flourished in recent years –notably with England, Germany and Spain. The textile and apparel industries are of paramount importance to each nation's overall economic framework (except Venezuela a country that has always had a trade deficit masked by oil exports). In most of these countries apparel manufacturing ranks within the top five industries and, in many cases, is the source of employment for a significant percentage of the total

³⁵ Economic Survey of Latin American and the Caribbean – 1998-1999. ECLAC 1999.

population.³⁶ Good produced in the region include jeans, T-shirts, intimate apparel, jackets and high-fashion articles in a multitude of synthetic and natural fibers, including top-grade cotton, wool, llama, alpaca, vicuña, and angora.

The region's reputation has been built on its superior quality in every aspect of apparel manufacturing, from the design stage to the materials and throughout the production process, and in an era of fierce competition in the garment industry, many Andean region countries are emphasizing their unique skills in order to remain competitive. "Our industry is orienting itself toward the fashion and design markets." Explains Roberto Galavis Díaz, executive director of CAVEDIV, Venezuela's apparel association. "The dominance of Asian garments in the commodities market has prompted us to pursue this orientation."³⁷

The Andean nations are not only relying on their style to attract customers. The countries offer a host of additional advantages that go a long way in persuading international customers to locate or produce there. Though incentives vary somewhat by country, the most common are tariff exemptions for raw materials and equipment imported for production of export goods, competitive labor costs, numerous free trade zones, unimpeded capital repatriation and a firm commitment to free trade, as evidenced by multiple trade agreements with different regions and countries that make the Andean region nations a launching pad for international commerce. Some of the region's primary challenges are dealing with unfair import practices (dumping and declaration of goods for less than actual value), and eliminating low-cost counterfeit goods.³⁸

³⁶ The Andean Community of Nations: Wooing Customers. Apparel Industry Magazine, Oct. 1998

³⁷ Exports 1998: Analysis of a Regional Success. Apparel Industry Magazine, Sept. 1999

³⁸ World-Apparel FY99. USDOC-International Trade Administration, 1999.

Jamaica.

Jamaica is the largest English-speaking island in the Caribbean (area-4, 411 sq. miles), with a small but diversified economy and natural resources. Although the island's small population (2.5 million) and low per capital income, it offers good potential for export-oriented activities. The U.S. is Jamaica's primary trading partner. In 1994, total imports to Jamaica from the U.S. grew to USD 1.15 billion, representing 52.6 percent of Jamaica's total imports.³⁹ The U.S. has been Jamaica's principal export market over the last two decades, where garments, under the 807 and Cut, Made and Trim (CMT), represent an important share of this market.

The Jamaica Garment Industry has become extraordinarily dynamic in the last two decades. The average annual growth for the last ten years has been 18 percent. Jamaica's location in the Caribbean Sea makes it very competitive to export textile, as well as many other products, to Venezuela. In Table 4 it can be noticed that in 1998 Jamaica was the number one exporter from the U.S. of pantyhose and tights of synthetic fiber. Since Jamaica's population is only 2.5 million, this huge amount of imports can only be explained by the fact that this material is imported into the country to assemble it (maquiladora industry), taking advantage of the cheap labor, and then re-exporting the finished products to other markets.

Venezuela and Jamaica have been trade partners for a long time (Jamaica imports oil from Venezuela), and the distance between the two countries is around the 990 miles.

Asian Countries

For several years the U.S. imports, as well as the domestic apparel industry, have been competing against low quality textile and apparel imports from Asia, as well as

³⁹ Jamaica Country Commercial Guide – U.S. Department of State, 1996.

contraband imported through the free trade zone in Panama.⁴⁰ The Venezuelan government has reported that Asian manufacturers use many American Trade Marks illegally. The illegal domestic manufacture of such trade names exists but reportedly is small, mainly because local manufacturing costs are higher than the landed costs of imported Asian Counterfeits. There is also the problem of Asian manufacturers, which produce higher quantities of trade name products than those paid for and these excess volumes are then dumped. All these practices are so profitable that some Venezuelan importers have established purchase offices in Panama, Hong Kong and China.⁴¹

Market trends in Venezuela

Current sales

In this report, pantyhose current sales estimates are based on total consumer spending on clothing and footwear. No specific information is available on sales for this specific product (neither domestic nor imported). Table 11 shows the trends of Total Consumer Expenditure from 1977 to 1996. It can be appreciated that Total Consumer Expenditure has grown steadily in Venezuela over the years and has almost double in this period.

Table 11

Total Consumer Expenditure 1977-1996-Venezuela (Millions of USD)

	1977	1980	1985	1990	1992	1993	1994	1995	1996
Total Consumer Expenditure	18,628	21,628	24,328	27,628	29,502	31,378	33,252	34,189	35,127

Source: International Marketing Data and Statistics

⁴⁰ World – Apparel FY99-Best Market Report. USDOC.1999.

⁴¹ Mueller, Hans, US&FCS International Marketing Insight, Jan.2000.

Consumer expenditure on Clothing and Footwear also shows a steady growth over the years. This expenditure has almost triple between 1977 and 1996. Table 12 depicts this information.

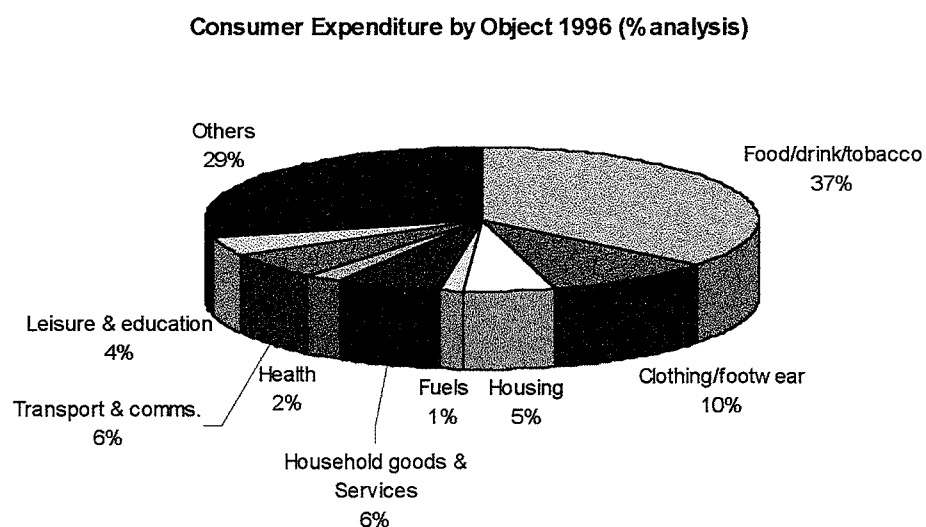
Table 12
Consumer Expenditure on Clothing and Footwear 1977-1996-Venezuela

