



Technical Assistance Consultant's Report

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July 2013

Mongolia: Agricultural Marketing and Brand Development (Financed by the Japan Special Fund)

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For : Ministry of Finance and the Ministry of Food, Agriculture, and Light Industry

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Completion Report



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Acronyms

ADB	Asian Development Bank
AMA	American Marketing Association
AMBDP	Agricultural Marketing and Brand Development Project
APLF	Asia Pacific Leather Fair
ARDP	Agricultural and Rural Development Project
BMO/BMA	Brand Management Organization/Agency
CCMI	Cashmere and Camel Manufacturers Institute
EA	Executing Agency
EPRC	Economic Policy Reform and Competitiveness
EU	European Union
GDP	Gross Domestic Product
GTZ/GIZ	German Agency for International Development
HQ	Headquarters
IA	Implementing Agency
IPO	(Mongolian) Intellectual Property Organisation
LLC	Limited Liability Company
MCCI	Mongolian Chamber of Commerce and Industry
MNF	Mongolian Noble Fibre
MNMCO	Mongolian Marketing and Coordination Office (in MCCI)
MNT	Mongolian Tugrik (national currency)
MoF	Ministry of Finance
MoFALI	Ministry of Food, Agriculture and Light Industry
MoIA	Ministry of Industry and Agriculture
MON	Mongolia
MoU	Memorandum of Understanding
MTI	Mongolian Textile Institute

MWCA	Mongolian Wool and Cashmere Association
NGO	Non Governmental Organisation
PMU	Project Management Unit
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals (EU regulation)
TA	Technical Assistance
ToR	Terms of Reference
UB	Ulaan Baatar
UK	United Kingdom
UNIDO	United Nations Industrial Development Organisation
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
USP	Unique Selling Point
VCD	Value Chain Development
WIPO	World Intellectual Property Organization

1. Executive Summary

1. A USD 2 million Japan Special Fund TA grant associated with the Asian Development Bank funding of the Agriculture and Rural Development Project (ARDP) aimed to support the development of agricultural value chains through a specific Agricultural Marketing and Brand Development Project (AMBDP).
2. During the June 2011-July 2013 period, the implementation of the AMBDP mobilised 149,287.5 man-months of expertise, focusing their interventions on the fibre and leather (tanneries) sectors through demonstrative actions developed in 12 enterprises (seven fibre, five tanneries), five of which received a loan through the ARDP. The needs identified in the fibre sector led to the involvement of the raw material production part of the cashmere value chain (training of herders on quality and sorting), while the impact of parasitic damage to skins and hides was tackled with regard to the leather sector.
3. An assessment of these industries showed significant room for the improvement of the professional skills of the human resources, health and safety standards, environmental impact control (tanneries), production quality and production pricing (cashmere). It led to the design and implementation of 48 formal training sessions totalling 1,020 trainee days of attendance in addition to permanent on-the-job training and to the production of a didactic fibre quality production manual for professionals.
4. The project aimed to build business partnerships ('matchmaking') between Mongolian and foreign companies. In order to reach this objective, the experts contacted 130 companies in their network, attended four international fairs - together with Mongolian businesses, and convinced two major cashmere brand representatives to visit Mongolia to explore business opportunities. As a result, 35 foreign companies requested samples and quotes from 23 Mongolian enterprises (16 fibre, seven leather). In addition, a market study was carried out in 11 European countries to identify opportunities and strategies to develop fibre exports.
5. These market investigations led to:
 - Fibres: The conclusion of seven export contracts by Mongolian product manufacturers (six totalling USD 120,000 before Mongolian Noble Fibre (MNF) was created, one involving MNF) and to six expressions of interest in developing MNF ingredient branding as a complement to major internationally recognised brands.
 - Leather: Enquiries for 50 containers/month of wet blue (90% of Mongolian production).
6. Branding has been developed in the fibre sector through the identification and design of a verbal and visual identity system for the MNF concept and its official registration in Mongolia (as a certification mark) and in eight groups of countries through the World Intellectual Property Organization (WIPO). The Ministry of Industry and Agriculture (MoIA) is the preliminary MNF owner until a Brand Management Organization project is launched by the Government on the basis of the detailed

business plan established by the AMBDP, discussed with stakeholders and supported by the production of a brand manual.

7. Given the generic commodity characteristic of Mongolian wet blue leather production, leather branding has been developed around ethical sourcing and an image linked to a sustainable and environmentally friendly resource.
8. Websites have been built for four associations (wool and cashmere, leather and leather goods, sea buckthorn, food and beverages) to facilitate communication and information among members and with potential foreign business partners.
9. With reference to the assessment made at project completion, four-year action plans with corresponding training plans and resources have been developed for the fibre and leather/tanneries sectors as well as for supportive branding activities.
10. At project completion, the potential one year gap between phases 1 and 2 of the ARDP and of their relevant marketing and branding components puts the AMBDP's achievements at risk, including MNF.
11. Indeed, MNF's management mechanisms are not settled given the absence of a brand management institution, yet to be established.
12. Despite the intensive training that was conducted for Mongolian companies during phase 1, the quality of Mongolian fibre and leather products still lags behind that of their competitors, while their prices tend to be higher. Phase 2 will need to further address the quality issue, and provide targeted capacity building to Mongolian companies, in addition to building up on the marketing and branding work that was implemented during phase 1.

2. Project Information

2.1 Project information

Project title:	Agricultural Marketing and Brand Development
Project number:	TA 7139 – MON (39229)
Financing:	Japan Special Fund
Country & Location:	Mongolia
Recipient:	Government of Mongolia
Executing Agency:	Ministry of Finance
Implementing Company	SOFRECO - MONCONSULT

2.2 Overview of the Project

Overall objective:	Agriculture and rural growth that sustains premium value differentiation for Mongolian products.
Purpose:	Establishment of a process for brand development and management that is sustainable and replicable by institution(s), charged with managing the process through a demonstration effect with at least three leading enterprises, and involving other enterprises in the longer-term.
Result 1(*)	<ul style="list-style-type: none"> ▪ Framework for brand development is ready by December 2012.
Result 2 (*)	<ul style="list-style-type: none"> ▪ Brand partnership agreements between at least three Mongolian enterprises and international brands by March 2013.
Result 3 (*)	<ul style="list-style-type: none"> ▪ A certification/trade mark developed under the technical assistance (TA) is registered at the Intellectual Property Rights Office of Mongolia by March 2013.
Result 4 (*)	<ul style="list-style-type: none"> ▪ At least three enterprises use the certification/trademark by June 2013.
(*) TA output indicator variation endorsed through an MoU of 16 June 2012.	

Main activities		
A1: General	A1.1	Based on discussions with PMU staff and other stakeholders (including participating enterprises, business associations, the Chamber of Commerce and Industry, concerned government agencies, regulators, donor agencies and donor-funded projects and concerned academic institutes), describe and coordinate as needed recent, ongoing, and planned branding activities in Mongolia;
	A1.2	Develop, in consultation with key stakeholders relevant to the targeted sectors, a brand framework for (a) collaborative branding with international premium brands, and (b) the original branding of Mongolian products;
	A1.3	Prepare, in consultation with the key stakeholders, a business plan for the brand management agency, defining its objectives, scope of work, activities, membership, legal status, organisational arrangements, financing, and a sustainable brand management strategy.
A2: For collaborative branding	A.2.1	Develop guidelines for collaborative branding that will include a generic brand partnership proposal and a generic brand partnership agreement;
	A.2.2	Select at least three model enterprises and target products for collaborative branding in view of subsequent original branding;
	A.2.3	Identify constraints and issues that each model enterprise needs to overcome in view of quality standards required by and preferences of target markets, and tailor a remedial programme in consultation with the respective enterprises;
	A.2.4	Prepare brand partnership proposals and partnership agreements for the selected enterprises;
	A.2.5	Identify international premium brands and facilitate matching with the selected enterprises;
	A.2.6	Facilitate brand partnership agreements between the selected enterprises and international premium brands;
	A.2.7	Facilitate the implementation of the brand partnership agreements;
	A.2.8	Incorporate lessons gained from the above experience into the framework, the guidelines, the generic brand partnership proposal, and its agreement.
A3: For original branding	A.3.1	Develop guidelines for original brand development for selected products in consultation with relevant enterprises and business associations;
	A.3.2	Develop the original brands, which encompass such brand components as brand essence, brand collateral, visual appearance (including packaging), verbal style, and the tone and manner of the brand;
	A.3.3	Assist those enterprises in introducing the original brands to target markets;
	A.3.4	Design and deliver a complete 'how to' manual on branding (in both English and Mongolian) and present materials with full requirements for interested enterprises;
	A.3.5	Design and conduct a brand training programme for Mongolian enterprises with interests in utilising their original brands.

Inputs	Position	Initial	Final (Variation 8)
(aggregate d field and home men x months)	A. International Consultants		
	Marketing expert/team leader	12	16.7137
	Branding expert	15	9.6182
	Cashmere/wool sector expert	7	15.6018
	Leather sector expert	7	9.4999
	Sub-total	41	51.4336
	B. National Consultants		
	Deputy team leader/TA coordinator	18	20.4862
	Brand marketing specialist	18	18.4939
	Legal expert – corporate law/patent law	12	12.4817
	Cashmere/wool sector specialist	15	17.8986
	Leather sector specialist	12	15.4997
	Quality management specialist	12	12.9938
	Sub-total	87	97.8539
	TOTAL	128	149.2875
Contract duration 23 months	Contract 100118-S41654 Start (contract sign.): June 2011 Experts fielding: 01 September 2011	Completion: 31 July 2013 (after extension from 01 March to 31 July 2013)	

3. Fund Utilisation

13. A detailed assessment of fund utilisation is described in Annex 1.

4. Input Provision and Outputs

4.1 Inputs

4.1.1 Human resources as in Contract Variation 8 (July 2013)

Unit: man x month

Position	Field	Home	Total
A. International Consultants			
Marketing expert/team leader	15.6000	1.1137	16.7137
Branding expert	7.0500	2.5682	9.6182
Cashmere/wool sector expert	14.2154	1.3864	15.6018
Leather sector expert	8.2499	1.2500	9.4999
Sub-total	45.1153	6.3183	51.4336
B. National Consultants			
Deputy team leader/TA coordinator	0.5999	19.8863	20.4862
Brand marketing specialist	0.2667	18.2272	18.4939
Legal expert – corporate law/patent law	0.3000	12.1817	12.4817
Cashmere/wool sector specialist	1.4666	16.4320	17.8986
Leather sector specialist	1.2000	14.2997	15.4997
Quality management specialist	1.2667	11.7271	12.9938
Sub-total	5.0999	92.7540	97.8539
TOTAL	50.2152	99.0723	149.2875

4.1.2 Training sessions

Sector	Target	Topic	Participants	Remarks
Cashmere	Herders of 2 soums	Raw material quality & price, cooperative development	448	8 sessions in 2012 (March, May, October) & 2013 (April) in association with Altai company
	Staff of 7 companies	On-site staff training on process, quality and marketing	324 (formal training)	33 formal training sessions & 18 on-the-job
	MWCA members	Marketing	36	1 session

Sector	Target	Topic	Participants	Remarks
Leather	Staff of 5 companies	On-site staff training on process, quality and marketing	34	8 on-the-job training sessions
Branding	Staff of companies and associations	Brand and brand products market	176	6 sessions
TOTAL			1,018	-

4.1.3 Matchmaking

Attendance at international fairs

Sector	Fair	Site	Date
Cashmere	Cashmere World Trade Fair	Hong Kong	26-28 September 2012
Leather	Asia Pacific Leather Fair (APLF)		28-30 March 2012
	Asia Pacific Leather Fair (APLF)		25-27 March 2013
	Lineapelle	Bologna	3-5 April 2013

Support to committed companies

Sector	Mongolian companies	Foreign partners	Foreign companies contacted
Cashmere	16	10	80
Leather	7	25	50
Total	23	35	130

4.2 Outputs

4.2.1 Quality & brand development

- Cashmere quality sorting at harvest

Year	Targets involved			Sorted cashmere sales (tons)	Processed cashmere variation after/before sorting (2012)
	Soums	Cooperatives	Herders trained		
2012	2	2	168	12.55	<ul style="list-style-type: none"> ▪ Diam. (microns): 15.8 – 16.8 ▪ Length (mm): 38.7 – 37.8 ▪ Yield (%): 51.5 – 50.3
2013	2	2	156	After project completion	

- Improved cashmere production manual issued,

- MNF designed and registered as certification mark in Mongolia (April 2013),
- MNF international registration launched,
- MNF collateral designed,
- Active expression of interest in MNF use

Mongolian company	Foreign company	Orders content / volume / value
Ezio Foradori	Chauncey (Belgium)	1000 garments / Amount confidential
Bodio	Madame Seguin (Belgium) samples Hush (UK) samples Silk & Cashmere (Turkey)	Under negotiation
Nans	Madame Seguin (Belgium) samples	
Saran	Madame Seguin (Belgium) samples	
Altai	Pure (N'Peal group)	
Goyo	Dishang Cherry	
Gurvan Sor	Edelzieger	

- Yak standards developed,
- Brand Management Agency business plan issued and disseminated,
- Branding manual 'How to drive a cool brand' issued.

4.2.2 Marketing - matchmaking

Exotic fibre

Partner companies		Delivery Date	Deliveries	Value (USD)
Mongolia	Foreign			
Altai	Cashmereness (Canada)	2011	Cashmere sweaters	confidential
	Kruger (Canada)	March 2012	Cashmere shawls	
Bodio	Silk & Cashmere (Turkey)	March 2013	Dehaired cashmere and camel	
		July 2013	Yak and camel scarves	
	Ecotricotag (Russia)	Sept. & Dec. 2012	Yak garments	
Erdenet Cashmere	Geco (Germany)	July 2012	Woven cashmere blankets	
TOTAL				119,000

- Business trips of major cashmere brand representatives to Mongolia (N'Peal & Pure 2012, Max Mara, May 2013).

- European exotic fibre market study (June 2013).

Leather

14. Enquiries for 50 containers/month of wet blue (90 % Mongolian production) (Hong Kong, March 2013 and Bologna, April 2013 fairs).

4.2.3 Industry monitoring

15. Database of 217 cashmere and 134 tanneries/leather goods companies (including 24 cashmere and 14 leather company profiles).

4.2.4 Communication

16. Web sites have been developed for four associations (wool and cashmere, leather, sea buckthorn and food & beverages).

5. Implementation Arrangements

5.1 Institutional arrangements

17. Funded by the Asian Development Fund (USD 14.72 million, 7 January 2009 to 2013), the Agriculture and Rural Development Project (ARDP) targets the reliable supply of premium value agricultural products to niche markets by selected enterprises, to support sustainable agriculture and rural growth that maintains premium value for Mongolian products.
18. Its three components, value chain development (VCD), rural infrastructure & service development (RID), and project management, are implemented as follows:

Component	Executing Agency (EA)	Implementing Agency (IA)
Value chain development (VCD)	Ministry of Finance (MoF)	Project Management Unit (PMU)
Rural infrastructure & service development (RID)	Ministry of Industry & Agriculture (*)	
Project management	-	

(*) Ministry of Food, Agriculture and Light Industry (MoFALI) until August 2012

19. An associated USD 2 million equivalent TA grant financed by the Japan Special Fund (Government of Japan) provided, within the framework of VCD, assistance to enterprises for agricultural marketing and brand development (AMBD) in niche markets to develop premium brands for Mongolian agricultural products.
20. The present report describes the activities and outputs of this AMBD Project (hereafter AMBDP), whose Executing Agency (EA) is the Ministry of Finance (MoF) and Implementing Agency (IA) is the Project Management Unit (PMU).

