

Community Creations' Exporting Strategy to the US
Greg Singer & Raul Marcial
July 28, 2004

Summary of Demand for Community Creation Products in the United States.

Introduction

Community Creations has made a concerted effort over the past couple of years to introduce their products to the international market. Clearly the relationship between Ikamva Labantu and the University of Notre Dame presents a major opportunity to sell Community Creation products in the US. The bookstore at Notre Dame is the major retailer on the campus of roughly 12,000 students. During the football weekends in the fall, tens of thousands of visitors come to campus to watch the games, many of whom visit the bookstore. We believe that the bookstore's visibility on campus makes it the primary initial target market for Community Creations' products in the US.

Product Considerations

The bookstore at Notre Dame is not owned by the university. The Follett Corporation owns and operates the Notre Dame bookstore, in addition to over 700 other collegiate bookstores across the country. It operates as a for-profit business retailing text books and university merchandise. In discussions with the manager of the Notre Dame bookstore, Jim O'Connor, several areas of concern were raised. His issues and our responses are included below:

1. The relationship between Ikamva Labantu and Notre Dame:

The South Africa internship program began 6 years ago as a Medoza MBA program at Notre Dame, through the Gigot Center for Entrepreneurial Studies. It was developed after Gigot Center Director, Jeff Bernel, a member of the World President's Organization (WPO), met another WPO member, Cape Union Mart CEO Philip Krawitz, at a WPO conference in Cape Town seven years ago. The two of them saw an opportunity to provide Notre Dame students with a unique summer experience and the local NGOs with highly skilled interns capable of making a difference.

Each year, a group of 6 to 9 students spend approximately two months in Cape Town working for a number of well-established NGOs. One of the NGOs that students have worked at since the beginning is Ikamva Labantu. The organization defines itself as, "a community based, non-profit organization that seeks to redress the damages of Apartheid and support the budding South African democracy, by providing educational means, economic empowerment and self-sufficiency to South Africa's township communities." In prior years, students have worked on a number of self-empowerment initiatives as well as making significant MIS improvements.

This year, the major priority is on one of Ikamva's flagship programs, Community Creations, which is the source for all of the arts and crafts we hope to sell in the bookstore. The objective of Community Creations is to train poor, disadvantaged locals, including the disabled, to make arts and crafts of a high quality and unique flavor in the hopes that they will take the skills they have developed and start a small business of their own.

2. The Products Themselves- Design and Product Quality

While the Community Creations workers make over 100 different items, we believe that a select number of these would sell in the bookstore. Our major consideration in the product selection process was establishing "stand alone" products that would be trendy enough to captivate the target consumer without the need of "pity buying" created by products of a social concern.

In general, the products are divided into two categories: jewelry and religious ornaments. In both cases, the products are made by detailed beadwork and wirework. Each product is hand crafted, including each bead being put into place one by one. We have talked to the workers' supervisor about the ease of producing designs that cater more to the Notre Dame community (but don't infringe on any copyright issues)- such as green bracelets which incorporate shamrocks- and she is confident that the workers would have no problems making such a design. A prototype can be produced by the end of next week.

Ikamva Labantu has been selling these types of products for more than five years to both local South African and foreign buyers. All quality control issues are handled in-house by a quality supervisor. A Diagnostic Evaluation performed by the World Bank made in December, 2003 commented, "the quality standards for the tourist market and export markets are very high." The report adds further, "the business has a very good track record when it comes to quality control." All products have passed U.S. safety regulations.

All of the beaded products are priced according to Community Creations' pricing model. One hundred percent of the profits are reinvested in Ikamva Labantu programs. The products for sale to foreign buyers are priced in US Dollars.

3. Customs Considerations

Importing the products under consideration to the U.S. is a far easier process now than in the past. The African Growth and Opportunity Act (AGOA) significantly liberalizes trade between the U.S. and 37 designated Sub-Saharan countries, including South Africa. The current legislation covers an 8-year period from October 2000 to September 2008. Currently there are approximately 7,000 different product lines under AGOA which qualify for duty-free access to U.S. markets, including those to be sold in the bookstore. Due to this favorable legislation, the products can be shipped directly from South Africa to the U.S. without being subject to additional customs duties.

The two actual shipping options are air and sea. Given the size of the products (and their relative light weight), shipping by air is a more cost-value effective option. Ikamva Labantu currently uses air freight for all of its international orders which typically arrive in 7 to 10 days.