	1977	1980	1985	1990	1992	1993	1994	1995	1996
Total in Millions USD	1,267	1,736	2,186	2,636	2,861	3,086	3,311	3,431	3,554

Source: International Marketing Data and Statistics

It is important to note that for 1996 the amount of money Venezuela's people expended in clothing and footwear was approximately 10 percent of the total consumer expenditure. This can be appreciated in the following figure (Figure1).

Figure 1



Current size of the market.

Population of women between 20 and 49 years old represents Venezuelan market for hosiery. Currently it is estimated that there are about 6.3 million of women between these ages in Venezuela. This is the current size of the market for this product. See Table 13 below for market trends details as well as the Total Imports from the U.S., which is Venezuela's major trade partner.

Table 13
1996-98 and Estimated 2000 Total Women's Panty-Hose Market Size-Venezuela

Topic	YEAR			
	1996	%	1998	%
est.% Total Market Size 100 (Number of Women in thousands)	5,688	100	6,008	100
Total Local Production (not exported)	NA*		NA*	
Total Imports 100 (in US Billions)	10.6	100	14.0	100
Imports from 45 U.S. (US Billions)	4.6	44	6.3	45
				6.9

Source: The Illustrated Book of World Ranking. George Thomas Kurian Editor, 1997. and Venezuela Country Commercial Guide. U.S. Department of State, 1999.

*NA - Not Available

Projected size of the market as related to target market

The population of Venezuela currently is 23.7 million.⁴² The population is projected to grow at a rate of 2.0 percent annually. The projected population in the year 2010 is 28.90 million and in the year 2050 is 65.07 million. As it can be noticed in Figure 2, women population in Venezuela is currently above 6 millions, which represents a market that any company should consider. This market is projected to grow steadily in the next decades, reaching about 8 and a half millions women in the year 2010. See Figure 2 below.

Figure 2. Venezuela's Women Population From 1960 to 2050

	Years				
Women Population in Thousands	1960	1975	1998	2010	2050
	1,904	3,290	6,008	8,345	20,822

Source: World Population Growth and Aging, The University of Chicago Press, 1990 and Venezuela Country Commercial Guide. U.S. Department of State, 1999.

The current age distribution in ten-year intervals by sex is shown in Figure 3 below. Approximately 40 percent of the female population is between 20 and 49 years old.⁴³ This is significant to a company trying to import panty hose to Venezuela, because it is the time when women are earning more and have greater disposable income on themselves. This group has the potential to be a significant target market for pantyhose sales.

⁴² Venezuela Country Commercial Guide. U.S. Department of State, 1999.

⁴³ Statistical Abstract of the World, Detroit, 1994.

Figure 3 Current Venezuela's Age Distribution by Age (10 year intervals)

	Age Distribution Percentage							
	>69	69-60	59-50	49-40	39-30	29-20	19-10	<10
Male	2.14	3.60	5.72	9.95	13.85	17.43	21.94	25.37
Female	2.73	3.89	5.92	9.99	13.88	17.27	21.50	24.82

Source: World Population Growth and Aging, The University of Chicago Press, 1990 and Venezuela Country Commercial Guide. U.S. Department of State, 1999.

Issues to consider when entering this market

There are certain issues very particular to Venezuela that might have an impact on the company trying to enter this market. Issues such as the hidden economy, the corruption, the long processing times at the ports, the language, business customs and the tariffs are to be seriously considered in order to assure success and to avoid unnecessary risks.

Hidden Economy

Imports from the U.S. compete against low quality textile and apparel imports from Asia, as well as contraband imported through the free zone in Panama. The Venezuelan government as well as the domestic textile industry estimate that 1.5 million pieces of apparel enter the country monthly illegally, many counterfeit, others under other doubtful circumstances and still others dumped or heavily underinvoiced.⁴⁴ Some of these imports are being effected by large clothing chains in Caracas, others through wholesalers, but there is also a high percentage which comes directly to the duty-free island of Margarita. The government is concerned for two main reasons: curbing the use

⁴⁴ Mueller, Hans, USDOC, International Trade Administration, Jan.2000.

of registered trade marks by unauthorized manufacturers and the loss of income from imports duties through underinvoicing, direct smuggling or dumping.

Venezuela experimented a dramatic slowdown in economic growth during 1998. This happened as the result of the price drop of oil prices, which is Venezuela's principal exporting product, and the international financial crisis that began in Asia in mid-1997.⁴⁵ The loss of one third of the unitary value of the Venezuelan oil was the principal cause of the recession in which the economy got into in 1998, year that closed with a GDP drop of 0.7 Percent. The economic situation was also affected by the uncertainty in the investment environment originated by the announcement of profound changes made by the government of Hugo Chavez, who took office by the beginning of 1999.⁴⁶ By the first quarter of 1999 the country was in full-blown recession, and this had a definite impact on the unemployment. About 338,000 people found occupation in the informal sector. These two factors –unemployment and the availability of apparel imported under doubtful circumstances- explain the huge market activity performed by street vendors in Venezuela.

The Corruption

Transparency International in Berlin reported that Venezuela scored a 2.3 on a scale of 0 to 10 in its 1998 Corruption Perception Index, with 0 representing the most corruption and 10 the least. The index is based on international surveys of business people, political analysts and the general public. Venezuela has a regulatory system to prevent and prosecute corruption; accepting a bribe is a criminal act. Penalties include

⁴⁵ Economic Survey of Latin American and the Caribbean – 1998-1999. ECLAC 1999.