5.2 Implementation arrangements

5.2.1 The Consultant

21. The SOFRECO (France) & MONCONSULT (Mongolia) consortium was awarded contract 100118-S41654, pursuant to which its experts were fielded at the beginning of September 2011.

5.2.2 Project phasing and contract value

22. The project's original duration was set at 18 calendar months including a two-month inception phase. Completion was originally planned for the end of February 2013 with an initial contract value of USD 1,873,314.

5.2.3 Variations at mid-term

23. The project mid-term review (June 2012) led to two major agreements arising from the project assessment:
 - Revised TA output indicators without TA output variation;
 - TA extension and bridging to a second phase, given the perspective of discontinuity before such second phase could be launched.
24. This latter concern led to an agreement on an extension of the project over the March-June 2013 period. This was facilitated by a budget extension of USD 98,886 (new contract value USD 1,972,200).

5.2.4 Variations during project implementation

25. During the project period, eight contract variations (including exclusively one - the 6th, with a budget variation) were agreed upon in order to secure the flexibility of inputs necessary when dealing directly with the business sector.
26. Given the intensive implementation momentum before project completion, it was finally agreed that the project completion date would be postponed until the end of July 2013.

5.2.5 The Advisory Committee

27. The ARDP Steering Committee was involved in the strategic management of the AMBDP.

5.2.6 Reporting

28. Quarterly reporting was submitted to the ADB project officer in ADB headquarters in Manila and to the Director of the PMU.

5.2.7 Formalising relations with the target enterprises

29. Given the variable commitment shown by the target enterprises and the progressive access to enterprises' management practices, the necessity to formalise relations between each enterprise and the project was raised, in order to secure a full understanding, progress monitoring (quarterly assessments) and confidence.
30. MoUs were drafted in March/April 2012 and, following discussions, had been signed by all of the target enterprises by March 2013.
31. A model MoU between the ARDP and the target enterprises is presented in Annex 2.

6. Project Implementation

Snapshot of the Mongolian business environment

32. Despite impressive GDP growth linked to the mining sector boom, the country business profile shows room for improvement:
 - Mongolia is ranked 86th out of 183 economies in terms of overall business environment¹. This situation negatively impacts on the economy of this landlocked country and calls for urgent government regulatory initiatives.
 - Mongolia is ranked 94th out of 176 countries² in terms of the perception of public sector corruption, and its spread to the private sector has been noted³.
 - Near monopolistic positions on the domestic market are still in force, reducing the possibilities for fair competition. Yarn production is illustrative of this situation.
33. This sample of indicators shows that, even if supportive of an export policy, branding must be part of a far broader set of measures to facilitate the development of exports as promoted by the Government.

6.1 Strategy adjustments and focusing on potentially eligible target sectors and enterprises

6.1.1 Project strategy

34. The ToR of the project state that 'the long-term objective is to provide an opportunity for Mongolian enterprises to develop their own indigenous brands for export markets'.
 - They require a list of potential Mongolian products that would benefit from branding to be the focus of the initial stage of the project, as well as model enterprises to be selected that would benefit from co-branding. This approach is opposite to established marketing practice where buyers' expectations are researched then products identified or developed to meet the demand of the market. Products are 'pulled' into the market by demand rather than 'pushed' onto the market by production-driven thinking. The project strategy was thus shifted to contacting potential partner enterprises in export markets to find out what they want, then identifying products and enterprises that could meet this market demand.

¹ WB 'Doing Business' Country Report 2013. Mongolia performed poorest (159th/183) on 'trading across borders' on 10 assessment criteria covering the whole business cycle.

² Transparency International - Corruption Perception Index 2012.

³ Study of Private Perceptions of Corruption (STOPP) – USAID, The Asia Foundation, Sant Maral Foundation, January 2013.

- In addition to support with marketing and branding, the beneficiary enterprises of the ARDP loan scheme needed support and training in business skills, business management and manufacturing for consistent quality and availability, which are essential for the successful long-term use of any brand. Consistent and reliable quality requires consistent and reliable manufacturing processes that are expected to be facilitated by the new equipment and processes financed by ARDP loans. This is applicable exclusively if backed by consistent and reliable business management practices. The project intervention was thus re-oriented towards a more than initially expected intervention in manufacturing as well as management processes to facilitate the achievement of brandability.
- The Mongolian business approach is far more production- than market-oriented: there is a crucial need to review this model which involves a long-term process to make mentalities evolve. This was a challenging constraint that the team made efforts to mitigate throughout the project's implementation.

6.1.2 Sorting target sectors and enterprises

35. The ToR focus the intervention of the project activities on ARDP loan beneficiaries for demonstration purposes. This restrictive approach was reviewed during the course of the project, when some sectors involved did not offer immediate brandability opportunities. AMBDP networking among selected sectors led to the identification of enterprises not involved in the ARDP loan scheme but offering good potential for brand development.

Target sectors

36. The review of the potential brandability of the agro-industrial production of the 11 beneficiaries of the ARDP loan scheme led to the following conclusions:
 - The cashmere and wool sector is the most promising for collaborative branding development.
 - The development of collaborative branding in the leather sector may be hampered by the supply chain as well as by poor effluent-treatment performance.
 - The milk processing sector mostly targets the domestic market and can exclusively target very close regional markets.
 - The meat sector targets the domestic market and exports are hampered by the safety requirements of importing countries.
 - The food and drinks sector has limited scope for export in the near future.
37. It was therefore agreed to focus the resources and activities on the wool/cashmere sector and on the tanning part of the leather sector, with limited inputs being provided to the others.
38. In particular, the food and drinks and seabuckthorn producers associations received project support through the construction of their websites to facilitate the business development of their members through communication and matchmaking.

Target enterprises

39. The development of activities with ARDP loan recipients and a broader knowledge of the target sectors led to the identification of other enterprises either already operating

on export markets or showing willingness and commitment to do so. Activities were also developed at early stages of the project with these enterprises, as additional vectors of project activities.

Sector	ARDP loan beneficiaries	Non ARDP loan beneficiaries	Total
Wool & cashmere	3 (Altai, Erdenet, Mongolnoos)	4 (Bodio, Sunshiro, Natural Alfa, Nans)	7
Leather	2 (Monglo Shevro, Darkhan Nekhi)	3 (Mon Ireedui, Belon, IKT Engelt, Buligar, Altain Khargia)	5
TOTAL	5	7	12

6.2 Wool and cashmere sector

6.2.1 Sector Profile

Raw material production and market

40. The main features of Mongolian animal fibre production are the following:

Fibre/ Species	Herders involved (families & individuals)	Heads	Raw fibre production (tons/year)	Processed fibre (tons/year)	% of world crop	Market share of Mongolian fibre production (%)	
						Domestic	International
Sheep (wool)	146,000 fam. x 4 persons / family	17,980,700	23,281	13,969	8	72	28
Goat (cashmere)		17,588,700	3,608	1,8034	25	25	75
Yak (hair)		552,000	221	50	4	50	50
Camel (hair)		305,800	1,064	319	15	30	70

Source: Mongolian Agency for Standardization and Metrology

41. The largest buyers of raw cashmere are the Chinese and only around 20-30 % is purchased by domestic processors.
42. Procurement is carried out directly by the factories through (traders) changers, and in 2013 was also carried out at auction through a government mandate for the export of scoured and dehaired cashmere.

Processors

43. The cashmere and wool sector consists of an estimated 200 companies with a permanent manufacturing activity. This particularly applies in the primary processing sector where there is a large Chinese presence. The numbers tend to fluctuate

depending on changes in government policies related to raw and semi-processed cashmere material.

44. **Vertically integrated operation:** Three vertically integrated cashmere product manufacturers (Gobi, Buyan and Eermel), and others such as Goyo, Sor, Sunshiro, Erdenet Cashmere, Ocean and Lux cashmere have the facility to dye and spin.
45. **Yarn spinners and knitters:** Capra Dori and Cashmere Concept are two dedicated dyers and spinners. The knitters are reliant upon the aforementioned factories to provide them with yarn. However, some of the medium-size knitters such as Altai, Ezio Foradori, Saran Ikh, Nans cashmere, PCY, Gurvan Sor, Bodio, etc., either procure raw cashmere or dehaired cashmere and give it to the spinners for commission processing to be spun to their own specifications.

Markets

46. **Domestic market:** The domestic market is over saturated with far too many small knitters competing on the market place for business. This market is estimated to be worth around USD 20 to 30 million with Gobi controlling around 60% of the market. Small and large cashmere shops are dotted throughout Ulanbaatar and also occupy floor space in major department stores such as Ikh Delgur, Ulaanbaatar department store, Grand Plaza, UB Mart, etc. This leads to continued price wars with quite common high discounts.
47. **International market:** Exports of finished goods have increased in recent years largely due to Edinburgh Woollen Mills' continuing demand from Eermel, which is in excess of USD 10 million.
48. Small companies such as Ezio Foradori, PCY, Nans, Bodio, Gurvan Sor and Saran Ikh have very successfully penetrated the export markets, shipping virtually all of their production overseas. Very few of these products actually feature their own brand or the fact that they are 'Made in Mongolia'.
49. **Competition:** As a consequence of the aforementioned and the fact that Mongolian companies find it difficult to compete on the international arena, they are mainly reduced to the role of supplier to the brands. This is a highly competitive field dominated by the Chinese with Bangladesh, Mauritius, Madagascar, Cambodia and Sri Lanka offering strong competition.
50. In particular, competition from China is very strong due to the very favourable industry environment in this country:

	Mongolia	China
Raw material	Average of 16.7 microns exceeds world standard for fine cashmere. Adversely affects handle of finished products - 'feels dry'.	Fine cashmere average of 15.5 microns. Provides soft luxurious touch.
	Better average length of 38-40 mm, better tensile properties, more elastic, better performing yarn, ideal for weaving.	Shorter length of 32-36mm; short fibres tend to pill more not so good for forming raised surface on woven products.

	Mongolia	China
	<p>Good natural colour mix: brown, light grey, white;</p> <p>Cost effective in dyeing - can use lower cost raw material for medium and dark colours.</p> <p>However, Mongolian white is coarse, yellow and contains black hair, must be bleached.</p>	<p>Mainly white.</p> <p>Expensive raw material to use for dyeing to medium and dark colours.</p>
Government policies	<p>Bond loans offered at between 5-8% depending on commercial banks.</p> <p>Repayable after one year.</p>	<p>Interest free loans repayable after 10 years.</p>
		Export tariff rebate up to 14 %.
	'Most favoured nation' status.	
		Import taxes up to 13% depending on country
		50% income tax relief for factories in western provinces.
		Subsidies for utilities and building rent.
Competitive advantage	Made in Mongolia.	Larger factories leading to economies of scale.
	Image.	Work force better trained.
	Environment.	Productivity and efficiencies higher.
	Perception.	Greater experience.
	Good social and welfare conditions.	
Disadvantages		Poor social and welfare conditions.
		'Made in China' image.
	No brand established on international market.	No brand established on international market.
	Quality and delivery problems.	Poor reputation for adulterating fibres.
	Poor process technology.	
	No internationally accredited testing laboratory.	
	Lack of adequate domestic facility for training technicians.	
	Shallow qualified labour pool.	
	Lack of training on export market demands.	
	Lack of knowledge of international fashion trends and colours.	

Source: AMBDP

51. Tentative international benchmarking shows significant room for the improvement of the Mongolian industry in terms of cost/price performances:

Country	Dyeing / spinning (USD/kg)	Sale yarn price (USD/Kg)	Yield (%)	Additional costs incurred in factoring in yield differences * (USD/kg)	Knitting & finishing classic (USD/kg)	Source(s)
Mongolia (average)	18.50	160 2/26's	88	12	21	Mongolian spinners, Gobi, Goyo, Cashmere Concept, Capra Dori, Erdenet
China (average)	11.0	125 2/28's	94-98	4	10	Chinese spinners, Viction cashmere, Erdos, King Deer,
China	9-10	120 2/28's	94-98	4	10	Max Mara Sourcing Department
UK	17.00	150 2/28's	98-100*	1	12	UK spinners, Gledhill, Johnstnnes, Hinchcliffe
Italy	15.60	150 2/28's	94-96	5	N/A	Italian spinners, Dorama, Biagolia, Carriagi

Note:

- British spinners tend to apply 7 % of spinning oils in blending as opposed to the continental and Asian spinners who use 4 %, which would account for the higher spinning yields.
- The sale yarns from Italy and China are finer in count and finer in quality, and as can be seen from the chart, the prices from all sources are lower than in Mongolia.

Strategic significance

52. Cashmere must continue to be acknowledged for its strategic importance, which affects a significantly high proportion of the working population of Mongolia. Furthermore the long-term future of the herders is assured as the demand for cashmere products continues to grow.

6.2.2 Profile of major stakeholders

Ministries: Ministry of Finance and Ministry of Industry and Agriculture

53. Both are involved in the management of the industry with recent initiatives described in the 'policy' section.

Regional authorities

54. The governor offices of Shinejinst and Durvuljin soums are involved in the soum administrative breeding and veterinary services mobilisation.

Professional institutions

55. The Mongolian Wool and Cashmere Association (MWCA) is the representative body for cashmere processors (80 members out of the estimated 200 cashmere processors, excluding the informal sector). The MWCA leads negotiations between its members and the Government of Mongolia, in particular, at project completion, regarding the management of recent government subsidies to the industry. The MWCA has been a permanent partner of the project (website construction, training, participation in the Hong Kong 2012 fair, etc.).

Educational institutions

56. The University of Science and Technology under the Ministry of Education, offers various curricula (marketing & computer science, management, textile design, etc.).
57. The Mongolian Textile Institute (MTI), part of the University of Science and Technology under the Ministry of Education, trains technicians and technologists across the textile processing sector (dyeing, blending, carding, spinning, knitting, weaving and finishing). Students are taught at Bachelor's, Master's and Doctoral level. The laboratory is run on a commercial basis and is reasonably well equipped and therefore able to conduct most tests for dehaired fibre, spun yarn, and knitted and woven products. The AMBDP enabled the MTI to participate in the semi-annual round laboratory testing conducted by the Cashmere and Camel Manufacturers Institute (CCMI). The CCMI conducts these semi-annual tests to ensure the accuracy of the test results from the laboratories that are accredited by it. The AMBDP assisted the MTI in obtaining funds to provide the necessary training for its laboratory technicians.
58. The National Agricultural University of Mongolia provides training on marketing, management and primary processing. It trained herders on methods to establish proper herd ratios for the improvement of raw material quality and to select and breed appropriate Zala Jinst white goat dams and sires.
59. The Livestock Institute of Mongolia demonstrated herd ratio improvements, the proper usage and protection of pastureland and its influence on the cashmere quality of the Zavkhan Buural goat.

Processors involved in the project

ARDP value chain development (VCD) loan recipients

- Altai, one of the largest cashmere companies, similar to Gobi, Eermel, Buyan and Goyo. It is involved in dehairing and knitting. The loan which it received through ARDP, which it is yet to fully draw down, is for dyeing, carding and spinning equipment.