Product Offering

Based on some rudimentary market research, we believe that there is a market for Notre Dame specific products made by Community Creations. The proposed initial product offering includes:

1. A gold colored beaded ID holder with a zip-close and a green shamrock on the front.
2. A green colored key ring in the shape of a shamrock.
3. A gold colored bracelet with three green shamrocks on it.

(Photos of the products are available in Appendix 4)

Notre Dame has the reputation of being one of the most spirited schools in terms of alumni loyalty and support for the athletic teams and academic programs. Consequently, the majority of Notre Dame/Irish merchandise does sell. By incorporating Irish images, the shamrock, the products appeal to the target market while not infringing on any copyright/trademark issues.

While the issue of the exact selling format has not been discussed in detail yet with the bookstore, we have developed a concept which should deliver a powerful selling message. Our vision is to construct either a small stand or renovate existing shelf space to present the story of Ikamva Labantu and its relationship with Notre Dame. A series of pictures showing the women creating the products would sit beside a short summary of who Ikamva Labantu and Community Creations are and how the relationship between them and Notre Dame was established and has evolved over time. By showing the link between the products and the school, we believe customers will be even more inclined to buy them.

Other Potential International Opportunities

The greatest challenge facing selling Community Creations products in the US is distance. Ikamva Labantu has some significant relationships with US-based organizations, such as the World Bank that it must leverage to expand their retail opportunities. Simple “cold calling” from South Africa to retailers in the US holds little chance of success. With an Ikamva Labantu employee, Sarah Russell, based in New York, the organization at least has a voice in the country.

The World Bank Store

Based in Washington, DC, the World Bank Store offers another significant opportunity to sell Community Creations products. Ikamva Labantu’s developing partnership with the World Bank increases the likelihood that products similar to those sold in the Notre Dame bookstore could find their way into the World Bank Store. Given the high visibility of the World Bank, Community Creation products sold in their store could give the NGO and their selling efforts a significant boost.

College Bookstores

Depending on the level of success with selling Community Creations products in the Notre Dame bookstore, similar university-tailored products could be sold in other college bookstores. Clearly Ikamva Labantu's relationship with Notre Dame is a huge advantage in the ability to sell Community Creations products. However, as a representative of the Follett Corporation, Jim O'Connor indicated that he was willing to assist in promoting Community Creations products to other college bookstores. If the initial efforts to sell these products in the Notre Dame bookstore are successful, his assistance could prove to be very helpful for selling the products elsewhere in the US.

Other Potential Domestic (South African) Opportunities

While we believe that there is considerable potential for Community Creations to sell its products at select retail outlets in the US, there are several domestic opportunities which should receive some attention as well. Specifically, there are opportunities with other local NGOs (Habitat for Humanity) and private game reserves.

Local NGOs

Through the mentoring program for the Notre Dame interns, one particular NGO opportunity has presented itself, namely with Habitat for Humanity. Every couple weeks, a group of 20-30 volunteers bands together and builds a house in a poor community. One of the local leaders of Habitat for Humanity in Cape Town was very receptive to the idea of selling the backpacking pins with the Habitat for Humanity logo to the volunteers. Prototypes are currently being developed.

Private Game Reserves

Another potential outlet for Community Creations products is at private game reserves in South Africa. The vast majority of guests at private game reserves are foreigners. To cater to this demographic, many game reserves sell many types of "traditional African" merchandise, including types currently produced by Community Creations. Specifically the greeting cards with wire work on the front and beaded bookmarks are currently sold at several game parks. By leveraging some of Ikamva Labantu's existing relationships with for-profit organizations, selling Community Creations products at game reserves could be a real success.

Conclusion

Based on our research, we recommend that Community Creations continue to work with the bookstore at Notre Dame to sell Notre Dame-tailored products. Ikamva Labantu has a long-standing relationship with the university which can be leveraged to introduce the products. There are no additional customs duties or concerns. The primary challenge is finding affordable shipping which is available through several services, including the South African Post Office. A more detailed description of the shipping issues is contained in part II of this paper.

Since Ikamva Labantu has a relatively high degree of contact with Notre Dame, we believe that should be the focal point of its US selling strategy. Our preliminary market research has indicated that we have a small group of functional, appealing

products to the average Notre Dame bookstore customer, a college-age female. The products incorporate Irish symbols, the shamrock as well as “Notre Dame” colors such as gold and green. The combination of products which could sell well on a stand alone basis with the economic self-empowerment story behind them should provide an enticing offer to potential customers. In order to ensure that there is communication between Community Creations and the Notre Dame bookstore, Jim O’Connor’s contact information is included below. We will ensure that Mr. O’Connor sees the Notre Dame tailored prototypes shortly after we return to the US (i.e. early August) and that a follow up plan is created.