⁴⁶ Venezuela Country Commercial Guide. U.S. Department of State, 1999.

finances and/or prison sentences. However, the country lacks an effective judicial system to provide judicial security for either foreign or national residents.

Foreign direct investment is hindered by corruption, although this varies on a sectorial basis. Government tenders are the most vulnerable to corruption because the tender process frequently lacks transparency. The Comptroller, an arm of the Ministry of Justice, has primary investigative responsibilities for corruption cases involving public officials and entities. The Technical Judicial Police (PTJ) organization also has the power to open cases. The Chavez government recognizes corruption as a systemic problem and has promised to undertake significant constitutional reforms, particularly of the judicial branch, to bring it under control. Many cases of fraud and mismanagement are pending against fugitive private bankers for actions that helped precipitate or aggravate the 1994-95 financial crisis.

Long Processing Times

Long processing times are the norm at Venezuelan ports; payoffs or connections are often the only ways to speed things along. Because evasion of tariff and tax payments is said to be the norm in up to 50 percent of all import transactions, a crackdown was announced in March of 1999, which will lead to the suspension of the licenses of 500 customs brokers.⁴⁷

Venezuelan customs procedures are cumbersome and involve many steps; this is why most importers use the services of a customs agent. The Commercial Section of the U.S. Embassy can provide names of reputable agents.

⁴⁷ David, Biederman, *Traffic World*, 1999.

Complaints by importers of inconsistency in customs treatment in various ports of entry have led to an effort by the National Tax Authority (SENIAT) to build a common data base of information and otherwise coordinate and ensure uniform valuation principles by customs offices throughout the country.

The Language

Since Spanish is the official language of Venezuela customs require that all documents be in this language. U.S. companies often make the mistake of providing sales literature in English when selling to their agents or distributors. While many businessmen speak English, much of their staff and customers will not. Consequently, failure to prepare materials in Spanish eliminates a key selling tool

U.S. companies interested in selling to the Venezuelan Government should note that, according to Venezuelan law, all correspondence must be in Spanish. Companies that write to a government agency in English will probably not receive a reply. Government officials are not permitted to conduct official business in any other language than Spanish.

Business Tendencies

Venezuelan importers prefer to buy directly from the manufacturer, instead of going through intermediaries. U.S. exporters that are not manufacturers should try to associate themselves closely with the U.S. manufacturer, whenever possible.⁴⁸ subject to a 2 percent customs handling charge and a 12.5 percent tax. A luxury tax of up to 20 percent also applies to certain goods.

⁴⁸ Europe World Yearbook Vol. 1. 1997.

Pricing Products

Outside of a few price controls -- specifically those for a wide range of pharmaceuticals and some basic foods as well as gasoline -- pricing are left to market and competitive forces. High mark-ups of 100 percent or more are not uncommon if the market can bear it. Law prohibits price fixing among manufacturers or dealers, and heavy fines can be levied on violators.⁴⁹

Current Prices of Goods

The highest prices for comparable panty hose in Venezuela is charged by Delux , for its MAXIMA PANTY, \$2.78 . The lowest price for a comparable product is charged by Kentelle, for its CRISTAL, \$1.40. The current prices for pantyhose and tights in Venezuela by competitors are shown in Figure 4 below.

Figure 4 Current Prices of pantyhose (full-length and knee-length) in Venezuela by Competitors

Competitors	Products and Prices		
Delux	Máxima 2.78	Classic \$2.58	Tobillera \$ 1.30 (Knee-length)
Van Raalte	Talla Unica \$1.79		
Marlene	Marlene Dimension \$1.60	Lady Marlene \$1.50	Pantalon Day- Sheer (knee-length)
Coqueta			Tobillera \$0.88 (knee-length)
Kentelle	Cristal \$1.40		

Source: Products purchased in a Shopping Mall –Centro Comercial Tamanaco, Caracas- in Venezuela, March, 2000.

Delux and Van Raalte are brands found in up-scale stores in Venezuela (Daytons or Yonkers type of store). The variety and assortment of these products is as wide as can be in these stores. Marlene and Coqueta are brands found in retailers such as BECO, a