- Erdenet, the largest carpet and cashmere processor in Mongolia situated in Erdenet city and which employs over 1,000 workers (including 60 for cashmere). It recently diversified into woven cashmere products and over the last few months installed dyeing, carding and spinning equipment for cashmere yarns.
- Mogolnoos, a wool scouring company based in Bayantsogt soum, secured a VCD loan for raw material and factory rehabilitation. The work has been completed and the factory is fully operational ahead of season.

Other processors involved

- Bodio, a yak dehaier and knitter of finished yak products. All products were previously exported to Russia. The project assisted with design and product development. Export orders have increased and revenues are up by over USD 100,000.
- Sunshiro, a spinner and weaver of cashmere, camel and yak products. Technical assistance was provided for the selection of yarn processing equipment, the floor plan and product development.
- Natural Alfa, a knitter of yak products. Technical assistance was provided for garment finishing and product development.
- Nans, a cashmere knitter and Mongolia's premier designer, exporting all products to prestigious brands in the UK and Japan. It is the main supplier of 'Oyuna Cashmere'/ 'Cashmere Republic', which sells in prestigious outlets such as Harrods and Monocle in London. It is the only Mongolian company to have been invited to Max Mara headquarters in Italy. Technical assistance was provided in terms of matchmaking.

Company	Location	Profile	Capacity dehaired cashmere (tons)	Capacity knitted garments (000s)	Capacity woven fabric (000s mtrs)	AMBDP Technical assistance	Labour force
Altai	Khan Uul district	Knitters and dehairers	300	180	-	<ul style="list-style-type: none"> ▪ Capacity building ▪ On-the-job training ▪ Matchmaking ▪ Branding 	160
Erdenet Cashmere	Erdenet City	Cashmere weavers	-	-	50	<ul style="list-style-type: none"> ▪ Capacity building ▪ On-the-job training ▪ Matchmaking 	60
Mogolnoos	Bayantsogt soum	Wool scourers and cashmere dehairers	150 cashmere 800 scoured wool	-	-	<ul style="list-style-type: none"> ▪ Factory rehabilitation ▪ Capacity building ▪ On-the-job training 	60

Company	Location	Profile	Capacity dehaired cashmere (tons)	Capacity knitted garments (000s)	Capacity woven fabric (000s mtrs)	AMBDP Technical assistance	Labour force
Bodio	Bayanzurkh district	Yak knitters and cashmere dehairers	35	27.5	-	<ul style="list-style-type: none"> Product development Design On-the-job training Matchmaking 	60
Sunshiro	Bayangol district	Woven fabric	-		20	<ul style="list-style-type: none"> Capacity building 	15
Natural Alfa	Erdenet City	Knitter (Yak)	-	10	-	<ul style="list-style-type: none"> Product development On-the-job training 	20
Nans	Bayanzurkh district	Knitter	-	25	-	<ul style="list-style-type: none"> Matchmaking 	21

Sources: enterprises and AMBDP

Herders involved in the project

60. Two herders' cooperatives have been involved in pilot raw material preparation within the framework of the AMBDP:
- Embuu Tsahir Cooperative, one of the largest cooperatives in Shinejinst soum, Bayankhongor aimag (over 100 members).
 - Zavkhan Buural Cooperative, one of the largest cooperatives in Durvuljin soum, Zavkhan aimag, established in 1998 (over 30 herder-family members and over 200 castrated goats and 200 female Zavkhan Buural goats). Since 2003, it has been involved in Zavkhan Buural nucleus goat herd development.

6.2.3 Major policies

61. The long-term policy in the cashmere sector is to ban scoured cashmeres from 2013 and de-haired cashmeres from 2017, so that all raw materials will be used for the local production of finished products and garments during the 2017-2020 period.
62. Some successes have already been noticed:
- Wool: Collection increased from 4,000 to 16,400 tons through a subsidy for supply to local companies.
 - Cashmere: Through a 2011 subsidy (MNT 100 billion), cashmere companies increased collection from 700 to 2,168 tons, increasing their production capacity use from 20 to 50 % and creating 1,540 new jobs.
63. Nevertheless, the industry faces a broad range of challenges to be addressed through a comprehensive set of measures:
- Lack of working capital: it needs financial support in the form of low interest, long-term loans.

- Inadequate supply of raw material (the goat population of the main competitor, China, is falling due to desertification, which will increase competition for raw material). Some producers are buying yarns from China which affects their quality, and it is estimated that imports of fabric material are worth over MNT 50 billion.
- Inadequate quality and insufficient quantity of cashmere products.

64. The Government is developing measures to support the sector:

- Investment support (equipment): Budget allocations of MNT 95 billion (cashmere sector) and MNT 68 billion (wool sector) to finance an advance payment to EXIM Bank (terms: 5 years, 7%/year).
- Support in terms of working capital: An MNT 180 billion loan (terms: 5.5%/year) has been allocated to the cashmere sector with the objective of generating a revolving fund with repayments. These resources have been offered for the procurement of raw cashmere provided that the cashmere is scoured, dehaired and exported. The wool sector is receiving no support in 2013 after two years of intervention (MNT 100 billion in 2011 and MNT 40 billion in 2012), other than for herders (MNT 30 billion).
- The establishment of an auction system to facilitate the sale of raw cashmere for semi-processed cashmere for exporting (government resolution of 26/01/2013 and regulation related to implementation procedures of 07/05/2013). Mongolian processing companies must apply to the auction house for access to raw material based on a sales contract from an international buyer. If approved, the auction house provides a document confirming the volume of cashmere required in raw form and the price, which is determined by the auction house. Any change in the price of raw cashmere is published immediately on their website.

6.2.4 Weaknesses and constraints

Sub sector/activity	Weaknesses	Constraints
Production	<ul style="list-style-type: none"> ▪ Gradual deterioration in fibre quality due to ageing and a disproportionate increase in the number of male goats (fibre mean now greater than internationally recognised standards for fine cashmere, insufficient quantity of good quality white cashmere, etc.). ▪ Lack of training for herding community on breeding and quality segregation. ▪ Room for the improvement of herders' cooperative governance. 	<ul style="list-style-type: none"> ▪ No price incentive system targeting sorting and quality improvement. ▪ No support to herders (soft loans, extension services on cashmere, etc.) leaving them with no alternative to sales in cash to Chinese buyers.
Processing	<ul style="list-style-type: none"> ▪ Lack of adequate training for technicians in processing. ▪ Lack of adequate training and exposure to other professionals for knitwear designers. ▪ The manufacture of yarn in Mongolia is monopolised by only a few companies, all of whom are expensive because of their inefficiencies. 	<ul style="list-style-type: none"> ▪ No methodology for quality control.

Management & marketing

- Low management skills base (top-ranking problem quoted by interviewed companies – 25% of the total stated problems).
- Factories not efficient leading to higher operational costs.
- Lack of marketing skills.
- Conversion cost of producing spun yarn from dehaired cashmere grossly excessive (feature of poor technology and low process yields).
- Little or no product development, the same products are produced using the same technology and basic raw materials.
- Industry training generally delivered to managers or departmental heads, and information is rarely disseminated to the workforce.
- Complacency: poor willingness to develop export markets.
- Companies' investments are focused on equipment - very few are actually prepared to invest in having qualified technicians teach their operators how to properly operate and maintain the machines; lack of investment to send their design staff overseas to observe what appeals to consumers outside their own market.
- Most of the companies are not geared to exporting. They lack the knowledge of the market requirements (design, colour, block, tolerances, compliance issues, lack of English speaking personnel, and complete lack of appreciation of the fast response time required by international buyers).
- Landlocked country, high transport costs and logistic problems (ex: current air-freight costs are prohibitive, at ten times the rate enjoyed in most industrialised countries. It is only possible to export material in containers by rail to China).
- Chinese domination of the raw material market, prices artificially contrived and not reflective of normal market forces, purely driven by Chinese buyers.
- Bank lending rates very high and poor management efficiency making companies uncompetitive on price.
- No CCMI accredited laboratory to certify quality for foreign buyers.

6.2.5 Strength and opportunities

Sub sector/activity	Strengths	Opportunities
Production	<ul style="list-style-type: none"> Region-specific fibres with unique natural colours. Traditional practice of combing cashmere by quality and goat age. Core of herders have controlled male share below 27.8 %. 	
Processing		<ul style="list-style-type: none"> Nominal capacity to process 60 % of raw cashmere produced. Government loans to the industry and raw material auction sales.
Management & marketing	<ul style="list-style-type: none"> Mongolian Noble Fibre certification 	<ul style="list-style-type: none"> Most favoured nation trade status. Cashmere trade initiatives from the Mongolian diaspora opening access to foreign markets.
Whole sector		<ul style="list-style-type: none"> Provenance of Mongolia, its history and culture. Political stability. Anticipated GDP growth supported by the mining sector. Government support to the agro sector and industry.

6.2.6 Major project activities

Promoting improved quality at herders' level

Training of herders

65. Altai Cashmere has been a regular partner of the project in the implementation of the pilot promotion of raw cashmere quality improvement with herders of two target soums offering original cashmere production.

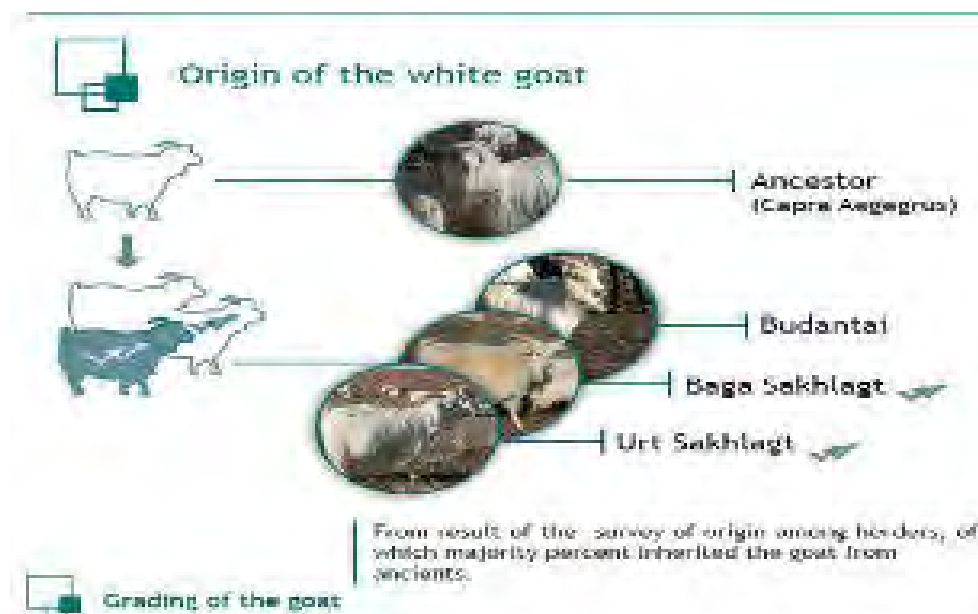
Topics	Trainer	Dates	Organisation, Site	Number of participants
How to improve raw material quality	AMBDP, Altai Cashmere company, Agricultural University	4-7 March 2012	The Governors of Shinejisnt soum, Bayankhongor aimag	31
		8-10 March 2012	The Governors of Bayanlig soum, Bayankhongor aimag	23

Topics	Trainer	Dates	Organisation, Site	Number of participants
Correlation between raw materials, quality and price	AMBDP, Altai Cashmere company, Agricultural University, aimag Agricultural, small and medium enterprises	23-27 May 2012	Embuu Tsahir Cooperative of Shinejinst soum, Bayankhongor aimag	76
		28-30 May 2012	Embuu Tsahir Cooperative of Bayanlig soum of Bayankhongor aimag	93
Cooperative activities and development	AMBDP and Altai Cashmere company	1-3 October 2013	Embuu Tsahir Cooperative of Shinejinst soum, Bayankhongor aimag	50
		1-3 October 2013	Zavkhan Buural Cooperative of Durvuljin soum, Zavkhan aimag	11
Quality and price of raw material of brand products	AMBDP, Altai Cashmere company, Agricultural University, aimag Agricultural, small and medium enterprises, and the Mongolian Chamber of Commerce	10-12 April 2013	Embuu Tsahir Cooperative of Shinejinst soum, Bayankhongor aimag	94
		16-18 April 2013	Zavkhan Buural Cooperative of Durvuljin soum, Zavkhan aimag	70
TOTAL				448

Survey of cashmere quality and origin of Zalaa Jinst white goats

66. 51 herders with more 10 years of breeding experience from four bags⁴ of Shine Jinst soum, participated in a survey organised with the support of the State University of Agriculture.
67. Zalaa Jinst white goats originate from three types of wild goat named *Capra aegagrus*, *Capra falnori* and *Capra prisca*, in terms of horn shape.

⁴ A 'bag' is a subdivision of a district in Mongolia.



68. The Zala Jinst breed has three types of appearance: Ikh Sakhlagt (long hair), Baga Sakhlagt (less hair) and Budantai (foggy).



Zala Jinst white goat- A type (long hair)



Zala Jinst white goat- B type (less hair)



Zalaa Jinst white goat- C type (foggy)

Goat grading

69. Between 10 and 25 May 2012, some 15,785 goats from 244 families of four bags in Shinejinst soum were graded according to the 'Instruction guide for grading cashmere goats' approved on 12 May 2011 by MoFALI order A/76. These goats included female goats suitable for cashmere, all Shinejinst male goats for breeding, and A- and B-type female goats used for breeding; 13.1% were of A-type (Urt Sakhlagt), 31.1% of B-type (Baga Sakhlagt) and 55.8% of C-type (Budantai).

Cashmere quality

70. 600 samples were collected from the back part of 300 goats (of 20 herder families) according to the 'Methodology on preparing samples' of the Livestock Research Institute. The goats were earmarked and their chest dimension was measured. Samples were collected and tested for their components, length, oil content and moisture of the fibre at Altai Cashmere LLC according to the methodology of the Mongolian Livestock Institute.

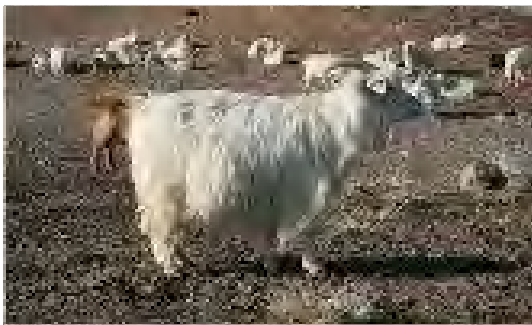


Rate	Zalaa Jinst white goat		
	Urt Sakhlagt (A)	Baga Sakhlagt (Б)	Budantai (C)
Diameter, microns	14.49 – 15.9	15.6 – 16.5	16.7 – 17.5
Length, mm	38.68 - 38,7	38.7-39,2	40.2 - 42.4

(source: Altai Cashmere LLC)

71. The quality and appearance of the cashmere of the A and B types met the standards for the white goat breed whereas Budantai fell short of them.