Jim O’Connor

Email: James.OConnor.1@nd.edu

Phone: 1-574-631-6316

Shipping & Distribution Summary

Distribution

Considering the specific nature of our strategy, which involves customer satisfaction and the fact that the prototype exporting strategy involves a relatively low amount of volume, we are currently **recommending air freight as a shipping strategy for the Ikamva products shipments**. As the project evolves with the World Bank in the months to come, potential partnership with other NGOs, and other social development organizations such as the Byrd Foundation, or possible warehousing opportunities in the US, sea freight may prove to be the most viable option.

In our endeavors to establish the most suitable partner we were in contact with about 20 different couriers. The list, in its entirety, is shown in appendix 2. In order to narrow down the field we sent out form emails to different courier companies inquiring about their interest for a possible partnership and determining if they meet Community Creations service and price expectations. In order to establish some structured parameter all the couriers were asked the following questions.

Service Expectations

- Do you have Door to Door Service?
- Do you have a delivery day guarantee?
- Do you have on-line tracking information availability?
- Any special partnerships regarding non-for-profit organizations?

Pricing Expectations

- Is the pricing based on weight or volume?
- If the pricing is volume based, what is the price for a box 60cm x 40cm x 40cm (L x W x H)?
- What is the pricing on a 60x40x40 standard box, with weight of **20** kilos, for a shipment by air to **Notre Dame, Indiana (Post Code 46556)** from Cape Town South Africa?
- What is the pricing on a 60x40x40 standard box, with weight of **5** kilos, for a shipment by air to **Notre Dame, Indiana** from Cape Town South Africa?
- What is the pricing on a 60x40x40 standard box, with weight of **20** kilos, for a shipment by air to **New York, New York (Post Code 10022)** from Cape Town South Africa?
- What is the pricing on a 60x40x40 standard box, with weight of **5** kilos, for a shipment by air to **New York, New York** from Cape Town South Africa?
- Do you have any long-term partnership discounts or additional incentive packages?

The full email is shown in appendix 3. Based on the prerequisite questions we established that the prices were the same overall, which leads us believe that they mostly go through the same international transportation systems. The biggest difference came with actual service. Three of the couriers stood out when it came to their quick response and willingness to help. The three are:

- Courier Solutions

- Swift Air
- Dawn Wing

None of the aforementioned courier companies have special partnerships opportunities with Non-For-Profit organizations. They all have customs clearance and Door to Door service. Because of the existing relationship between Dawn Wing and Ikamva I would recommend Dawn Wing over the other three. **However, our overall recommendations are to establish a relationship with the South African Post Office.**

The following are our major reasons for recommending the post office.

- SAPO has discounts available for Non-For-Profits. 10% for the first three months, and a possibility for more after that.
- The “speed delivery” services has comparable prices with the other couriers, in addition they have a lot more flexibility when it comes to delivery/value options. For example there week delivery has a really good price and is adequate to the expectations of Ikamva.
- Ease in clearing shipments through Customs. The duties on parcels valued at \$2,000 or less are collected by the letter 11 IMPORTING INTO THE UNITED STATES carrier who delivers the parcel to the addressee.
- Savings on shipping charges. Smaller, low-valued packages can often be sent less expensively through the mails.
- No formal entry required on duty-free merchandise not exceeding \$2,000 in value.
- No need to clear shipments personally if under \$2,000 in value.

Because of this reasons, our final recommendation in the matters of shipping will be to use the South African Post Office. You can find all the additional relevant information about SAPO through their website <http://www.sapo.co.za> . The website also includes information for their courier service and all other offerings. Our main contact at SAPO is:

Pillay from XPS SAPO Fast Courier System
[Saloshnee.Pillay@xps.cfgrp.co.za],
Tel: 0827787878

Our major contact is the priciest SAPO service, for 2 or 3 day delivery option. We believe that Ikamva does not need the speediest service. Going to the local SAPO post office will give Ikamva the opportunity to research all the different services and establish which of the option is the most suitable for any future shipping situation.

It is worthwhile to mention that Joint Customs and postal regulations provide that all parcel post packages must have a Customs declaration securely attached to the outer wrapping giving an accurate description of the contents and their value. This declaration can be obtained at post offices worldwide. Commercial shipments must also be accompanied by a commercial invoice enclosed in the parcel bearing the declaration.

Each mail parcel containing an invoice or statement of value should be marked on the outer wrapper, on the address side, “Invoice enclosed.” If the invoice or statement cannot be conveniently enclosed within the sealed parcel, it may be securely attached to the parcel. Failure to comply with any of these requirements will delay clearance of the shipment through Customs.