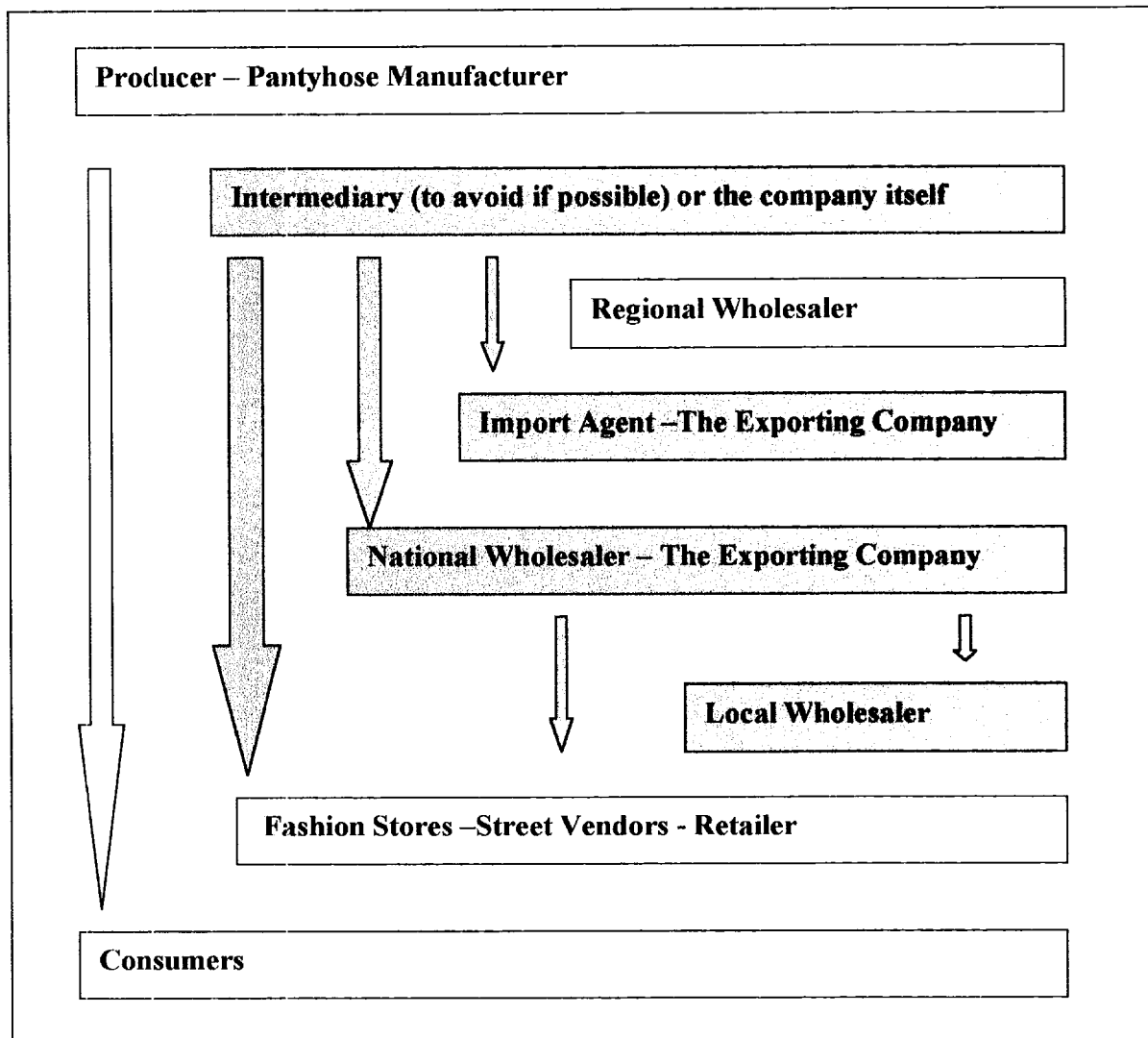
⁴⁹ Europe World Yearbook Vol. 1. 1997.

department store that targets middle class (something like Target in the U.S.). There are also Delux and Van Raalte in these stores, but the assortment is not as wide as it is in up-scales stores. Kentelle, which is the cheapest product of all, is mostly found in supermarkets and in low-income stores –street vendor as well (photocopies of the packages of some of these products are shown in Appendix B).

Specific Distribution and Sales Channels

For a company intending to export pantyhose from the U.S. to Venezuela would be best for its business to avoid –when ever possible- all intermediaries. Buying directly from the factories would assure the best prices. Perhaps the company might find opportunities placing itself as an intermediary in this distribution chain. After buying the merchandise and importing it, the company should play the role of a national or local wholesaler. This should be its core business, that is, to provide merchandise to fashion stores, street vendors and retailers. Most likely the profit margin of the company will not be as good as those of the retailers, but the company will need to invest much less in infrastructure and labor and the return of the investment will be faster. The recommended channels of distribution for this product are depicted in Figure 5 below. In this figure the gray boxes represent where the importing company should place itself in the channels of distributions and the gray arrows are the activities to be performed by the company.

Figure 5. Recommended Channels of Distribution for Importing Pantyhose to Venezuela



Distribute to fashion stores

Marketing research might be done to establish the different brands and types of the product available in the local stores. There are around five different national brands in the Venezuelan market: Delux, Van Raalte, Marlene, Coqueta and Kentelle. Among these brands the most expensive one is Delux followed by Van Raalte. From this two Delux is

the one that offers more variety. Marlene, Coqueta and Kentelle offer a much cheaper product. From these three Marlene is the brand that offers more variety (around twelve different products). This manufacturer has been in the local market for more than twenty years, and its products are exported to neighboring countries (Colombia, Peru, and the Caribbean).⁵⁰ Lately there have been a considerable variety of Italian-made pantyhose present in the market, with very competitive prices.

Distribute to street vendors

There is a huge market activity performed by street vendors in Venezuela. This is explained by the slow down in the economy –the fiscal year of 1998 ended with a GDP drop of 0.7 percent- and a considerable amount of merchandise that finds its illegal way to the streets of the principal cities of the country.⁵¹

Unemployment rose from 11 percent in 1997 to almost 16 percent by the end of 1998; period in which more than 330,000 people found job in the informal sectors of the economy.⁵² On the other hand the Venezuelan government, as well as the domestic textile industry, estimate that 1.5 million pieces of apparel enter the country monthly illegally, many counterfeit, others under other doubtful circumstances and still others dumped or heavily underinvoiced.⁵³

These two factors –unemployment and the availability of apparel imported under doubtful circumstances- explain the huge market activity performed by street vendors in Venezuela. This situation affects established retailers in a negative way, since it takes

⁵⁰ www.indrotven.com

⁵¹ Mueller, Hans, USDOC, International Trade Administration, Jan.2000.

⁵² Economic Commission for Latin American Countries, 1999.

⁵³ Mueller, Hans, USDOC, International Trade Administration, Jan.2000.

customers away from them. It is very likely that this kind of marketing will be done for several years to come, thus this may be a good alternative to explore.

Sell the product as a retailer

This alternative will imply the cost to start and manage a retailer store. It might be the less attractive of the alternatives in the short term, but it might be the best one in the long term.

Conclusion and Recommendations

Revenues from oil exportation have allowed Venezuela to develop into a fairly wealthy nation. The United States and Venezuela have enjoyed strong trading ties for a long time. Currently there is a significant flow of U.S. textile goods being exported to Venezuela. This flow has not been greatly affected by the economic difficulties the country has been going through for several years, and there is general optimism, among international investors, about Venezuela's future due to its huge natural resources.

Despite the fierce competition of similar products coming from many countries, there should be enough opportunities to get a share in Venezuela's pantyhose market. Venezuelan women tend to dress up more than in the United States. Many are required to wear dresses to work and this usually involves wearing pantyhose.