Outcomes

- Methodology for the preparation of cashmere by quality

Breed	Definition of cashmere quality
	Cashmere content more than 80 %, average length of fibre more than 38.68 mm, diameter between 14.49 and 15.9 microns.
	Cashmere content more than 80 %, average length of fibre more than 38.74 mm, diameter between 15.6 and 16.5 microns.
	Cashmere content more than 80 %, average length of fibre between 40.2 and 42.4 mm, diameter between 16.7 and 17.5 microns.

- Raw material quality-based sales

72. Altai Cashmere LLC implemented the following quality payment procedure with 169 cooperative members:

- Purchase of 12.55 tons of cashmere
- Payment of MNT 54,000/kg (3,500 – 4,000 above market price)
- MNT 1,870,650 bonus payment to 39 herders providing high quality cashmere.
- Quality improvement of the processed cashmere

73. Altai Cashmere LLC dehaired the cashmere and spun yarns out of it, based on its current techniques and quality control system. Performances have been improved.

Processed cashmere		
Quality characteristics	Before project	After project
Diameter, micron	16.8	15.8
Length, mm	37.8	38.68
Yield, %	50.3	51.5

Cashmere yarn		
Quality characteristics	Before project	After project
Yarn count 26/2	25.9	25.5
Standard deviation	2.4	1.12
Coefficient of variation		0.52
Twist	228	230
Strength	238	239

(source: Altai Cashmere LLC)

- Development of the Mongolian Noble Fibre standards

74. The activities developed towards the identification of the MNF brand led to the:

- Identification of the methodology for the preparation of raw material for Noble Fibre based on activities carried out in the project, in particular for cashmere.
- The identification of MNF cashmere quality criteria based on Mongolian National Standards for processed yarn as well as finished cashmere products.
- The differentiation of 'MNF cashmere' into two grades (Premium & Grade 1) according to geographical origin and technological characteristics.

MNF Premium (geographical origin) – five breeds: <ul style="list-style-type: none"> ▪ Zalaajinstiin tsagaan ▪ Bayandelger ulaan ▪ Zavkhan buural ▪ Erchimiin khar ▪ Altai ulnan 	MNF Grade 1 = Any breed but technological characteristics above quality threshold
Not MNF = Other breeds and technological characteristics below threshold	

- The adoption of MNF camel hair quality criteria similar to Mongolian National Standards for camel hair.
- The identification of MNF yak hair quality criteria prior to their endorsement by authorised bodies (MTI, MoIA technical committees and the Mongolian Agency for Standardisation and Metrology in this order).

75. The fibre quality standards (MNF and yak wool) are presented in Annex 3.

Promoting improved management and quality at processors' level

Training

76. The following training interventions were implemented:

Date	Classroom (number of participants)	On the job	Topic
ALTAI CASHMERE			
17.02.2012	16		Communication
3.03.2102	16		Communication
24.03.2102	16		Business strategy
31.03.2012	16		Line management effectiveness
12.05.2012	16		Quality management, 5S, Kaizen
20.05.2012	16		Information system for monitoring quality
27.05.2012	16		Customer relations
Sub total	112	-	-
ERDENET			
28.02-2.03.2012		x	Rehabilitation of scarf warp knit machine
27-29.05.2012		x	Finishing technology for woven products
12-14.09.2012		x	Training for line quality control
22-24.10.2012		x	Dyeing technology
21-25.01.2013	43		Implementing quality and productivity strategies - 'Plan do check action'
1,2,3,4.04.2013	34		'Quality is free' 'What is quality control' 'Blending technology'
22,23,24.04.2013	107		'Total quality management' 'Productivity in the workplace'
Sub total	184	-	-
NATURAL ALFA			
14.09.2012		x	Garment finishing routines
14.12.2012		x	Use of new chemicals for finishing
25.01.2013		x	Product development on warp knit scarves
Sub total	-	-	-
BAYLIG ULZI			
03.08.2012		x	Finishing routines for knitted garments
22.08.2012		x	Product development on warp knit scarves
18.09.2012		x	Design work for Hong Kong exhibition
24.09.2012		x	Garment finishing Hong Kong
08.04.2013		x	Finishing routines
Sub total	-	-	-

Date	Classroom (number of participants)	On the job	Topic
SUNSHIRO			
16.03.2012	14		'Improve quality', 'Weaving technology', 5S
14.11.2012		x	Improved finishing of woven products
15-18.03.2012		x	Hank dyeing technology
15.04.2013		x	Quality monitoring
Sub total	14	-	-
MONGOLNOOS			
1-10.02.2012	14		Sorting standards Wool scouring technology Capacity building
16-19.03.2012		x	Training of sorters and scouring operators
23.03. 27.04.13.06 2012 21.02 29.03.2013		x	Supervision and instruction on factory rehabilitation
07.12.2013		x	Cashmere sorting standards
Sub total	14	-	-
MWCA members			
29.05.2013	36		Marketing seminar (dos and don'ts, export readiness requirements and pricing strategy, how to start export business, how to conduct market research, design and fashion, Max Mara visit and outcomes)
TOTAL	360	-	-

European market study

77. The European market study is presented in Annex 4.

Eleven European markets researched

78. The purpose of the market study was to pinpoint opportunities for Mongolian apparel exporters to access 11 target markets in two groups.

- **Group 1** consisted of Germany (81.3 million inhabitants), Austria (8.2 million), Switzerland (7.7 million) and the Scandinavian countries, Denmark (5.5 million), Sweden (9.1 million), Norway (4.7 million) and Finland (5.3 million), combining approximately 122 million consumers (a population similar in size to that of Japan) with an above-average amount of purchasing power per capita. The population of these selected countries, although different in many aspects and attitudes, represents interesting target markets for Mongolian fibre companies due to cooler climates and similar attitudes towards nature and ecological aspects.

- **Group 2** consisted of Italy (60.9 million), France (65.6 million), the UK (63.2 million) and the Netherlands (16.8 million), with 206.5 million inhabitants in total. These countries have significant fashion industries and famous brands such as Hermès and Louis Vuiton in France, and Loro Piana and Gucci in Italy. These large fashion houses are trendsetters and dominate the high-end markets. Developing business with some of them would mean a breakthrough for the internationalisation of the Mongolian fibre companies and for entering the international high-end markets.

79. The study obtained first-hand information about the market segments relevant to cashmere apparel, revealing developments, trends and requirements important to Mongolian SMEs seeking entry to the target region. The report includes key data on consumption, imports, retail structure and price developments in the target markets.
80. The implementation methodology included selected interviews with key market players, as well as research on each country and the study of restricted circulation reports from several organisations.
81. European countries have mature apparel markets with aging populations. Growth in apparel consumption has been stagnant for a long time and the oversupply from middle market international fashion companies is creating a downward pressure on clothing retail prices. Nevertheless, the upper sectors of the market are less affected by these factors and contain growth niches for differentiated products with a clear image connected to sustainable, eco-friendly fashion. The post-2008 recession has bypassed the demand for luxury goods, which is strong in most of these markets.
82. Traditional retail structures are being changed or replaced by new ways of shopping. Most particularly, the growth of internet retailing is significant and allows distributors to serve customers globally with a minimum of infrastructure.

Over 200 companies identified

83. Original label owners, designers, producers and distributors make up the cashmere value chain in Europe. The study revealed the details of over 200 companies, many of them potential customers for Mongolian apparel cashmere exports. All of them are key players in the target markets, with global connections to suppliers and textile processors.
84. Five different market segments have been defined by the study, revealing niches where market entry is feasible.

Major trends in European retail business

85. Luxury fashion is the only fast growing sector in the European apparel business, mainly fuelled by wealthy foreign visitors.
86. The disintegration of the apparel manufacturing chain is driving costs down and accelerating fashion cycles.
87. Many European retail formats have reached market maturity and are becoming less attractive to consumers. This is forcing change in the form of attempting to attract new customers and target groups by offering new concepts.

Product differentiation is important

88. Knitted or woven cashmere products are desirable luxury items in the eyes of most European consumers and they have been made available to a much wider segment of consumers. There is no profit in battling against Chinese mass production. Mongolian finished products should offer a different and clear image.
89. Quality issues at different stages of the Mongolian production chain have to be addressed in order to reach a quality/price ratio attractive enough to command a price premium over other Asian producers. Another important issue is reliable logistics, which have become extremely important in today's global markets.
90. The findings of the study constitute a basis on which to build further knowledge of the markets focused on, for specific strategies for Mongolian exporters.

'Quality fibre production' brochure

91. Based on the experience gained through the practical support to target companies, a didactic brochure has been produced. It describes how quality and performance improvements can be carried out in the fibre industry.
92. This brochure is presented in Annex 5.

Original and collaborative branding

Building business relations between Mongolian producers and foreign buyers

93. Intense matchmaking activities have been developed through:
 - The mobilisation of the professional networks of the project experts (80 foreign cashmere companies contacted).
 - Attendance at two international cashmere exhibitions (Beijing 2011, Hong Kong 2012).
 - Eight business trips to target countries (USA, Italy, Denmark, Turkey, UK).
 - The organisation of two business trips to Mongolia of major brand representatives (N'Peal and Pure 2012, Max Mara 2013).
94. The main concrete outcomes of these contacts are the following:

Company	Activity	Constraints	Outcomes	Remarks
Altai Cashmere	Matchmaking with Cashmereness and Kruger from Canada		Increased export revenues by \$25,000	Unfortunately the initiative by Kruger to diversify from their mainstream product into cashmere was unsuccessful. Cashmereness went into administration.

Bodio	Matchmaking with Silk & Cashmere in Turkey, Ecorticotag in Russia and Hush in the UK. Product development and design by project personnel.		Increased export revenues by \$50,000	This is just the beginning of what will hopefully be a long-term, sustainable relationship with all the new contacts.
Erdenet cashmere	Matchmaking with Geco/Karstadt (Germany). Technical assistance on weaving and quality control.	Initial quality problems in weaving and quality control.	Increased export revenues by \$44,000	This was a pilot order for Karstadt (one of Germany's major department stores). Meeting in Germany between Geco and Karstadt product development department to discuss next steps.

(sources: Mongolian enterprises and foreign buyers)

Developing interest in MNF and relevant specific business relations between Mongolian producers and foreign buyers

95. During MNF development and until the completion of the project, the MNF concept has been promoted in matchmaking activities. The concrete outcomes of MNF adoption by foreign buyers in partnership with Mongolian producers are the following:

Company	Activity	Constraints	Outcomes	Remarks
Ezio Foradori	Introduction of MNF certification and labelling for order with Chauncey.	Labels may not be available in time for the shipment of goods.	Supplier and buyer excited to use MNF brand collateral.	Chauncey is a premier designer brand selling in prime locations.
Bodio	Matchmaking with Madame Seguin in Belgium, Hush in the UK, and Silk & Cashmere in Turkey.	Everything is currently in the development stages of prototyping and sampling.	All brands have expressed an interest in using MNF brand collateral.	This will take its normal course in assessing the quality of the products from the supplier.
Nans	Matchmaking with Madame Seguin and Max Mara.		Samples being made for Madame Seguin which has expressed a firm interest in MNF.	Max Mara is currently assessing its position and strategy related to Mongolia and MNF.
Saran	Matchmaking with Madame Seguin (Belgium).		Samples being made for Madame Seguin which has expressed a firm interest in MNF.	

Company	Activity	Constraints	Outcomes	Remarks
Altai	Matchmaking with Pure & N'Peal.	First attempt at matchmaking failed due to Altai's pricing policy.	N'Peal showing interest in 'Noble Fibre' as a story for promotion purposes.	N'Peal is a premium luxury brand and could absorb the higher prices that would result from providing a premium product made from 'Noble Fibre'.
Gurvan Sor	Introduction of MNF certification and brand collateral to their 'Edelzeige' brand in Germany.		Edelzeige has expressed a firm interest in using MNF which it feels will offer quality assurance to its customers.	
Goyo	Matchmaking with Dishang Cherry (UK).	Possibility of resistance from Dishang Cherry HQ in China regarding 'Made in Mongolia'.		Working on the concept of Noble Fibre being unique and exclusive to Mongolia.

(sources: Mongolian enterprises and foreign buyers)

96. Of these potential deals, Ezio Foradori-Chauncey relations are the most developed in the form of a 1000-garment contract. This contract has been supported through the:
- organisation of a successful cashmere sample test in an MCCI-accredited laboratory to secure a quality complying with MNF standards.
 - production of 1000 MNF hand tags.
 - submission by the AMBDP to the MoIA (MNF certification mark owner) of procedures for MNF use.
97. At the end of the project:
- The first (staged) shipments to Chauncey had been made.
 - The MoIA's official approval is expected on MNF use and the relevant procedures.

Quality certification

98. In response to the request from international buyers for CCMI-accredited laboratory testing, the participation of MTI in a CCMI roundtable testing assessment was organised. Gaps identified for MTI accreditation (in particular foreign fibre identification) led to the identification of a training programme/budget with Ke'Ken laboratory (Japan). This programme should be implemented in a further project phase to obtain MTI accreditation.

Developing communication

99. The needs identified in terms of developing the communication and visibility of the Mongolian Wool and Cashmere Association (MWCA) and its members, led to the mobilisation of resources to build an MWCA website (www.mongoltextile.mn).
100. This outsourced activity led to the production of the website and the identification of staff and procedures for its maintenance, use and regular updating.
101. At the end of the project, this site is operational.



Name: Mongolian Wool and Cashmere Association

Technology: HTML5, CSS3, jQuery, Symfony 1.4, MySQL

URL: <http://www.mongoltextile.mn/>

6.2.7 Major achievements

102. The major achievements in relation to the ToR are presented in Annex 6.

6.2.8 Lessons learned

Project environment

At policy level

103. The implementation of government measures aimed at facilitating the development of the sector showed that:
 - No industry-wide needs assessment had been prepared as a pre-condition for issuing loans from the original government bond.
 - The first issuance of the government bond led to most companies replacing hand flats with automatic knitting machines resulting in over capacity relative to demand. Most automatic knitting machines are now grossly underutilised. In addition, investment in human resource development has been poor.

The design of the project

104. Pre-project sectoral assessment: The state of the cashmere sub-sector prior to the project's commencement had not been satisfactorily assessed, leading to a large number of unanticipated impediments during the course of the project. Hopefully with

the improved understanding of the sector gained through Phase 1 of the project, the subsequent Phase 2 will target the areas which require the most attention.

105. Mismatch of the original project design and the ToR with the requirements of the industry: The project was designed on the assumption that collaborative branding could be implemented when the inception period showed that:
 - the weaknesses of the sector (see above) significantly reduced the brandability of fibre products and that there were several company management issues to be tackled prior to branding;
 - collaborative branding could not be envisaged when western brands are not willing to share their position on international markets and have no incentive to do so.
106. Location of the experts: To mitigate the lack of communication among stakeholders and increase the impact of the team, the option of locating the project experts close to a leading stakeholder could have been envisaged (ex: the Wool and Cashmere Association, etc.).

Status of the sector

At raw material production level

107. Collaboration with herders to improve raw material quality has shown that:
 - It is difficult for herders to fully implement an improved production system independently; there is a need for support to develop such practices.
 - The raw material pricing system must be reviewed towards quality promotion.

At processing and management level

108. A general poor interest in developing export markets has been identified in company surveys. This reflects a cultural problem of a landlocked country with poor exposure to foreign markets leading to concentration on the domestic market.
109. This is translated into poor management and processing practices complying with domestic market practices.