Packages other than parcel post — for example, letter-class mail, commercial papers, printed matter, or **samples of merchandise** — must bear on the address side a label, provided by the Universal Post Union, or the endorsement “May be opened for customs purposes before delivery,” or similar words definitely waiving the privacy of the seal and indicating that Customs officers may open the parcel without recourse to the addressee. Parcels not labelled or endorsed in this manner and found to contain prohibited merchandise, or containing merchandise that is subject to duty or tax, are subject to forfeiture.

A Customs officer prepares the Customs entry (a form) for mail importations not exceeding \$2,000 in value, and the letter carrier at the destination delivers the parcel to the addressee upon payment of duty. If the value of a mail importation exceeds \$2,000, the addressee is notified to prepare and file a formal Customs entry (also called a consumption entry) for it at the Customs port nearest him. A commercial invoice is required with the entry.

A Customs processing fee of \$5.00 will be assessed on each item of dutiable mail for which a Customs officer prepares documentation. The postal carrier will collect this nominal fee on all dutiable or taxable mail along with the duty owed. There is also a postal fee (in addition to prepaid postage) authorized by international postal conventions and agreements as partial reimbursement to the Postal Service for its extra work in clearing packages through Customs and delivering them.

Customs regulations and additional information

The bulk of our time was spent on researching customs regulations that Ikamva could leverage as we sustainably introduced our products into the United States. Before detailing specific process and overall strategy, we strongly recommend that Ikamva does not undertake Customs responsibility. There are so many steps and procedures that it is not feasible for Ikamva to be the sole bearer of this responsibility. Ikamva is currently too small in its exporting business to preoccupy itself with customs procedures. The shipping and courier companies’ that we have recommended have customs clearance available, which are suitable for the needs of Ikamva. That said, there are certain things that all exporters into the United States should know. The following are suggestions for exporters into the United States from the “Guide for Commercial Importers”

1. Include all information required on your Customs invoices.
2. Prepare your invoices carefully. Type them clearly. Allow sufficient space between lines. Keep the data within each column.
3. Make sure that your invoices contain the information that would be shown on a well prepared packing list.
4. Mark and number each package so it can be identified with the corresponding marks and numbers appearing on your invoice.
5. Show a detailed description on your invoice of each item of merchandise contained in each individual package.
6. Mark your goods legibly and conspicuously with the country of origin unless they are specifically exempted from country-of-origin marking requirements,

- and with such other marking as is required by the marking laws of the United States.
7. Comply with the provisions of any special laws of the United States that may apply to your goods, such as laws relating to food, drugs, cosmetics, alcoholic beverages, radioactive materials, and others.
 8. Observe the instructions closely with respect to invoicing, packaging, marking, labeling, etc., sent to you by your customer in the United States. He or she has probably made a careful check of the requirements that will have to be met when your merchandise arrives.
 9. Work with U.S. Customs to develop packing standards for your commodities.
 10. Establish sound security procedures at your facility and while transporting your goods for shipment. Do not give narcotics smugglers the opportunity to introduce narcotics into your shipment.
 11. Consider shipping on a carrier participating in the Automated Manifest System.
 12. If you use a licensed customs broker for your transaction, consider using a firm that participates in the Automated Broker Interface.

When a shipment reaches the United States, the importer of record (i.e., the owner, purchaser, or licensed customs broker designated by the owner, purchaser, or consignee) will file entry documents for the goods with the port director at the goods' port of entry. What this implies is that regardless of who takes care of it, the customs papers are taken care of in the United States.

In the case where we want to keep some authority over the shipments, an employee as Sarah Russell needs to be the package consignee in the United States. We mention Ms. Russell because she is the only Ikamva employee in the States. By saying that Sarah is responsible for the shipment, by no means implies that the packages need to be sent to New York, just that Sarah will be the "consignee" of the import. Imported goods are not legally entered until after the shipment has arrived within the port of entry, delivery of the merchandise has been authorized by Customs, and estimated duties have been paid. It is the importer of record's responsibility to arrange for examination and release of the goods.

Goods may be entered for consumption, entered for warehouse at the port of arrival, or they may be transported in-bond to another port of entry and entered there under the same conditions as at the port of arrival. Arrangements for transporting the merchandise in-bond to an in-land port may be made by the consignee or by a customs broker or by any other person with an interest in the goods for that purpose. Unless your merchandise arrives directly at the port where you wish to enter it, you may be charged additional fees by the carrier for transportation to that port unless other arrangements have been made. Under some circumstances, your goods may be released through your local Customs port even though they arrive at another port from a foreign country. Prior to the goods' arrival, arrangements for entry must be made at the Customs port where you intend to file your duties and documentation.