Many domestic pantyhose brands lack the quality of the American products, and imported products –either from the U.S. or from any other country- usually found in fashion stores are expensive to the average working woman. It is common to see Venezuela women buying significant quantities of pantyhose, taking advantage of the good prices, when they travel abroad.

The national currency is a little bit over evaluated. This gives the imported product an advantage, in terms of prices, over the domestic product. While the imported product was always found at a higher price than the domestic in the stores, this situation represents a market opportunity.

There is evidence that shades and sheer styles are popular among African-American women. It seems that these products' light spandex sheer construction is

aesthetically pleasing to black women's skin tones.⁵⁴ Since Venezuela is a country in which 67 percent of the population is mestizo, this type of product might find good acceptance in this market. This could be niche not yet exploited. Further research regarding market niches is recommended. Based on the facts stated above, it can be conclude that Venezuela represents apparel market opportunities that no American exporting company should ignore.

It would be convenient when starting this business to import small quantities of the product to check the market response to it. Whenever possible buy direct from the factories as this will assure the best prices. Shipping should be done from Miami Beach, Florida, where the best prices for containers heading to Venezuela are found. An import agent should be used at the beginning, though it could be passed in the future, when more import experience is attained.

⁵⁴ Garbato, S. Debby. *Legs of Colors*. Discount Merchandiser. 1998

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APPENDIX A

Key Industry Contacts

Key Industry Contacts in Venezuela

Camara Venezolana de la Industria del Vestido –CAVEDIV-

(Venezuela Chamber of the Apparel Industry)

Marron a Pelota, Edificio Urdaneta, Piso 2.

1010 Caracas, Venezuela

Tel.: (582) 561-4743, 564-5780

Fax: (582) 561-4321 Ministerio de Industria y Comercio (Ministry of Industry and Commerce)

Avenida Libertador, Sector La Florida

Centro Comercial Los Cedros, P.H.

Caracas 1050, Venezuela

Tel: 58-2-762-3881/3810/9868

Fax: 58-2-731-2343

Oficina Central de Estadística e Informática (OCEI) (Central Statistics and Informatics Office)

Avenida Boyacá, Edificio Fundación La Salle

Maripérez

Caracas, Venezuela

Tel: 58-2-781-1380

Fax: 58-2-781-5412

Camara Venezolano-Americana de Comercio e Industria (VENANCHAM)

(Venezuelan-American Chamber of Commerce)

2da. Av. de Campo Alegre, Torre Credival, Piso 10, Ofic.A, Caracas 1060, Venezuela

Apartado Postal 5181 (Caracas 1010-A)

Telf: 58-2-263-0833/267-20-76/64-81

Fax: 58-2-263-20-60

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion

(FEDECAMARAS)

(Venezuelan Federation of Chambers and Associations)

Edif. Fedecamaras, PH 1 y 2 , Av. El Empalme, Urb. El Bosque, Caracas 1050, Venezuela

Apartado de Correos 2568 (Caracas 1010-A)

Telf: 58-2-731-17-11/17-13/18-45/19-32/19-67

Fax: 58-2-742-097

Consejo Venezolano de la Industria (CONINDUSTRIA)

(Venezuelan Industry Council)

Edif. Camara de Industriales, Mezz, La Candelaria, Caracas 1011, Venezuela

Apartado Postal 14255 (Caracas 1011, Venezuela)

Telf: 58-2-238-52-95

Fax: 58-2-238-52-95

Asociacion Venezolana de Tiendas por Departamento (ATIDE)
c/o SELEMAR
Edif. Selernar, Piso 1
Boulevard de Sabana Grande
Caracas 1050, Venezuela
Tel: 58-2-715-147/283-5770/284-4782
Fax: 58-2-762-9185 - 284-4782

U.S. Embassy Trade Personnel

U.S. Embassy
Calle F con Calle Suapure
Colinas de Valle Arriba
Caracas, Venezuela

Charles A Ford, Senior Commercial Officer
Mailing Address from U.S.:

U.S. Embassy Caracas
Unit 4958 - FCS
APO AA 34037

Tel: 58-2-975-6411 ext. 2382 or ext 2425
Fax: 58-2-975-9643

Roderick McSherry, Agricultural Counselor

Mailing Address from U.S.:

U.S. Embassy Caracas
Unit 4940 - FAS
APO AA 34037

Tel: 58-2-975-6411 ext. 2333
Fax: 58-2-975-7615

U.S. Government Contacts in Washington, D.C.

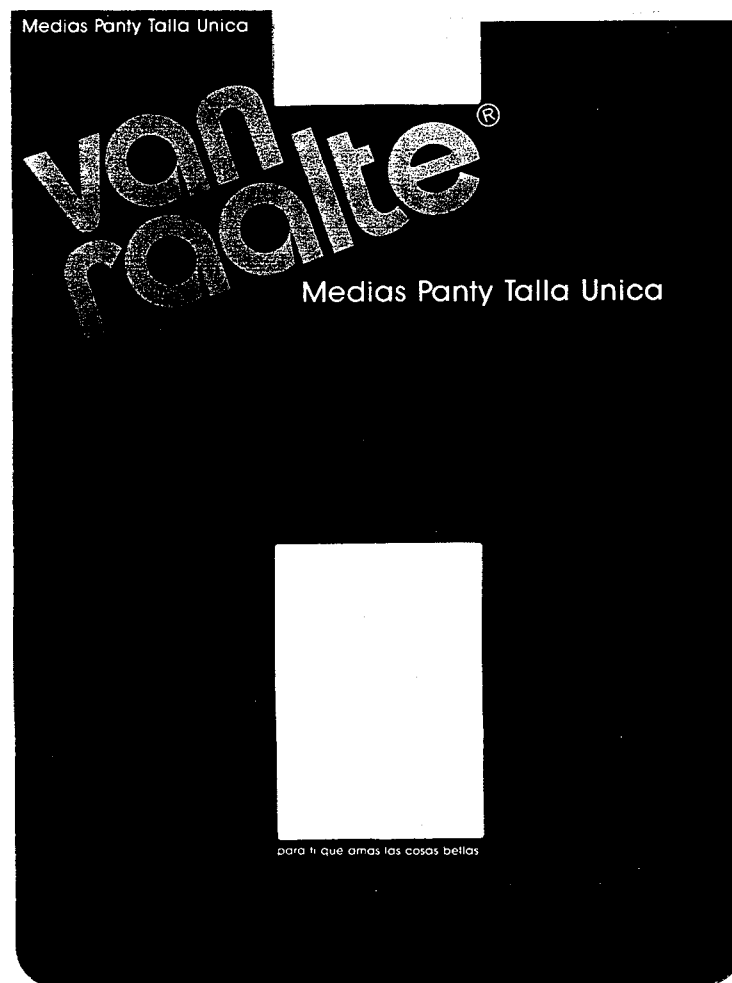
Thomas Welch
Desk Officer for Venezuela
Office of Latin America
U.S. Department of Commerce
Room 3025, 14th St & Constitution Av. NW
Washington D.C. 20230
Tel: (202) 482-4303
Fax: (202) 482-0464
E-mail: THOMAS WELCH/MAC/ITA/USDOC@USDOC