Communication

110. Communication is a key issue both among stakeholders of the value chain and inside cashmere producing companies. This leads to behaviours hampering the improvement of practices (ex: employee empowerment is denied due to feelings of insecurity by middle managers who tend to hoard information in order to give themselves the ultimate power).

6.2.9 Action plan

Conceptual principles

111. The design of an action plan is based on the following principles and priorities:

Develop communication

112. The industry faces important needs to develop export markets:
- Awareness on export practices (quality and brand standards including MNF, prices, communication with foreign customers, negotiation, market studies, etc.).
 - Exposure to foreign markets and customers (fairs, study tours, matchmaking, etc.) including through Mongolian in-country events.

Improve competitiveness

113. Out of a broad range of actions, Mongolian producers have to tackle the following in priority to gain export market shares through a revision of the present practices in the industry:
- Fulfilment of health and safety standards.
 - Quality improvement.
 - Cost control/benchmarking and pricing.

Develop in-country resources

- The quality of raw material must be improved. This can be done exclusively through the training of herders.
- Mongolia is fully dependent on foreign MCCI-accredited laboratories until the MTI can reach such standard.

Action plan and resources

Action plan

114. A four-year action plan to develop the export trade of exotic fibre products is described in Annex 7.
115. The human resources for the implementation of the action plan are estimated as follows:
- International (exotic fibre) expertise: 31 man x months
 - Local (exotic fibre) expertise: 58 man x months

Training plan

116. In relation to this action plan, a relevant training plan is estimated as follows:

Target	Topic	Activities	Outcome	Budget (USD)
Herders (cooperatives)	MNF Premium and Grade 1 standards	Project expert trains all personnel on the identification of fibre types and the procedures for segregating qualities in raw form.	Raw material qualities sorted according to colour, gender and age.	50,000
Herders (individual)	MNF Premium and Grade 1 standards	Project expert trains all personnel on the identification of fibre types and the procedures for segregating qualities in raw form.	Raw material qualities sorted according to gender and age.	
Sorters (factories)	MNF Premium and Grade 1 standards	Project expert trains factory sorters on the quality requirements for MNF Premium and MNF Grade 1 standards.	Raw material qualities sorted according to MNF Premium or Grade 1 standards.	
Agricultural University	MNF Premium and Grade 1 standards	Project expert trains all personnel on the identification of fibre types and the procedures for segregating qualities in raw form.	Raw material qualities sorted according to gender and age.	
Spinning factories	Bleaching and dyeing of natural fibres	Project expert trains factory personnel on the use of appropriate dyes, chemicals and agents and technical procedures for the correct application of the above.	Improved quality of fibre bleaching, and colour, wet, dry and light fastness of dyed fibre.	
Sector-wide	Health and safety standards	Project expert trains factory personnel on safe handling of dyes, chemicals and agents used in processing.	Safe handling of hazardous and non hazardous chemicals.	
Yarn spinners - blending, carding and spinning factories	Producing even yarns consistently and economically	External expert and project experts train factory personnel on the art of producing good quality yarns and optimising process yields.	High-quality, even yarns at competitive prices.	80,000 (6 months)

Target	Topic	Activities	Outcome	Budget (USD)
Knitting, linking and finishing factories	Reduction of defects and machine maintenance	External expert and project experts train operators on improved process technology and preventive maintenance.	Improved efficiencies, reduced defect rate, higher productivity, lower costs.	25,000 (6 months)
Weaving & finishing factories	Overall increase in weaving efficiencies and improved product quality	External expert and project experts train operators on improved process technology and preventive maintenance.	Increased efficiencies, improved quality, higher productivity, lower costs.	75,000 (6 months)
Quality control seminar	Methodology	Project experts and external experts teach best practice, procedures and methodology.	Overall improvement in quality to meet international standards.	1,000
Sector-wide	Standardisation of yarn evenness, tensile strength, elongation and elasticity	Project experts recommend yarn standards for adoption, approval and implementation.	Yarns produced to agreed industry standards.	1,000
Study tour for knitting and weaving designers	Insight into international colour and design trends	Travel to the main export markets to gain experience of the international markets.	Designs and colours that are dedicated to the target markets.	25,000
Sector-wide	Market study	Market study by industry expert in the United States and Japan.	Valuable information on market requirements.	20,000
Sector-wide	Market study	Market study by industry expert in the emerging markets.	Valuable information on market requirements.	20,000
Sector-wide	Cost accounting	External and domestic accountants provide training on cost analysis and calculation.	Effective costing leading to competitive pricing.	10,000
TOTAL				307,000

6.3 Leather sector

6.3.1 Sector profile

117. Initially, the project was intended to include both tanneries (leather producers) and leather goods manufacturers when the trade imbalance within the sector was an issue raised at government level. The tanneries are exporting large quantities of partly processed leathers, whereas the leather goods manufacturers are importing very expensive finished leathers. There seemed to be a huge gap between the unit price of the partly-processed (wet blue) exported leather achieved by the tanneries and that of the imported leather by the leather goods manufacturers. It was hoped that this could be resolved by the tanneries producing leathers to meet the demands of the leather goods manufacturers.
118. It became apparent, during the early stages of the project, that this would prove an impossible task during the life-span of the project for the following reasons.
 - Generally the tanneries lacked the technology and machinery to produce such leathers in bulk.
 - The chemicals required were not readily available.
 - Leathers for leather goods are usually bovine (cow and yak) whereas 80 % of the skins available are non-bovine, i.e. sheep and goat.
 - The total leather output of the tanneries is approximately 100 times greater than the total demand of the leather goods manufacturers, even if the output leathers were suitable.
119. It was concluded that a bigger impact could be made by the project, both in terms of increased unit price and volume, by focusing on developing the export market potential for tanneries, while working within the constraints of their existing technologies and processing capabilities. The requirements in terms of development for the leather goods sector were very different to those of the tanning sector.
120. Nevertheless, work was carried out with two local shoe manufacturers, which are not technically classed as leather goods manufacturers. Leathers were developed which proved of interest to the shoe factories and the business to business (B2B) contact showed positive results. The capabilities of the tanneries, that were originally designed to produce shoe and clothing leather - as opposed to leather for leather goods, have a much closer match to the requirements of the shoe makers.
121. It is envisaged that the tanneries will increase their finished leather production for the local market as a result of this initiative of the project.

Raw material procurement and market

122. The herders (primary producers) sell their skins to traders for MNT 1,000-1,500 (USD 1-1.25). The traders then sell them to the tanners for MNT 5,000-6,000 (USD 3.6-4.25). There are seasonal price variations, and skins which still have cashmere attached are traded at MNT 20,000 (USD 14.50). The main slaughtering period is from July until December. There is no quality payment scheme.

123. The raw material consists mainly of sheep skins (4 million per annum), goat skins (4 million per annum) cow and yak (0.5 million). Horse skins have been exported in the raw state up until now, but this will have an export ban imposed in the near future.
124. Parasitism has a major incidence on skins quality and controversial observations have been made on the spectrum of parasites involved, leading to needs in research. The re-emergence of very damaging parasites is a consequence of:
- The privatisation of veterinary services (no regular and controllable treatment when high cost medicines are not affordable for herders);
 - Changes in nomadic practices: herders do not follow the same migratory patterns as before, and remain in the same location for longer. This helps the parasites to re-infect the animals;
 - The effect of foreign buyers: the indiscriminate purchase of raw skins by Chinese buyers means there has been no pressure on the herders to improve the skin quality. The parasitic infestation of sheep and goat has been allowed to increase without complaint or pressure from the tanners to address this problem.

Animal	Number of skins (million)	% of parasitic infestation	Nominal value (USD/skin)	Reduced value (USD/skin)	Loss (million USD)
Goat	4	50	6	3	6.00
Sheep	4	80	10	4	19.20
Bovine (Yak & Cow)	0.5	10	20	15	0.25
TOTAL					25.45

Sources: Veterinary services, tanneries, AMBDP

Processors - the tanneries

125. There are approximately 34 tanneries operating in Mongolia, of which 14 are large scale producers with a capacity of up to five containers per month. The remaining 15 are cottage industry type producers with a considerably lower output.

Location	Large		Medium & Small	
	Capacity (skins/month)	Number	Capacity (skins/month)	Number
Ulan Baatar	50,000 / unit	14	20,000 / unit	15
Darkhan		2	-	-
Total	800,000	16	300,000	15

126. The larger tanneries were constructed during the Soviet period to produce leather for the centralised economy. These tanneries were very well built with a good engineering design but have not benefitted from the transition to a market economy. Having suffered a lack of maintenance and technological innovation, they have been unable to keep up with the advances in the world-wide leather industry. This has resulted in them being disconnected from the Global Manufacturing Supply in which the rest of the world's tanneries are involved.

127. This has left them unable to compete in their indigenous raw material market, which has been effectively controlled by foreign buyers.
128. Currently 70 % of the raw skins available in Mongolia are bought by foreign buyers, which have the skins contract processed by Mongolian tanneries, since the Government banned the export of raw skins.

Markets (domestic and international)

129. The industry is currently only capable of producing leather to the wet blue (chrome-tanned) stage. There is a small amount of finished leather produced representing 10-15% of total production, of which about 20% is exported. The exported finished leather is mainly goat, being used to manufacture clothing (mainly jackets) and gloves.
130. Until now, 70 % of the skins being exported have been contract processed for foreign buyers to the wet blue state. This means that the value-added is kept to a minimum while all the pollution, of which 85 % is caused by processing the raw skin to the wet blue stage, remains in Mongolia.
131. Discussions have been held with the MoIA on how to tackle this problem, as the raw skin export ban has failed to have the desired effect. The project has recommended an export licensing system to ensure that all wet blue exports are to 'bona fide' customers, and not contract tanned wet blue for foreign buyers.
132. The main market for finished leather is the domestic market, and the main export market product remains predominantly wet blue.

Competition in other places

133. The remoteness of Mongolia means that its leather is a relatively unknown commodity in the international market. It is therefore difficult to identify direct competition. The participation at the Asia Pacific Leather Fair in Hong Kong, and subsequently at Lineapelle, in Bologna in Italy (2013), showed that the prices requested by the participating tanners were in-line with expectations of international buyers, subject to assessment of the quality and selection.
134. **Chrome-free leathers (wet white):** there is a large international demand for wet-white (chrome leathers) which the Mongolian leather industry must look to supplying. This article is not readily available in the market place, and it is a 'clean technology' which is consistent with sustainable branding that has been developed by the project to promote Mongolian sourced leathers.

Profile of major stakeholders

Ministries – Ministry of Finance and Ministry of Industry and Agriculture

135. Both are involved in the management of the industry with recent initiatives described in the 'policy' section.

Professional institutions

136. Leather Association: In January 2013 the Leather Association merged with the Leather Goods Association to form one united body (Mongolian Association of Leather Industry) covering the whole processing industry (members: 30 tanneries and 200 leather goods producers).
137. The project liaised with the association on several occasions, with a special emphasis on the preparation for and participation at the Asia Pacific Leather Fair in Hong Kong. The chairman of the association was very pleased with the effort made by the project to successfully launch the Mongolian leather industry onto the world stage.

Educational institutions

138. The University of Science and Technology under the Ministry of Education offers various curricula, such as marketing & computer science, management, and leather processing.

Research institutions

139. Armono: This institute was historically set up to carry out research and testing on leathers produced for the Soviet market, with an emphasis on shoe-leather testing. Its status diminished greatly as the leather sector ceased the production of finished leather when it lost its market. Most of the testing equipment is no longer relevant for the tests required by the leather industry now. It is embarking on a large investment programme to upgrade its testing facilities with AMBDP guidance. The project has been working with this organisation to help it develop a significant role in the future development of the leather industry, including matchmaking with Northampton University, to act as technological mentor.
140. It is understood that the Government wishes Armono to perform a variety of critical tasks for the industry, ranging from administering the allocation of loans to tanneries from the Chinggis Bond, to monitoring the tanneries' effluent quality.

Environmental stakeholders

141. Ulaan Baatar. Khargia waste water treatment plant: It was established about 20 years ago to process waste water from the various factories within the industrial park which are mainly, but not exclusively, tanneries. It was managed by the municipality and the tanneries. It is understood that it has not managed to perform as originally intended, resulting in on-going capacity problems. It was recently changed to be run jointly by the Government and the municipality. The unit was upgraded in 2010/11 at a cost of USD 1.6 million, however, its operation remains unsatisfactory. It is currently closed in what appears to be a stand-still position between the plant and the tanneries, each feeling that the other is responsible for resolving the problem (the unit by increasing its capacity and its purchase of the chemicals consumed in the treatment process, and the tanneries by reducing the toxic nature of their effluent discharge).
142. Darkhan waster water treatment plant: The situation is not seen as critical. The tannery pre-treatment plants operate, pollution appears to be treated to a satisfactory level, and the discharge from the tanneries is understood to fall within the prescribed parameters.

Tanneries involved in the project

ARDP value chain development loan recipients

- Mongol Shevro: Processes goat, yak and cow wet blue. Produced a range of finished leather for APLF Hong Kong (2013). Matchmaking participant.
- Darkhan Nekhii: Processes goat, sheep and cow wet blue and finished leather. Main production is Nekhii for in-house garment manufacturing.

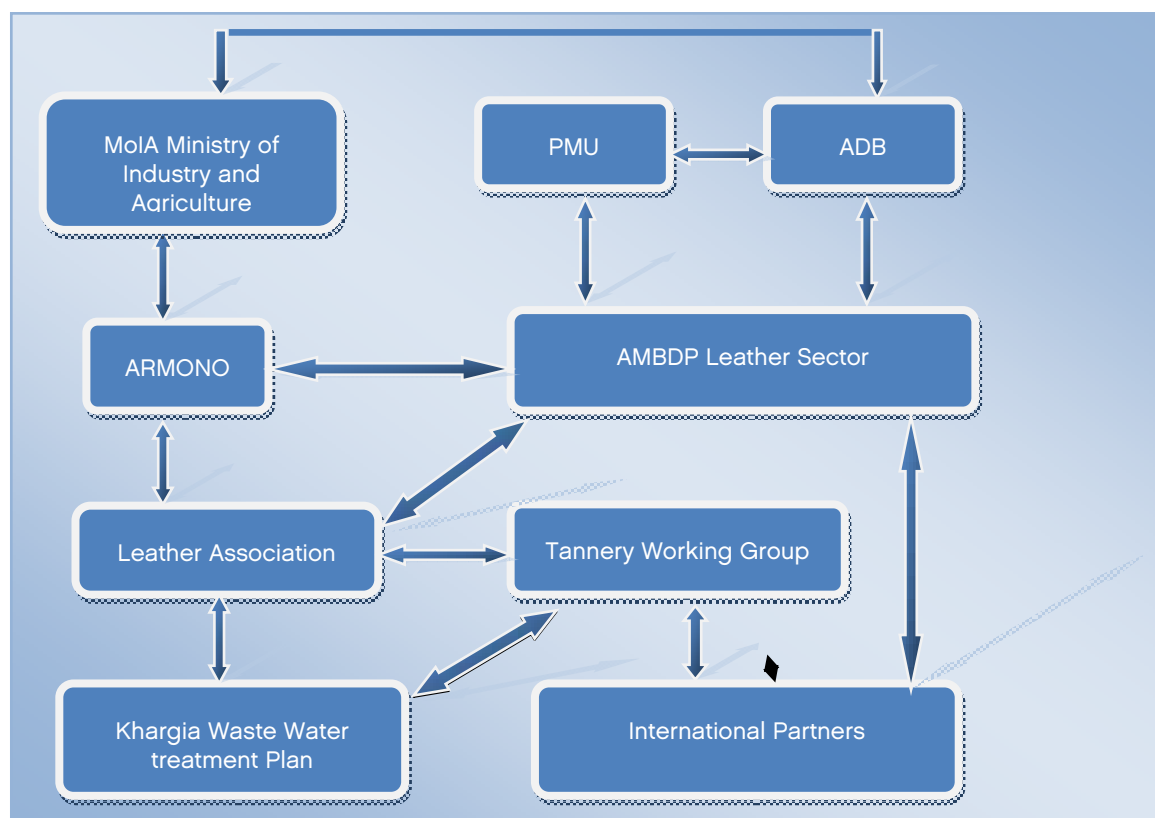
Other tanneries involved

- Mon Ireedui: Processes sheep, goat and yak to wet blue and finished leather. Produced a sample range for APLF Hong Kong (2013).
- Belon: Processes sheep, goat and cow to wet blue.
- IKH Ergelt LLC: Processes goat and sheep wet blue.
- Buligaar Co. Ld: Processes goat, sheep, cow and yak wet blue.
- Altain-Khargia LLC: Processes goat, sheep and cow wet blue.