Duties

All goods imported into the United States are subject to duty or duty-free entry in accordance with their classification under the applicable items in the Harmonized

Tariff Schedule of the United States. Duty-free status is also available under various conditional exemptions which are reflected the tariff schedule. It is the importer's burden to show eligibility for a conditional exemption from duty. One of the more frequently applied exemptions from duty occurs under the Generalized System of Preferences (GSP). South Africa is one of the countries eligible for the GSP. GSP-eligible merchandise qualifies for duty-free entry when it is from a beneficiary developing country and meets other requirements.

For commercial shipments requiring a formal entry, a claim for duty-free status is made under GSP by showing on the entry summary that the country of origin is a designated beneficiary developing country and by showing an "A" with the appropriate GSP-eligible subheading. Eligible merchandise will be entitled to duty-free treatment provided the following conditions are met:

- The merchandise must have been produced in a beneficiary country. This requirement is satisfied when (1) the goods are wholly the growth, product, or manufacture of a beneficiary country, or (2) **the goods have been substantially transformed into a new or different article of commerce in a beneficiary country (South Africa).**
- **The merchandise must be imported directly from any beneficiary country into the customs territory of the United States.**
- **The cost or value of materials produced in the beneficiary developing country and/or the direct cost of processing performed there must represent at least 35 percent of the appraised value of the goods.**

In addition, South Africa is part of the African Growth Opportunity Act. AGOA provides duty-free treatment under the Generalized System of Preferences (GSP) to certain articles that would normally be excluded from GSP provisions. It also provides for the duty-free entry of specific textile and apparel articles and makes them free of any quantitative limits, provided strict conditions are met.

The President is permitted to extend duty-free treatment to imports of essentially all products except textiles and apparel as long as the products are the "growth, product or manufacture" of: (a) a beneficiary sub-Saharan African country; (b) are imported directly from a beneficiary sub-Saharan African country into the customs territory of the U.S.; (c) meet a value added requirement; and (d) the President determines that the products are not import sensitive in the context of imports from beneficiary sub-Saharan African countries. Sub-Saharan African beneficiary countries are also exempted from competitive-need limitations.

Although we were almost positive that the products made at through Ikamva are duty-free we had to make absolutely sure in order to comply with international regulations. The big concerns arises with the beaded products, do the fact that all the raw materials are made outside of South Africa. Currently we are in contact with Thomas Overacker, concerning our doubts. His full information is shown below.

Thomas Overacker
Commodity Specialist
Advisory Duty Rate

Group 331
1-440-891-3800

Thomas.overacker@dhs.gov

Mr. Overacker is located in Cleveland, Ohio. Ohio is the port of entry for our prototype shipment to Notre Dame, Indiana. He is our major contact concerning custom duties and procedures. The recommendation email that he sent to us is shown in appendix 4. He has assured us that that all the products in question are Duty-free. **To this point we have concluded that all the products which are being exported into the United States from Ikamva Lavantu are duty-free.** Pictures of the priority products that we want to export into the United States, with their respective harmonized tariff schedule number (HTSUS), are shown in appendix 5.

Grants levied to the group

One of our priority objectives was researching any possible incentives or grants allocated to Non-For-Profit organizations that are trying to do exporting activities as Ikamva. We tried to focus on both fronts, United States and South America. Our research consisted of contacting every organization that could feasibly give the Ikamva or the townships craft people money or other investments as capital as to start a business. For the most part we contacted strictly governmental organizations for both countries. A copy of the form email is shown in appendix 6.




We started though the two embassies. And after getting filtered through every single person in the organization we have reached a definite answer from both countries. For the United States there are NO grants or incentives available for exporting ventures as those that Ikamva is pursuing. On the South Africa side, the Department of Trade and Industry has grants available. However, attaining does grants is throughout process involving more time that what the internship allowed. In order to continue the grant process we want to set up Gail as the main contact. The webpage for the Department of Trade and Industry is <http://www.dti.gov.za/home.asp>.
