Trade Information Center
Trade Promotion Coordinating Committee
(Access to information on all U.S. Government export assistance programs)
Tel: 1-800-USA-TRAD(E) (872-8723)

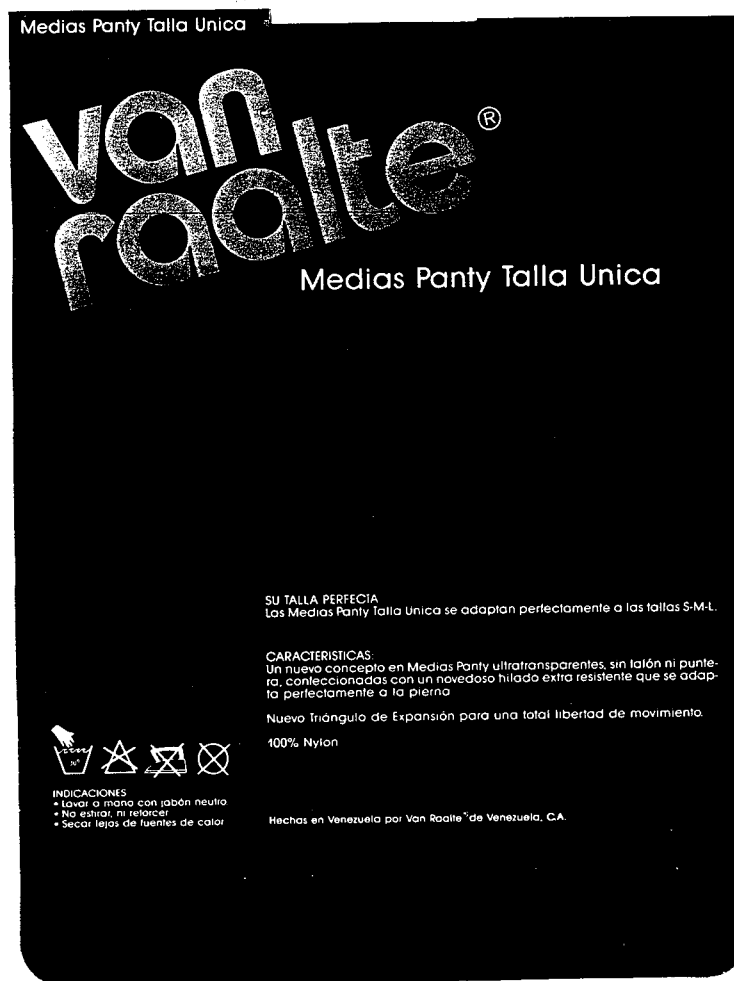
APPENDIX B

Venezuelan Product Packages

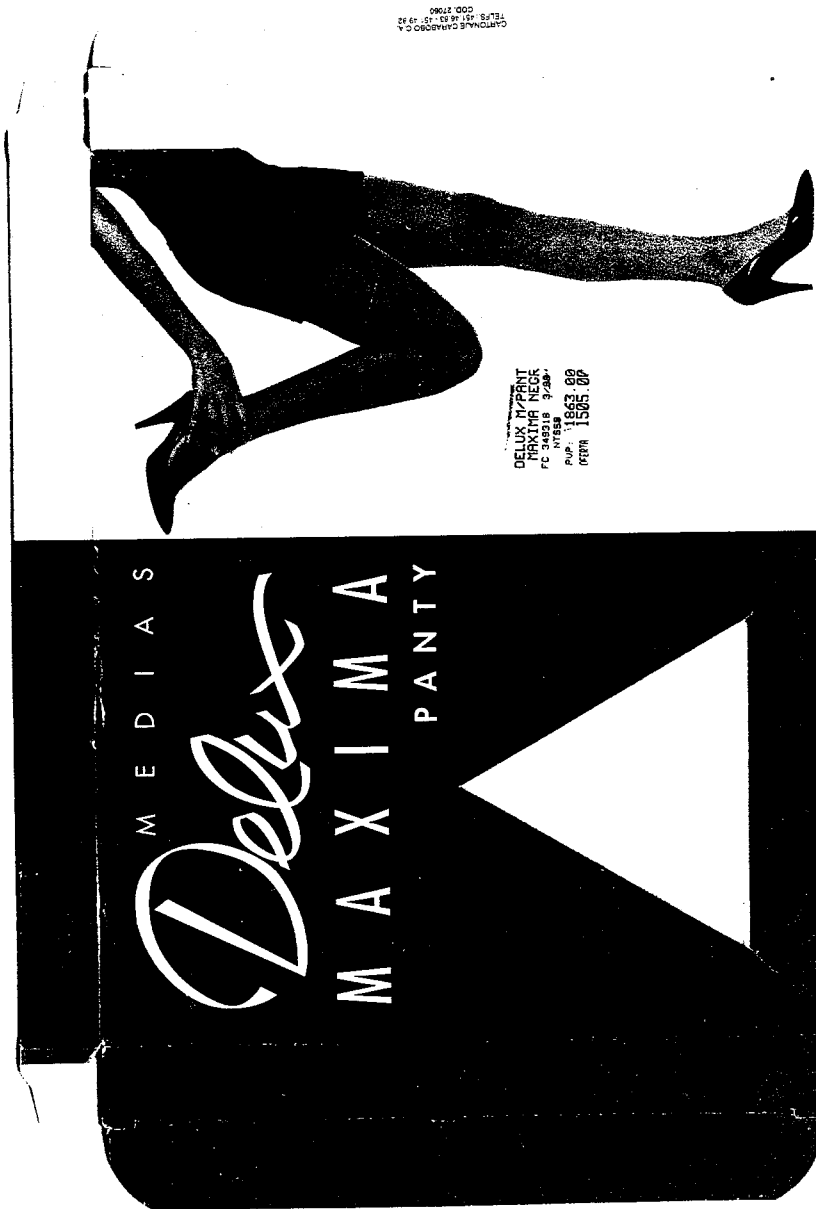
Front of the Package



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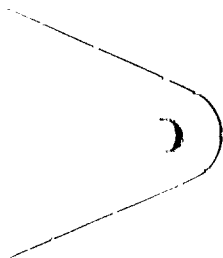
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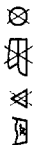
MAXIMA II