Company	Location	Profile	Wet blue production	Finished leather	AMBDP technical assistance	Labour force
Mongol Shevro	U.B.	Raw-finished leather producer	50K per month	20K per month	<ul style="list-style-type: none"> ▪ Capacity building ▪ On-the-job training ▪ Matchmaking ▪ Branding 	250
Darkhan Nekhii	Darkhan	Raw-finished leather/ double face	50K per month	20K per month	<ul style="list-style-type: none"> ▪ On-the-job training ▪ Matchmaking 	400
Mon Ireedui	U.B.	Raw to finished leather producer	50K per month	15K per month	<ul style="list-style-type: none"> ▪ Capacity building ▪ On-the-job training ▪ Matchmaking ▪ Branding 	100
Belon	U.B.	Raw-wet blue producer	50K per month	n/a	<ul style="list-style-type: none"> ▪ Matchmaking (Hong Kong) 	20
IKT Ergelt	U.B.	Raw to wet-blue producer	50K per month	n/a	<ul style="list-style-type: none"> ▪ Matchmaking (Hong Kong) 	20-30
Buligaar Co Ld	U.B.	Raw to wet blue producer	50K per month	n/a	<ul style="list-style-type: none"> ▪ Matchmaking (Hong Kong) 	50-60
Altain-Khargia	U.B.	Raw-wet blue	25K per month	n/a	<ul style="list-style-type: none"> ▪ Technical advice for future processing 	20

Sources: enterprises and AMBDP

Stakeholders Map



Major policies

143. The Government is addressing several major issues facing the industry and the project provided relevant recommendations to the Deputy Minister for the Ministry of Industry and Agriculture. The main aspects are the following:

- Raw material: The two main issues facing raw material supply are the influence of foreign buyers and the damage to the skins caused by parasites.
 - Raw skin export ban: To stop raw skins leaving the country without added value, the Government introduced a ban on the export of unprocessed skins. The current situation is that skins must be at the wet blue stage prior to export. To get round this ban, foreign buyers have been having the skins which they still purchase in the raw state contract tanned to the wet blue stage. The foreign buyers supply the chemical and the technology.

To address this problem the Government is contemplating setting up a government controlled hide and skin exchange. The possibility of a wet blue ban has also been suggested.

The project has suggested that the Government control the export of wet blue through a licensing system, ensuring that wet blue is only exported to 'bona fide' customers. This would mean that the Government would not need to set up a hide and skin exchange.
 - Parasites: The Government is only now assessing the problem regarding parasitic damage to the animals and subsequently to the skins. The Government therefore has not as yet implemented an improvement programme.

- Environmental issues: The effluent discharges from tanneries are a problem for the primary water treatment plant. The Government is trying to devise legislation to tackle this problem. The long-term solution to this problem is to relocate the tanneries to a remote purpose-built site. While the tanneries remain in their current location, a certain amount of investment will be required to enable them to improve their processing, and address the issue of cleaner technologies. Part of the Chinggis Bond will be made available for this. It is understood that Armono will be responsible for administering this loan.
- Public financial support to the industry: The Government has floated a 'Chinggis Bond'. MNT 140 billion are to be allocated to the producers for soft loan credit (purchase of raw material and equipment, working capital) and MNT 60 billion for herders' incentives⁵ (MNT 15,000/horse & cattle hide, MNT 3,000 per goat & sheep skin). The Loans Committee has already been established, and is composed of nine persons representing five different line ministries.
- It is expected that in 2014, these subsidies will result in 100 % of bovine skins, 98.5 % of sheep skins and 87.2 % of goat skins being processed in Mongolia, and that 15,000 jobs should be created in the industry.
- Relocation. There is a strong political imperative to relocate the tanneries out of Ulaan Baatar. This long term solution would take a minimum of five years to complete. Relocation projects cause major upheaval and are very difficult to implement.

Weaknesses and constraints

Sub sector/activity	Weaknesses	Constraints
Production	<ul style="list-style-type: none"> ▪ Lack of training for herding community on breeding and skins management. ▪ Significant parasitic damage to skins (80 % of sheep and 50 % of goat). Est. losses worth USD 25 million. 	<ul style="list-style-type: none"> ▪ No price incentive system targeting sorting and quality improvement of raw skin take-off and preservation by herders. ▪ Privatised veterinary services resulting in poor parasitic control.
Processing	<ul style="list-style-type: none"> ▪ Shortage of young, skilled technicians and operators. Ageing workforce unaware of changing demands in the finished leather market. ▪ Tanneries falling into a state of disrepair due to a lack of commercial activity. 	<ul style="list-style-type: none"> ▪ No methodology for quality control. ▪ Waste water treatment overload and unreliable performance.

⁵ Funding expected from the MoIA budget (not the Chingis or GoM bond), but unfortunately it could not be allocated to the 2013 fiscal year budget and herders cannot get subsidies.

Sub sector/activity	Weaknesses	Constraints
	<ul style="list-style-type: none"> Health and safety issues neglected precluding the possibility for tanneries to become recognised suppliers to major brands.  <ul style="list-style-type: none"> Vulnerability in key areas of processing such as fleshing, where machinery needs replacing. REACH EU Directives not systematically applied (proscribed chemicals). 	
Management & Marketing	<ul style="list-style-type: none"> Low management skills base. Factories not efficient leading to higher operational costs. All tanneries require major investment to bring them up to a standard where they can participate in the Global Manufacturing Supply Chain. Outdated understanding of finished leather requirements in the world market. Lack of export marketing expertise and international market intelligence. Little effort made to develop export markets alternative to the current wet blue tanning for the Chinese. World market has not been properly approached. Lack of access to the finished article market. Foreign buyers can out-bid Mongolian tanners for raw material as they realise the full value-added of the skin through their access to the finished goods market world-wide. Distance between ownership and frontline management in terms of issues facing both production and market trends. 	<ul style="list-style-type: none"> Landlocked country, high transport costs and logistic problems (ex: current air-freight costs are prohibitive at ten times the rate enjoyed in most industrialised countries. It is only possible to export material in containers by rail to China). USSR collapse without alternative markets leading to raw skin exports. Tanneries falling into a state of disrepair due to a lack of commercial activity. Chinese buyers remain in control of the raw skin market by paying local tanners to process the skins they buy on their behalf (contract tanning).

Strength and opportunities

Sub sector/activity	Strengths	Opportunities
Production	<ul style="list-style-type: none"> ▪ Mongolian animal husbandry tradition and volume secure organically raised and sustainably sourced raw material production. 	<ul style="list-style-type: none"> ▪ Organic/sustainable production.
Processing	<ul style="list-style-type: none"> ▪ Original Soviet plant and machinery installation well engineered and has carried the industry through the prolonged period of no investment. 	<ul style="list-style-type: none"> ▪ Improved processing though investment in new machinery from the Chinggis Bond.
Management & Marketing	<ul style="list-style-type: none"> ▪ Transfer of tannery from state to private ownership, entrepreneurially driven management style. ▪ Strong sense of national identity 	<ul style="list-style-type: none"> ▪ 'Most favoured nation' trade status. ▪ Government support to the tanneries (Chinggis Bond). ▪ World prices meeting offer of Mongolian enterprises.
Whole sector	<ul style="list-style-type: none"> ▪ Nomadic herding tradition major fundament for branding (very strong USP (unique selling point) for international consumers) 	<ul style="list-style-type: none"> ▪ Political stability. ▪ Anticipated GDP growth supported by the mining sector. ▪ Government support to the agro sector and industry. ▪ Strong world demand: very large world market potentially interested in buying Mongolian leather (potential highest renewable source of foreign revenue, estimated at USD 200 million/year - 10 million skins at USD 20 per piece).

Major project activities**Initial activities**

144. At the outset of the project it was felt that the introduction of vegetable tanned leathers would address a number of issues arising from the project design:
- Processing vegetable tanned leathers as opposed to chrome-tanned, would produce an eco-friendly chrome-free leather.
 - Such leather would be suitable for the domestic leather goods market, and thus reduce the large amount of imported leather that the Mongolian leather goods industry requires. The tanning part of the sector is exporting partly processed leather at a relatively low price while the finished goods part is importing leather at a relatively high price.
145. Unfortunately, the processing of vegetable tanned leather proved unviable when the experience showed that some requirements could not be met:
- Logistical/availability problem in sourcing the chemicals.

- Lack of the correct machinery.
- This type of processing can only be used on cattle hides, which represent 10% of the total raw material available in Mongolia.

146. Given these constraints, the project revised its strategy to target the larger world market rather than focus on the limited domestic market.

Promoting improvement in management and quality at processor's level

147. The assessment made in the five target tanneries identified the following constraints to supply major brands:

Health and safety

148. Using UNIDO guidelines on safe-working within tanneries, a series of workshops has been implemented within the cluster group of tanneries. The industry has quite a lot of work to improve in this area up to an internationally acceptable level.

Improved the sorting of final products

149. The tanneries' ability to grade wet blue was not up to the standard expected on the export market. Until now, it has not been necessary for tanneries to perform accurate grading of the material leaving the factory. The importance of this operation has been reviewed with the factories and relevant on-site training has been provided, both in terms of:

- The production of higher value products, necessitating an accurate raw material input;
- Immediately meeting export customers' expectations with regard to the grading of their orders.



Product development

150. Different leathers were produced to assess and demonstrate the suitability of Mongolian skins, and some final products were produced, in particular semi-vegetable tanned goat leathers (with Mon Ireedui for outwear to Agri, Zaya's Fashion and Smart LLC operating on the domestic market). These leathers established the market potential for Mongolia hides and skins.

- Natural Suede Crust (Mongol Shevro). On-site training was given on the correct machine operations required.

- Black suede goat men's boot



- Burnishable grain goat traditional style men's brogues



- Yak leather utility boot.



- Cashmere-soft goat clothing leather.



151. The following on-the-job training sessions have been implemented:

Date	On-the-job (number of participants)	Topic
Mongol Shevro		
17.09.2012	5	Occupational health & safety awareness.
18- 19.10.2012	5	Crust suede production. Wet blue selection criteria. Processing techniques and formulation rationale.
19- 20.11.2012	5	Crust buffing - correct use of equipment for producing export quality suede.
27- 30.11.2012	5	Black suede production from natural suede. Dyeing process rationale. Processing techniques.
Sub total	20	-
Mon-Iredui		
20.09.2012	3	Occupational health & safety awareness.
Sub total	3	-
Darkhan Nekhii		
26.09.2012	5	Occupational health and safety awareness.
27.09.2012	3	Quality control of wet blue skin selection.
9-11.10.2012	3	Aniline shoe leather processing techniques.
Sub total	11	-
TOTAL	34	-

Developing market links

152. Intense matchmaking activities have been developed through:

- The mobilisation of the project experts' professional networks (25 companies contacted).
- Attendance at three international cashmere exhibitions (APLF Hong Kong 2012 and 2013, and Lineapelle/Bologna 2013) twinned with intense support to Mongol Shevro and Mon Ireedui to develop a range of finished leathers to exhibit and to operate with the necessary professionalism.



153. The main concrete outcomes of these contacts are the following:

- The total sum of enquiries for wet blue alone is 50 containers per month, which is 90 % of the total number of skins available in Mongolia, with an estimated value of USD 4.85 million.
- The market offers prices compliant with those offered by Mongolian tanners.

Mongolian Supplier	Foreign customer	Exhibition contact made	Commodity of interest	Potential demand	Current status of inquiry
Mongol Shevro	Renka International, Taiwan	Hong Kong	Cow wet blue and crust	10 containers per month	Awaiting price quote and offer
General	Tata International, India		Wet blue cow, sheep, goat	5 containers per month	Awaiting price quote and offers
Mongol Shevro	Edward Wong and Company, Hong Kong		Wet blue cow and yak	5 containers per month	Awaiting price quote and offers
General	BB International		Goat wet blue or crust for suede	2-3 containers per month	Awaiting price quotes and offers
Mongol Shevro	Parpia International, Singapore		Wet blue goat and sheep	5 containers per month	Bulk sample ordered
Mon Ireedui	Pittard Group, UK		Wet blue goat and cow	2-3 containers per month	Bulk samples ordered
Darkhan Nekhii	Hafeez Shafi		Double face sheep (Nekhii)	Not specified	Awaiting visit to Darkhan by leather team
General	Nepal Tanning Industries		Wet blue yak	Not specified	Awaiting quotes on price and availability
General	Winfull Hong Kong Ltd		Wet blue goat and cow	Not specified	Awaiting price quotes and availability
Mongol Shevro	Mahmood Brothers, Pakistan		Crust leathers	Not specified	Awaiting offers of crust material
Mongol Shevro	F&D International		Yak leather for shoes	Not specified	Awaiting quote and sample
General	Arshad Brothers, Pakistan		Wet blue goat and sheep	Not specified	Awaiting quotes on price and availability
Mongol Shevro	Johnlin Brother Co., Taiwan		Goat leather for shoes	Not specified	Awaiting samples and prices

Mongolian Supplier	Foreign customer	Exhibition contact made	Commodity of interest	Potential demand	Current status of inquiry
General	Asia Apparels		Goat wet blue	1-2 containers per month	Awaiting prices and availability
Mon Ireedui	Nadeem Leather Exports		Goat and sheep wet blue for gloves	Not specified	Awaiting sample and prices
Mongol Shevro	Frescopelli	Lineapelle Bologna	Wet blue goat	1 container per month	Samples being assessed by client
Mon Ireedui	Sergio Ceccanti		Wet blue goat	2-3 containers per month	Samples being assessed by client
General	Dercosa		Wet blue cow splits	1 container per month	Awaiting price quotes and availability
General	Curtiba, Italy		Yak veg. tanned crust	0.5 container per month	Awaiting price quotes and availability
General	Motta Pelli, Italy		Wet blue goat for suede	0.5 container per month	Awaiting sample for trial
Mongol Shevro	LA.SAC.CO, France		Dyed crust goat for shoes	0.5 container per month	Awaiting sample and prices
General	Brandler, Italy		Large wet blue goat skins	2-3 containers per month	Awaiting prices and availability
Mongol Shevro	Ascot, Italy		Goat crust	1 container per month	Awaiting sample
General	Forward group, India		Goat wet blue	1-2 containers per month	Awaiting wet blue sample

154. In addition:

- The Clarks and Burberry brands picked up on the branding concept and requested presentations to be made to their teams back in the UK (to be done during phase 2).
- Pittards and Mon Ireedui held a meeting to explore the possibility of long-term cooperation in supplier partnership, including technological cooperation.
- Armono - Northampton University: An MoU has been drawn up between these two organisations, and their close cooperation is going to play a very significant role in the future of the Mongolian leather industry in terms of testing, training and technical expertise. It is imperative that Mongolian leather is quality assured and certified in compliance with international legislation regarding proscribed chemicals (REACH European Directive).