Appendix Appendix 1



Appendix 2

Different courier companies

BICYCLE BRIGADE (Cape Town)		
Western Cape	☎ (021) 424-7642	
BISHBAN CONSTRUCTION (Cape Town)		
Western Cape	☎ (021) 531-4561	
BUSINESS EXPRESS (Cape Town)		
Western Cape	☎ (021) 386-0441	
CARRIER MARINE SERVICES (Cape Town)		
Western Cape	☎ (021) 448-3500	
C D C SERVICE CC (Cape Town)		
Western Cape	☎ (021) 386-1414	
CROSSCAPE EXPRESS (Cape Town)		
Western Cape	☎ (021) 590-3366	
DAWN WING COURIER SERVICE (PTY) LTD (Cape Town)		
Western Cape	☎ (021) 424-7013	
DEADLINE COURIERS (Cape Town)		
Western Cape	☎ (021) 510-2767	
D H L INTERNATIONAL (PTY) LTD (George)		
Western Cape	☎ (044) 884-0110	
D H L WORLD WIDE EXPRESS (Paarl)		
Western Cape	☎ (021) 872-4717	
DOCUMENT EXCHANGE (PTY) LTD THE (Cape Town)		
Western Cape	☎ (021) 423-9320	
D P E INTERNATIONAL COURIERS CC (Cape Town)		
Western Cape	☎ (021) 386-5070	
E W C EXPRESS (CAPE) CC (Cape Town)		
Western Cape	☎ (021) 386-1199	
GLOBEFLIGHT WORLDWIDE EXPRESS (Cape Town)		
Western Cape	☎ (021) 386-2602	

H M H COURIERS (Cape Town)		
Western Cape	 (021) 447-1039	
I C B (Cape Town)		
Western Cape	 (021) 713-1525	
INTERNATIONAL COURIER BROKERS (Cape Town)		
Western Cape	 (021) 422-0561	
MR DELIVERY SEA POINT (Cape Town)		
Western Cape	 (021) 439-9916	
ORCA COURIERS CC (Cape Town)		
Western Cape	 (021) 785-4832	
OVERSEAS COURIER SERVICES (Cape Town)		
Western Cape	 (021) 934-9190	
PACKAGE MAN COURIERS THE (Cape Town)		
Western Cape	 (021) 532-0161	
STALLION BICYCLE COURIERS (Cape Town)		
Western Cape	 (021) 423-1736	
SUN COURIERS (Cape Town)		
Western Cape	 (021) 380-2100	
SUPASWIFT EXPRESS CAPE (PTY) LTD (Cape Town)		
Western Cape	 (021) 386-2570	
T N T EXPRESS WORLDWIDE (Cape Town)		
Western Cape	 (021) 593-1280	
WORLD COURIER SA (PTY) LTD (Cape Town)		
Western Cape	 (021) 934-5533	

Appendix 3

Dear Pamla,

My name is Raul Marcial. My counterpart, Greg Singer, and I are volunteering at Community Creations, a not-for-profit arts and crafts production organization, as part of an internship program offered by the University of Notre Dame in Notre Dame, Indiana. We are searching for a courier company to partner with for the purpose of exporting hand crafted products into the United States and Europe. The project is part of a pilot program sponsored by the World Bank aimed at enhancing self-sufficiency and self-empowerment in local disadvantaged communities.

Community Creations is a subdivision of Ikamva Labantu, a non-profit organization that seeks to redress the damages of Apartheid and support the new era of South African democracy by providing economic empowerment and self-sufficiency initiatives to South Africa's township communities.

Currently we have set of requirements necessary for the success of the partnership. The following are set of inquiries that we would appreciate your feedback on.

Service Expectations

- Do you have Door to Door Service?
- Do you have a delivery day guarantee?
- Do you have on-line tracking information availability?
- Any special partnerships regarding non-for-profit organizations?

Pricing Expectations

- Is the pricing based on weight or volume?
- If the pricing is volume based, what is the price for a box 60cm x 40cm x 40cm (L x W x H)?
- What is the pricing on a 60x40x40 standard box, with weight of **20** kilos, for a shipment by air to **Notre Dame, Indiana (Post Code 46556)** from Cape Town South Africa?
- What is the pricing on a 60x40x40 standard box, with weight of **5** kilos, for a shipment by air to **Notre Dame, Indiana** from Cape Town South Africa?
- What is the pricing on a 60x40x40 standard box, with weight of **20** kilos, for a shipment by air to **New York, New York (Post Code 10022)** from Cape Town South Africa?
- What is the pricing on a 60x40x40 standard box, with weight of **5** kilos, for a shipment by air to **New York, New York** from Cape Town South Africa?
- Do you have any long-term partnership discounts or additional incentive packages?

Please, write us at your convenience if you have any questions or suggestions. Our contact information is show below. We look forward to your response and the possibility of a future relationship.