NEGRO

TALLA XL 307/97



Medias Panty con Lycra®
TACTO SEDOSO Y DE GRAN TRANSPARENCIA

Silky - sheer Pantyhose with Lycra®
85% Nylon - 15% Lycra®



Talla Size	S	M	L	XL
Peso Weight	45-55 Kg. 100-120 lb.	55-65 Kg. 120-145 lb.	65-75 Kg. 145-165 lb.	75-85 Kg. 165-185 lb.
Altura Height	155-165 cm. 5' 5" - 5' 5"	165-170 cm. 5' 5" - 5' 7"	170-180 cm. 5' 7" - 5' 10"	175-185 cm. 5' 9" - 6'

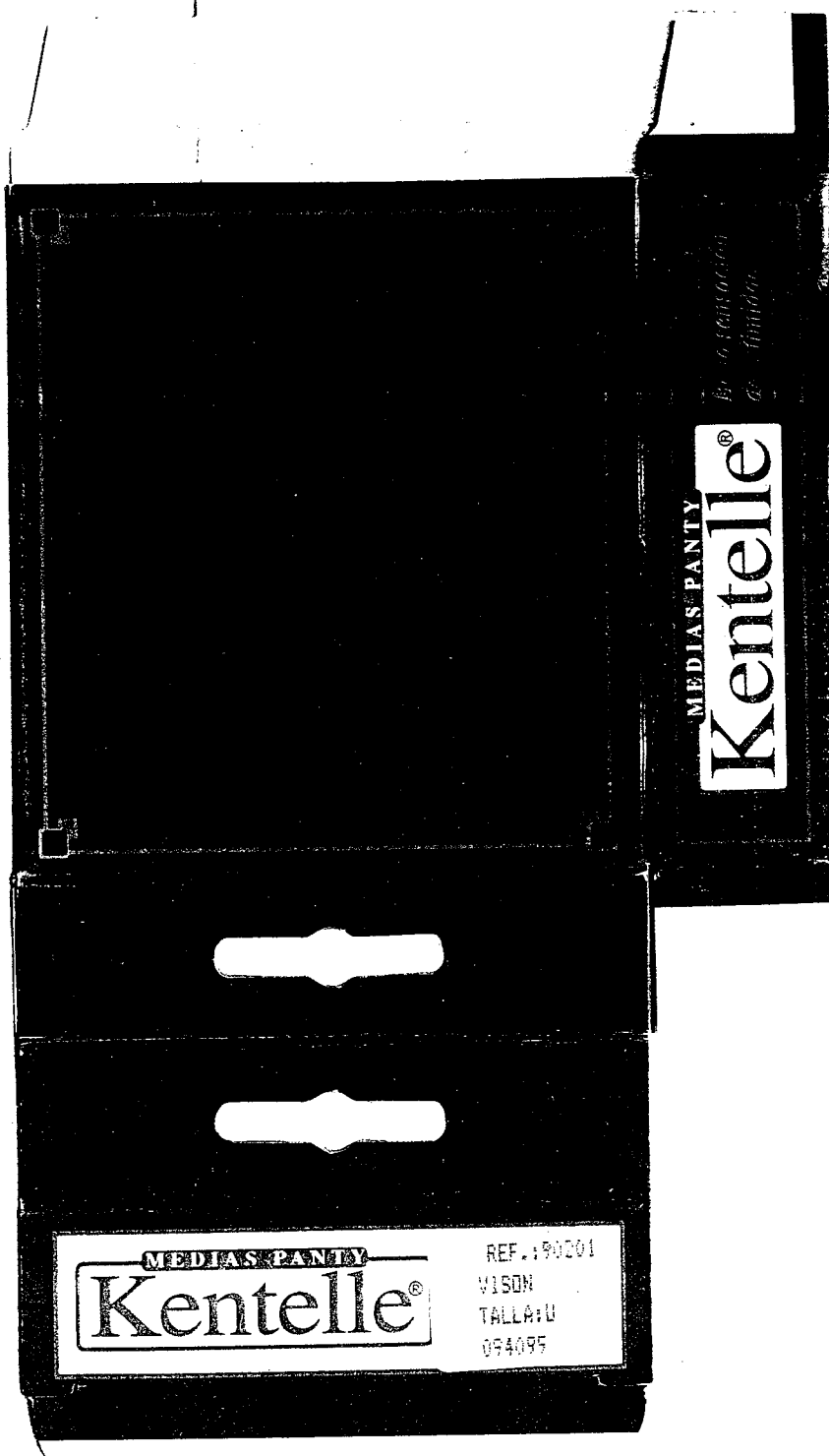
Hecho en Venezuela por: **VERATEX** C.A., Teléfono: (582) 471.24.59 / Fax (582) 471.17.95