Quality

- Raw skins parasitic damage: An assessment of the present status shows that Mongolian sheep are infested with bot-fly, much to the disbelief of the veterinary service. The parasite is not normally found in small ruminants. Work is now being done to establish if the goat is infected with a caprine form of warble fly. An interim report has been submitted to the Vice-Minister at the MoIA on this subject.
- Armono: The project has been advising Armono to develop into a research/test organisation for the leather sector. Armono could fulfil a 'Brand Management Agency' role for the industry. It has been advised on the type of testing and the associated equipment required to establish an internationally accredited test laboratory.

Developing communication

155. To further support the matchmaking process of the industry, the project has developed the website of the Mongolian Association of Leather Industry, offering controlled access to each of the association members as well as access to all relevant project documentation.



Name: Leather Goods Association

Technology: HTML5, CSS3, jQuery, Symfony 1.4, MySQL

URL: <http://www.leather.mn>

156. This outsourced activity led to the production of the site and the identification of staff and procedures for its maintenance, use and regular updating.
157. At the end of the project, this site is operational.

6.3.2 Major achievements

158. The major achievements in relation to the ToR are presented in Annex 6.

6.3.3 Lessons learned

Project environment

159. World ignorance of Mongolia: World ignorance about Mongolia as a place, and more importantly as a sustainable source of raw material, was a surprising and encouraging lesson which the project learned through participating at the Asia Pacific Leather Fair in Hong Kong. It highlighted the unrealised potential for Mongolian leather on the world market.

The design of the project

160. Pre-project sectoral assessment: The state of the tanning sub-sector prior to the project's start had not been satisfactorily assessed, leading to a large number of unanticipated impediments during the course of the project. Hopefully with the improved understanding of the sector gained through Phase 1 of the project, the subsequent Phase 2 will target the areas which require the most attention.
161. Mismatch of the original project design and ToR with the requirements of the industry: The leather sector was not at a sufficiently developed stage to truly benefit from a project conceived to brand the sector. The leather sector comprised both leather goods manufacturing and tanning enterprises. This combination hampered the project from the outset, resulting in confusion and unrealistic expectations as to the project outcome. These sub-sectors should have been addressed and funded separately.
162. Location of the experts: To mitigate the lack of communication among stakeholders and increase the impact of the team, the option of locating the project experts close to a leading stakeholder could have been envisaged (ex: Armono, Leather Association, etc.).

Status of the sector

At raw material production level

163. Parasitic infestation of animals: This had not been identified as a problem at the project's outset. Any further work must tackle this problem as a priority.

At processing and management level

164. Post-Soviet transition: There has been virtually no activity in the leather (tanning) sector since the shift to a market economy and the staff remaining in the factories have not followed the trends of the industry. There is a real need for young, motivated staff to come into the industry and take the sector forward. The approach to leather-making is still grounded in the production of basic, functional shoe-leather for the Soviet market.

Communication between stakeholders

165. Lack of communication between stakeholders: This became very apparent when the water treatment plant in Ulan Baatar closed down, preventing the delivery of the samples requested at the APLF Hong Kong Fair, and no common agreement has been found as to how to resolve the problem. It is strongly recommended that stakeholders work closely so that the industry moves forward in unison.

6.3.4 Action plan

Conceptual principles

166. The design of an action plan is based on the following principles and priorities:

Develop communication

167. The industry faces important needs similar to the fibre sector to develop export markets:
- Awareness on export practices (quality and brand standards, communication with foreign customers, negotiation, market studies, etc.).
 - Exposure to foreign markets and customers (fairs, study tours, matchmaking, etc.) including through Mongolian in-country events.

Improve competitiveness

168. Mongolian tanneries have to tackle the following in priority to gain export market shares through a revision of the present practices in the industry:
- Fulfilment of health, safety and environmental standards.
 - Quality improvement.

Develop in-country resources and new products

- A parasite eradication programme must be implemented to improve the quality of skins to be processed.
- Wet white (chrome free) processing must be introduced and developed as well as crust and finished leathers production to offer products generating better added value.
- Clustering tanneries through relocation.

Action plan and resources

Action plan

169. A four-year action plan to develop export trade of leather is described in Annex 8.
170. The human resources for the implementation of the action plan are estimated as follows:
- International (leather) expertise: 27 man x months;

- Local (leather) expertise: 31 man x months.

Training plan

171. In relation to this action plan, a relevant training plan is estimated as follows:

Target	Topic	Activity	Outcome	Total Budget (USD (**))
Tanneries, Armono.	Clean technology introduction including wet white processing	Seminar/ workshops With international guest speakers. Supported by factory visits by int. expert	Tanneries improve effluent output, and move towards eco-friendly leathers.	25,000
Tanneries, Armono	Export/ branding/ preferred supplier partnerships.	Seminar/ workshops with international guest speakers.	Improved export penetration/ better understanding of customer requirements.	25,000
Tanneries	Crust and finished leather development	In-house training	Value-added products being manufactured in tanneries. Increased profitability.	50,000 (includes budget for short-term expert)
TOTAL				100,000

(*) Each activity/training course is implemented through a four-year cycle of yearly training developing the topic in a comprehensive manner.

6.4 Fibre and leather sectors assessment

172. The progress made during the project's implementation led to the identification of important needs through a better knowledge of these industries. A staged systematic company survey was implemented through:

- The collection and cross-checking of data from professional associations, customs and taxation offices, technical institutes and other projects, to list companies and collect fundamental information about them;
- Interviews with a selection of companies on the basis of a pre-tested questionnaire (data collection⁶);
- The analysis of company data;
- Electronic database development.

⁶ The discussion process in conjunction with the questionnaire is also helpful for the companies to understand themselves better.

6.4.1 Survey of the fibre sector (cashmere/yak/camel)

173. Regarding the listing stage concerning the fibre sector:

- It has not involved the hundreds or even thousands of small family-type businesses producing for local demand or acting as contract manufacturers (outsourcing) for the larger businesses which have the necessary connections to foreign buyers.
- Investigations carried out in Narantuul market (Mongolia's largest open-air marketplace) led to the identification of many unlisted companies, most of them unregistered businesses run by owners who want to grow and also enter into higher quality and higher price segments.
- There are assumptions that more enterprises exist, especially outside Ulaanbaatar (need for further update).

174. The initially considered list of 80 companies was thus corrected to 217 working on different processing stages and with a broad range of specialisations.

175. A company questionnaire (see Annex 9) was developed with a focus on production/quality and sales/marketing. It was intended to help the project identify, in an objective manner, the potential and the needs of the companies as regards their quality ambitions and export readiness.

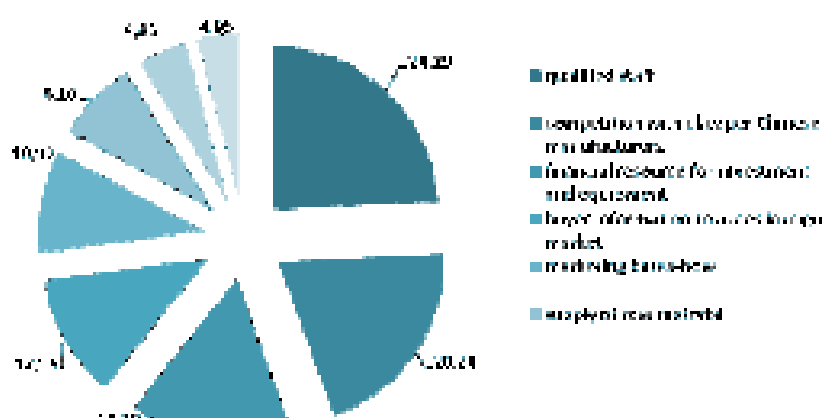
Results of the survey

176. The analysis of 24 interviews carried out led to the following conclusions⁷ among these medium-sized companies (20-40 staff):

- During the January-September 2012 period, the total turnover of interviewed companies increased by 25.1-45.1% compared to the previous year. This turnover increase is related to increased production capacity after installing automatic knitting equipment. The companies are able to produce more and sell these products on the local market (or carry out contract production for others) but it is not yet clear whether this higher production is also more profitable than the lower-capacity production.
- The total turnover of export-oriented companies increased by an annual 17.6% over this period compared to the previous year. As export business is more difficult, this figure does not necessarily reflect that the production quantity increased by the growth rate.
- Most of the companies stated their opinion that reliable delivery and company flexibility are the most important factor of success in export markets. This shows a good understanding of some basics for becoming or remaining an exporter. They also recognise the advantages of exports.

⁷ This exercise led to the identification of a small family-owned company 'Baylag ulzii' in Ulan Baatar. The company's product quality and the owner's ambition and commitment convinced the project team to support the company in its original brand development. The company was also encouraged by the project to participate in the Cashmere World Trade Fair in Hong Kong on a cost-sharing basis. With its yak products designed by the project, it was the most successful Mongolian exhibitor in Hong Kong.

- 75 % of the companies are selling branded products only on the domestic market. This shows again that Mongolian companies are not in a position to use their label on export markets but do mostly unbranded contract production under foreign labels.
- The majority of the interviewed knitwear companies think that they have the capacity to produce higher quality (stitch effect) garments but are lacking the necessary specialised workforce.
- Owners' expectations as to growth opportunities: The companies expect that the domestic market will grow in nominal value by 12.5% p.a. (which seems to be realistic since this figure more or less reflects the inflation rate) whereas they believe that the international market will grow by 25.0% p.a., which is unrealistic and reflects a lack of understanding and knowledge of international markets.
- Planning and vision of companies: Only two of the 24 medium-sized companies do not want to expand in the next five years. These owners are more interested in extending their business into building and other sectors. They realise that the textile business requires more funds (working capital, investments in equipment) but that the turnover is growing slowly and is highly seasonal. Other owners who envisage moderately growing their business over the next five years expect a turnover growth of a total of approximately 50.0%. Few companies are targeting heavy growth of 200% over the next five years.
- The strategic direction of most companies is towards both markets. They want to expand their businesses through new equipment, hiring specialists and training the existing staff. Three of the medium-sized companies mentioned that they would like to set up their own spinning factories.
- In terms of the most significant problems in achieving their growth objectives, two main issues are quoted: the lack of qualified staff and competition with cheaper Chinese manufacturers. Other problems include a lack of financial resources for investments in new equipment, of buyer information to access foreign markets, and of marketing know-how, and no guaranteed/stable supply of raw material⁸. The following diagram illustrates the main problems companies see as obstacles to achieving their objectives:



⁸ The companies also commented on the lack of technical assistance to improve spinning techniques, the need to enhance domestic spinning capacity and the need to overcome inconsistent yarn quality (for small sized knitwear companies).

- **Equipment:** The average age of equipment depends on when the company was founded. The average age of knitting equipment was 5.58 years, and the average age of spinning equipment was 33.5 years. Both automatic and flat knitting machines are widely used in production. Most automatic knitting machines are from Stoll and Shimaseiki. The lack of skilled operators for automatic machines is seen by the owners as one of the most crucial issues.
- **Quality** companies understand that an essential requirement for export production is quality in the wider sense, such as reliability, stable characteristics, raw material (pure natural fibre and the right content as indicated on the label), design and technical abilities, among others.
- **Segmentation:** Company segments or companies sharing common characteristic can be defined according to criteria such as attitude, production volume/capacity, product quality, brand concept, and by market channel.

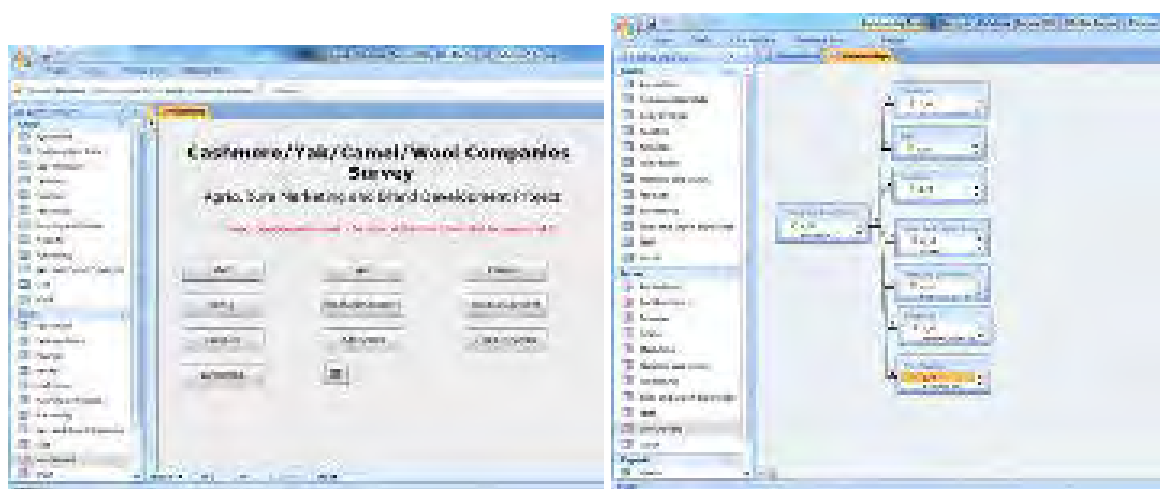
177. A first attempt to segment the interviewed companies is depicted in the following table:

Market level (price, quality)	Product characteristics	Production volume	Examples of companies	Market channels
Top quality Western markets	-----	-----	-----	-----
Medium Western market	<ul style="list-style-type: none"> ▪ Fashionable collections ▪ High quality materials 	<ul style="list-style-type: none"> ▪ Mainly order based ▪ 5000-10,000 pieces ▪ more than 30,000 pieces 	<ul style="list-style-type: none"> ▪ Nans Cashmere (working for Oyuna, UK) ▪ PCY ▪ Sunshiro (high upward potential) 	<ul style="list-style-type: none"> ▪ 100 % export ▪ Designer stores
Low-end Western market	<ul style="list-style-type: none"> ▪ Good quality raw material ▪ Outdoor style 	<ul style="list-style-type: none"> ▪ Own direct sales ▪ 5000-10,000 pieces 	<ul style="list-style-type: none"> ▪ Bodio's (high upward potential) 	<ul style="list-style-type: none"> ▪ Manufacturer's shop ▪ Export
Normal domestic market	<ul style="list-style-type: none"> ▪ Mass production ▪ Lower quality 	<ul style="list-style-type: none"> ▪ More than 30,000 pieces 	<ul style="list-style-type: none"> ▪ Goyol Cashmere ▪ Lux Cashmere 	<ul style="list-style-type: none"> ▪ Domestic market variety shops ▪ Countryside area
Low-end domestic market	<ul style="list-style-type: none"> ▪ Poor design ▪ Chinese yarn (often blended, wrongly labelled) 	<ul style="list-style-type: none"> ▪ 3000-10,000 pieces 	<ul style="list-style-type: none"> ▪ Common name or no brand name. e.g. ▪ Suvd Cashmere ▪ Nomad fashion 	<ul style="list-style-type: none"> ▪ Street market

- **Marketing:** Several questions aimed to gain an understanding of the companies' marketing capabilities, which would appear to be limited and largely insufficient for export markets. In all family businesses the owner is in charge of marketing. Most of the owners have some experience in marketing but their educational background is from different fields such as engineering, changer, etc. Most companies have a general idea about the final customers. The survey showed that 75 % of total production is made for female customers over 32 years of age.
- **Design:** The quality of design depends on the company's experience, and the approach to design is more fashion-oriented (57.1 %) than conservative (28.6 %). They have some notions as to the income groups of the final customers, which range from high (50 %) to medium.
- **Interest in branding:** All of the companies possess their own brand names that are officially registered in the Mongolian Intellectual Property Organisation (IPO).
- The survey revealed how much interest the companies have in developing a new international brand. Five of the most common statements are:
 - Fully agree that there is a need for a new international brand for high quality products from Mongolia.
 - Fully agree that only certified products should get the new premium quality level.
 - A license fee should be paid by any company for using this brand (e.g. 0.02 cents per label).
 - Entering a foreign market under own brand is too expensive.
 - Certification should be carried out by an independent institute.
- **Company strengths and weaknesses:** The companies need to understand their own particular strengths and weaknesses to determine their strategies, including export strategies. The survey showed that this is not always the case. The owner of one domestic production company expressed his opinion that they produce high design products while the practice proved to be quite different.