Thank You,

Raul Marcial
Community Creations Volunteer
Email address = rmarcial@gsb.uct.ac.za

Greg Singer
Community Creations Volunteer
Email address = gsinger@gsb.uct.ac.za

Appendix 4

Raul :

The information provided in this e-mail is advisory only; it is not legally binding.

Information on how to obtain a binding ruling can be found at: <http://www.cbp.gov/xp/cgov/toolbox/legal/Rulings/>. You can search the database of existing rulings at: <http://rulings.customs.gov/>.

All of the information I've provide can be found in the Harmonized Tariff Schedule of the United States (HTSUS) which can be viewed online at: http://hotdocs.usitc.gov/tariff_chapters_current/toc.html.

Certain articles imported by religious, scientific, and educational institutions that are specifically for their use are eligible for duty free treatment. Information regarding this can be found in Subchapter X of the HTSUS. Based on the information you provided, I don't think this provision applies.

I would advise the following classifications:

Bracelets made of glass beads valued not over 20 cents per dozen pieces are classified under 7117.90.5500. The duty rate is free under the Generalized System of Preferences (GSP). If valued over 20 cents per dozen pieces they are classified under 7117.90.9000. The duty rate is free under GSP.

Glass beaded belts are classified under 7018.90.5000. The duty rate is free under GSP.

Stuffed dolls depicting human beings are classified under 9502.10.0010. The duty rate is free.

Stuffed animals are classified under 9503.41.0000. The duty rate is free.

Yarmulkes of knitted cotton are classified under 6505.90.1540. Yarmulkes, not knitted, of cotton are classified under 6505.90.2060. They are eligible for duty free treatment under 9810.00.9000.

Christmas ornaments of glass are classified under 9505.10.1000. The duty rate is free.

Santa Claus dolls are classified under 9505.10.5020. The duty rate is free.

Decorative cards that are not printed are classified under 4823.90.8600. The duty rate is free.

Glass beaded baskets are classified under 7018.90.5000. The duty rate is free under GSP.

Key rings are classified under 7326.20.0070. The duty rate is free under GSP.

None of the merchandise is subject to quota. The duty rates under GSP are based on the articles being made in and imported directly from South Africa. Information on GSP can be found in General 4 of the HTSUS.

While all of the articles are duty free, they would be subject to merchandise processing fee (MPF). The rate for MPF is 0.21% with a minimum of \$25 and maximum of \$485 per entry,

I am not qualified, nor is it my place to advise you on shipping, warehousing, or pricing. However, I strongly advise that you contact a Customs House Broker. They are licensed by CBP, have access to our automated systems and can help you meet all of the customs' requirements.

You can locate lists of brokers on our website, www.cbp.gov. Click on the green "ports" button at the top of the home page, click on the state where the importation will occur, and then click on the city, it will give you general information about the port of entry. From the port page you access a list of brokers that operate at that port.

Again, the information provided in this e-mail is advisory only; it is not legally binding.

I hope this information is sufficient.

Tom

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Appendix 5

Item	HTSUS Classification
Beaded Bracelet	7117.90.5500
Beaded Belts	7018.90.5000
Stuffed Dolls depicting human beings	9502.10.0010
Stuffed Animals	9503.41.0000
Yarmulkes	9810.00.9000
Christmas Ornaments	9505.10.5020
Santa Clause dolls	9505.10.5020
Decorative Cards (non-printed)	4823.90.8600
Beaded Baskets	7018.90.5000
Key Rings	7326.20.0070

- Beaded jewelry
Bracelets



Beaded Belts



Twister Bead Bracelets



- Stuffed animals/dolls

Young Girl Doll



Mandela Doll



Giraffe Stuffed Animal



Hippo Stuffed Animal



- Religious ornaments

Yarmulke



- Christmas Decorations
Christmas Ornament



C. Ornament (Ball)



Santa Claus Dolls



C. Ornament (Angel)



- Decorative Card “all occasions”

Twisted Metal Cards

Pin Cards



- Other Beaded Products

Beaded Basket



Beaded Keychain



Appendix 6

Dear Mr. Overacker,

My name is Raul Marcial. My counterpart, Greg Singer, and I are volunteers for a non-for-profit organization in Cape Town called Ikamva Labantu. The purpose of this email is to ask the experts at DTI for any recommendations or suggestions on exporting products made by crafts people in the townships of South Africa into the United States. The following includes background information on the NGO, our involvement and possible product offering. Also included are specific questions to consider and shipping options.