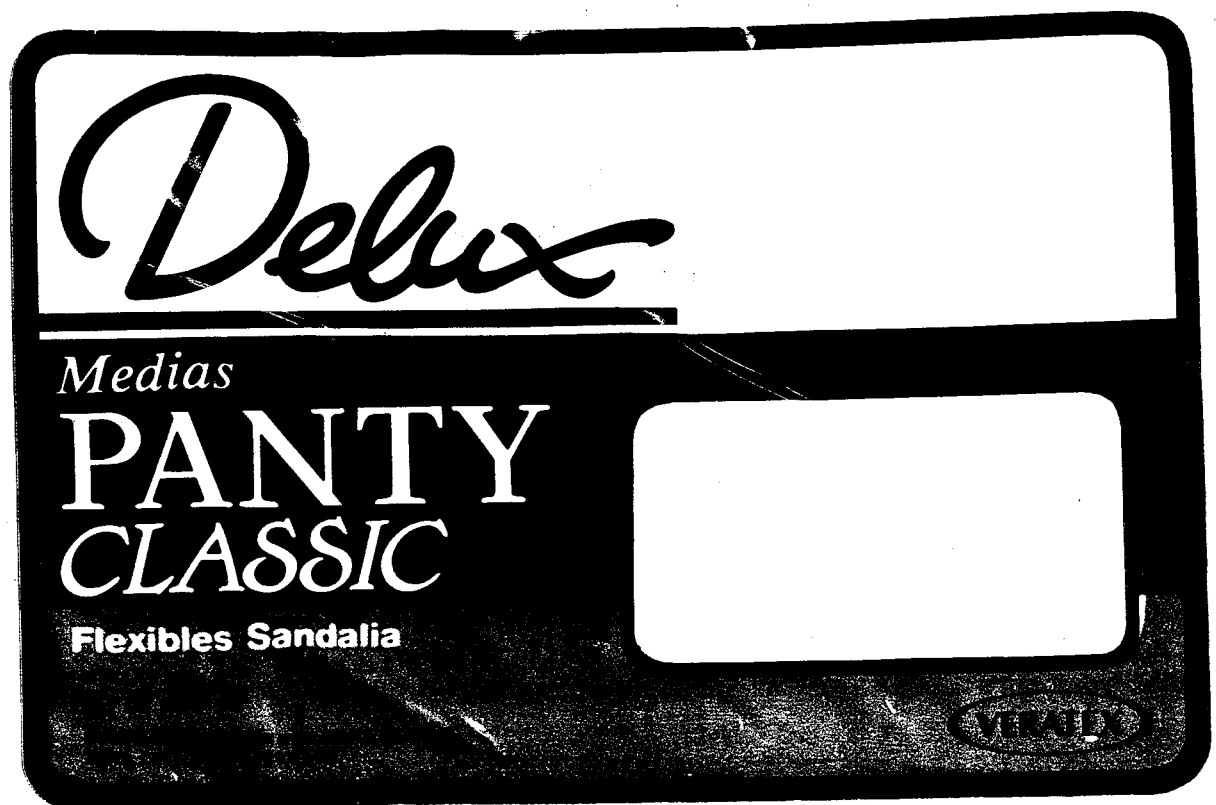
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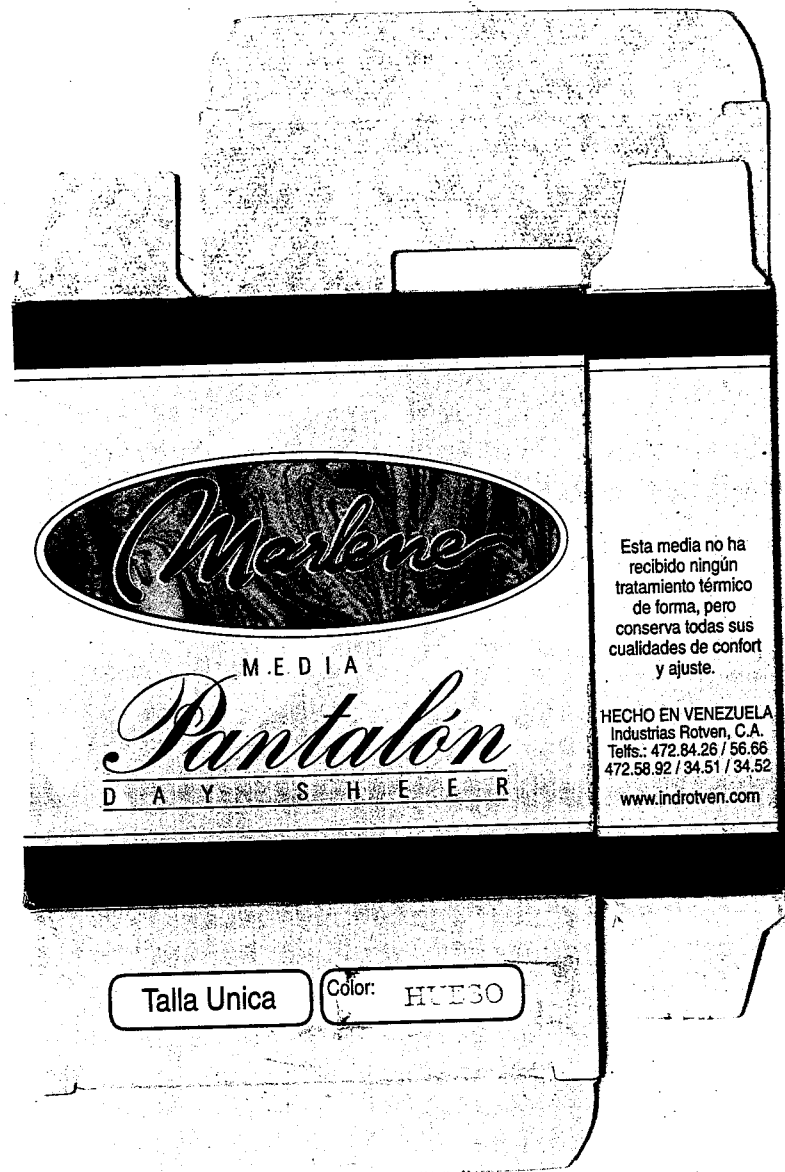
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