Background Information

Each year, a group of 6 to 9 students from the University of Notre Dame MBA program spend approximately two months in Cape Town working for a number of well-established NGOs. Two of these students are Greg Singer and I (*Raul Marcial*). One of the NGOs that students have worked at since the beginning, six years ago, is Ikamva Labantu. The organization defines itself as, “a community based, non-profit organization that seeks to redress the damages of Apartheid and support the budding South African democracy, by providing educational means, economic empowerment and self-sufficiency to South Africa's township communities.” The web address for

Ikamva is <http://www.ikamva.com/>. In prior years, students have worked on a number of self-empowerment initiatives as well as making significant MIS improvements.

This year, the major priority is one of Ikamva's flagship programs, Community Creations, which is the source for all of the arts and crafts we hope to sell in the United States. The objective of Community Creations is to train poor, disadvantaged locals, including the disabled, to make arts and crafts of a high quality and unique flavor in the hopes that they will take the skills they have developed and start a small business of their own.

We are still in the process of establishing a possible retail network in the United States. Some possible options are the following;

- University Bookstores
- African specialty shops
- NGO stores
- Museum Shops

Throughout the upcoming months we will try to establish a relationship with these retailers. To this point, university bookstores look like the most promising option.

The Products

While the Community Creations workers make over 100 different items, we believe that a select number of these would sell in targeted accounts in the United States. Our major consideration in the product selection process was establishing "stand alone" products that would be trendy enough to captivate the target consumer without the need of "pity buying" created by products of a social concern.

Most of the items are included in the photos in the appendix and we hope to have photos of the remaining ones soon. If you would like actual product samples, we can arrange that as well. In general, the products are divided into two categories: jewelry and dolls. In the case of the jewelry, the products are made by detailed beadwork and wirework. Each product is hand crafted, including each bead being put into place one by one. Other possible beaded products are key chains and pins.

The dolls and animals are crafted in pure cotton fabrics. The designs are ethnic like those worn by the people of Africa. They are an exciting combination of colours and prints which are a part of the African culture. The toys are stuffed with all new materials, which are fire resistant. Everything is fully washable and safe for children to play with. Each doll is individually made and has its own character. Our stuffed toys have passed U.S.A. safety tests.

Ikamva Labantu has been selling these types of products for more than five years to both local South African and foreign buyers. All quality control issues are handled in-house by a quality supervisor. A Diagnostic Evaluation performed by the World Bank made in December, 2003 commented, "the quality standards for the tourist market and export markets are very high." The report adds further, "the business has a very good track record when it comes to quality control." All products have passed U.S. safety regulations.

Pictures of the products are shown in the Appendix. The Possible Product Selection is the following

- Beaded jewelry (Appendix 1)
- Stuffed animals/dolls (Appendix 2)
- Religious ornaments (Appendix 3)
- Christmas decorations (Appendix 4)
- Decorative card “all occasions” (Appendix 5)
- Other Beaded Products (Appendix 6)

Specific Inquiries

We are seeking answers to the following question relating to importing products into the United States.

- 1) What financial assistance is available (if any) for Ikamva Labantu, a non-for-profit organization exporting products into the United States with end purpose of enhancing social development and job creation opportunities.
- 2) What are the tariffs, custom duties or import quotas (if any) on products that are made by disadvantaged township workers, through an NGO in South Africa into the United States? *The possible product listing is shown below, in addition to the background information on the NGO. To clarify, we are only exporting the commodities (dolls, bracelets, etc..) and not the human capital.*
- 3) What recommendations or connections are available regarding possible distribution strategies?
 - Recommendations of organizations that specialize in these types of ventures that we could possibly align ourselves with.
 - Recommendations on good “value for cost” shipping companies
 - Recommendations for warehousing in South Africa or the United States

Shipping Considerations

Importing the products under consideration to the U.S. is a far easier process now than in the past. The African Growth and Opportunity Act (AGOA) significantly liberalizes trade between the U.S. and 37 designated Sub-Saharan countries, including South Africa. The current legislation covers an 8-year period from October 2000 to September 2008. Currently there are approximately 7,000 different product lines under AGOA which qualify for duty-free access to U.S. markets, including those to be sold in the United States. Due to this favorable legislation, the products can be shipped directly from South Africa to the U.S. without being subject to additional customs duties.

The two actual shipping options are air and sea. Given the size, weight and unit volume of the products shipping by air is a more cost-value effective option. Ikamva Labantu currently uses air freight (via Dawn Wing) for all of its international orders which typically arrive in 7 to 10 days.

We appreciate any possible assistance on any of our inquiries. We understand that you must be very busy, hence we are very grateful for your time. Please, write or call us at your convenience for any suggestions or questions. Our contact information is show below. We really appreciate your help, and look forward to hearing back from you.

Thank you,

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