Electronic database development

178. The project has developed an IT tool to store and update information to develop the service portfolio of the future Brand Management Organization, but also for stakeholders to define sector development policies. The design, structure and user interface was developed using MS Access.
179. This database was integrated into the MWCA website (www.mongoltextile.mn) during its construction by the project.



6.4.2 Survey of the leather and leather goods sector

180. The latest leather sector analysis was conducted by GTZ/GIZ in 2006. During the implementation of this latter project (1999-2007), the number of tanneries (approx. 30) remained stable but leather goods manufacturers increased from 20 to 100. The present interim data collected by the project indicate 30 tanneries⁹ and 114 leather goods manufacturers.

Concise marketing needs analysis

181. Based on a short questionnaire, a concise marketing needs analysis was conducted on a sample of 14 leather goods companies. The results pointed to a lack of experience in export marketing as their most important need. For the preparation of the business forum of the Leather Goods Association, a brief survey on marketing skills and support needs was undertaken among a representative group of 10 leather goods companies including leather shoes, garments and gloves producers. This survey was mainly comprised of questions concerning the company's export market potential (how companies perceive export markets and whether they are ready for them) and their performance on the domestic market (whether the companies are successful enough on the domestic market).

Results of the survey

182. Some of the companies envisage growth of approximately 50% within a five-year period from now. However, the following issues are seen as the main barriers to achieving this target.
- Work space (all of the companies are running their businesses in rented buildings with insufficient space).

⁹ The tanneries' capacity requires in-depth investigation. Some tanneries work constantly yet their total capacity is lower than others that work only part of the year. Only five enterprises, namely Darkhan Nekhii Co. Ltd, Buligaar Co. Ltd, Darkhan Minj Co. Ltd, Mongol Shevro Co. Ltd, and MLTG Co. Ltd are sustainably running their business from integrated tanneries and leather goods factories in Mongolia. Local tanneries work in full capacity for seven months of the year whilst Chinese tanneries run wet blue production at full capacity between October and February (raw material preparation period).

- Lack of investment and financial problems (companies are interested in receiving long-term, low-interest loans)
 - Renovation of the equipment
 - Lack of skilled and trained employees
 - Lack of distribution channels
183. To remove these barriers, companies are looking for assistance and support from the Government, and specifically financial support. They believe that once they can invest in their businesses, they will easily be able to overcome other problems.
184. Although all of the companies' marketing staff have taken some training courses, many possess few skills and little knowledge on how to present and showcase products to customers, as well as on finding the right customers and promoting products on the domestic market.
185. While 70 % of the companies declare that they have sufficient capacity and potential to export their products, the same proportion of companies state that they want to have training and seminars on export marketing as well as on product development.

6.5 Support to the seabuckthorn and food and beverages associations

186. The needs identified in developing the communication and visibility of the fibre and leather professional associations are similar to those of the other agricultural value chains involved in the project.
187. Seabuckthorn and food and beverages were not involved in the brand development activities of the project as described in the present report, but action was initiated by the project through the mobilisation of resources to build their websites.
188. This outsourced activity led to the production of their websites and the identification of staff and procedures for their maintenance, use and regular updating.
189. At the end of the project, these sites are operational.



Name: Seabuckthorn Association

Technology: HTML5, CSS3, jQuery, Symfony 1.4, MySQL

URL: <http://chatsargana.mn/>



Name: Food Association

Technology: HTML5, CSS3, jQuery, Symfony 1.4, MySQL

URL: <http://www.mfia.mn/>

6.6 Brand development

6.6.1 Conceptual fundamentals

190. To develop its activities, the project referred to the following terminology and concepts:

- The American Marketing Association (AMA) defines a brand as a 'Name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers.'

Branding is therefore the process of applying and maintaining a brand to goods or services offered by an enterprise.

- **‘Co-branding’**, also called **‘partnership branding’**, is when two enterprises, each having their own brands, come together and agree to market a product using both brands to create marketing synergy – the power of the two brands together is greater than the two working independently.
- Throughout the ToR the terms **‘original brand’** and **‘original branding’** are used. Standard definitions of these terms are difficult to find in marketing literature. What is recognised, however, are the terms ‘origin brand and brand origin’, for example ‘.....the term country of origin has been defined as either brand origin or product origin (country of manufacture); brand origin referring to the home country of the brand, and product origin referring to where the product was actually made’. It is understood that where the AMBDP ToR refer to ‘original branding’, it means a brand that refers to the country of origin – ‘Made in Mongolia’.
- During AMBDP implementation, the term **‘national branding’** has been used. In some cases this has been used in the context of ‘nation branding’, the equivalent of brand origin, to identify the country of origin, whilst in other cases it has been used to identify the brand of an enterprise that trades only in the national market. For clarity, we propose to use the terms as follows:
- **‘National brand’** = **‘brand of origin’** (**‘original brand’** in the ToR) – a brand that refers to the country of origin i.e. Made in Mongolia.
- **‘Domestic brand’** = a brand that is used only in the Mongolian domestic market, not in export markets.
- **‘Generic brand’** = **‘generic branding’**, and refers to a brand that is applied to a sector, rather than to an individual enterprise and/or product – ‘Mongolian Cashmere’, ‘Organic Mongolian Beef’ and similar.
- **‘New brand’** = a brand that is newly developed, normally to either re-position an existing product or launch a new product (ex. an enterprise using the ‘Mongol Milk’ brand to sell milk reconstituted from powder may introduce a new ‘White Cow’ brand to support the launch of a new fresh pasteurised milk product).
- During the project’s implementation the **‘ingredient brand’** concept was developed, giving an identity to a content (ex: the fibre) used in **collaborative** or **in-branding**, where the origin of the material is featured and emphasised as an ingredient in a foreign branded product, to add value to the dominant brand keeping its full identity.

6.6.2 Relevant brand development initiatives

191. Some project-supported initiatives have been taken to brand the country’s livestock by-products. Under a USAID EPRC project, the Mongolia Fibermark Society (business association for the cashmere industry) developed two certification marks: the ‘Mongolian cashmere mark’, and the ‘Mongolian cashmere blend mark’. These certification marks were held for a time by private businesses but were reportedly never effectively used. Both marks are now the legal property of the MWCA.
192. In addition, the Mongolian Government, with the support of the European Union, has established geographical indications guaranteeing the origin of some products such as ‘Gobi desert camel wool’, ‘Mongolian steppe mutton’ and ‘Mongolian steppe horse meat’. These certification marks and geographical indications are not used any more due to:

- Strong competitive relations instead of collaboration between partner companies;
- Initiatives not based on studies of consumer needs or market studies.

6.6.3 Profile of major stakeholders

193. The Chamber of Commerce and Industry also promotes branding through the annual 'best brand of the year' award. In addition, it hosts the National Marketing & Coordination Office (MNMCO) whose tasks are to:
- Manage and coordinate a national programme uniting the efforts of many donors in order to achieve successful, sustainable and profitable international sales of branded goods, agricultural produce and services which promote a common image of Mongolia as a reliable, modern and sophisticated producer.
 - Add value and effectiveness to existing and future donor projects relevant to our purpose, by facilitating interaction between them and by including them in a programme with defined marketing goals and actual selling objectives.
 - Assist sectors with potential market opportunities to establish joint marketing boards to collectively take advantage of these opportunities and establish credible industry brands.
194. The MNCCO issued a National Marketing Strategy and Sectoral Marketing Strategies in early 2011.

6.6.4 Major project activities

Capacity building

195. The following training events (or contributions to events) were organised to develop knowledge of the branding concept and to validate the MNF concept.

Date	Seminar (Number of participants)	Topic
01-10.02.2012	13	Training Mogol Noos LLC staff – Presentation on branding and brand products market (part of training)
16.03.2012	14	Training Sunshiro LLC staff – Presentation on branding and brand products market (part of training)
30.03.2012	76	Cashmere MNF discussion forum with the MWCA
27.04.2012	44	'Basics of branding' seminar for the leather sector (tanneries and leather goods manufacturers)
25.08.2012	17	Training Altai Holding staff on branding
25.10.2012	12	Training Bayalag Ulzil (Bodio's) staff on product quality and branding
TOTAL	176	-

Brand development

Strategy

196. The approach to support companies to develop collaborative and original brands consisted in:
- developing a visual and verbal identify system for Mongolian exporters;
 - developing a regulatory framework around the brand;
 - coaching selected companies to implement this system;
 - developing a multiplier effect by supporting the setting up of a branding agency that will support additional companies to engage in branding;
 - developing information on branding.
197. In practice, the approach has been differentiated between products, depending on their brandability.

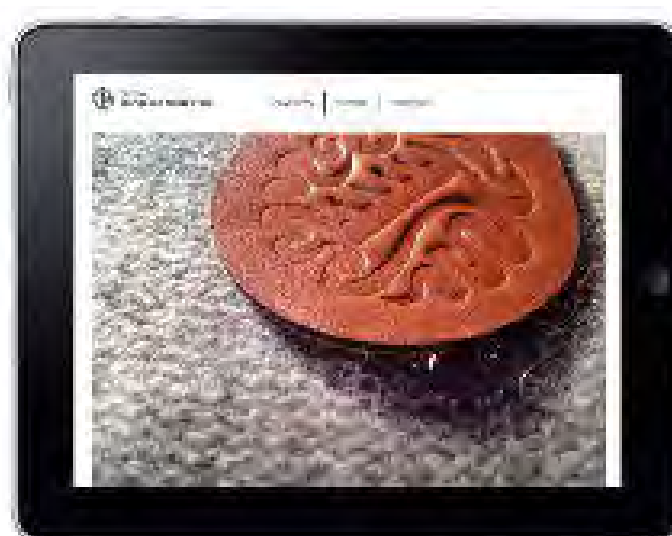
Cashmere sector

Developing the MNF trademark and its adoption by professionals

198. Preliminary investigations to assess the latest trends have been carried out through attendance at two international exhibitions (Cashmere Fair, Beijing, October 2011; Pitti Uomo Men's Fashion Trade Show, Florence, January 2012).
- Building the Mongolian Nobel Fibre (MNF) concept and developing a verbal and visual identity system
 - a) It was initially suggested that 'Mongolia' itself should be regarded as a co-brand, as confirmed by first meetings with potential partner brands having name recognition, integrity and tradition. These brands showed resistance towards co- or dual-branding. Nevertheless they expressed their willingness to feature aspects of the provenance of 'Made in Mongolia' in labelling or in their promotional material, and to build relevant partnerships with companies involved in the project. The project thus slightly altered the initial concept, shifting from a co-branding paradigm (where a Mongolian company would share billing with a foreign company on a branded product) to in-branding (where the Mongolian origin of the material would be featured and emphasised as an ingredient in a foreign-branded product).
 - b) The project envisaged that such partnership should bring more benefits to Mongolian companies than traditional business partnerships. The products' 'Mongolian-ness' and an associated verbal and visual identity system were expected to add value to the product and to help obtain a premium for Mongolian producers through the penetration of the high end of foreign markets.
 - c) Collaborative branding can only be used in terms of ingredient branding, which brands the content (the underlying fibre), and led to the 'Mongolian Noble Fiber' (MNF) concept that can be used by anyone for garments made anywhere, and nevertheless promotes Mongolia the whole time. This approach enables both Mongolian companies and established western brands to use the same label in addition to their own brands.

- d) To develop brands of origin and co-branding, an MWCA plan to have a 'logo competition' for a 100% Pure Cashmere brand led to the identification a graphic designer who was involved in the first visual identity exploration in Mongolian history. An MNF discussion forum (March 2012) was organised with MoFALI and MWCA members to discuss product quality and control, labelling and general images, and finally approved the 'Khaan' logo design.
- e) Once MNF's potential for success had been perceived by the MWCA and the various ministries, an intense discussion began regarding its ownership. During these discussions, the team took the view that, with the project's flagship Mongolian Noble Fibre initiative stalled, the project should wait for some of the internecine issues to be resolved before carrying on further work.
- f) The 'Khaan' Mongolian script roundel design (improved by a foreign designer) was twinned with investigations among several partners expressing their interest in various forms of MNF collateral (brochure, tiny care label, hang tag, etc.). These forms were developed by the design firm, leading to the following production:





At the **Cashmere World Expo in Hong Kong** (October 2012), the project showed the newest design work, as well as fabric samples, to a number of foreign buyers. The response was favourable and the MNF booth and flyers drew a lot of attention.



- Developing a regulatory framework around MNF

Once the MNF concept had been approved, legal inputs were developed to secure the effective use of this certification mark through sustainable mechanisms endorsed by Mongolian authorities.

Identification and endorsement of MNF standards

199. Referring to the experience gained with specific breeds and to existing Mongolian cashmere quality standards, MNF standards have been identified (see Annex 3) and certified.

Ownership identification

200. MNF registration in the form of a certification mark requires a legal entity to own the mark and a testing laboratory. In accordance with discussions held between the Ministry of Finance and the Ministry of Industry and Agriculture (MoIA), the decision was taken that the MoIA would be in charge of issuing the certification mark and become its preliminary owner until the BMA (later referred to as BMA/BMO) was established. This status was maintained until project completion.

Registration of MNF as a certification mark by the Mongolian Intellectual Property Organisation (IPO)

201. The first attempt at registering MNF as a trademark led to the conclusion that, in accordance with Article 5.1.2 of the Mongolian Law on Trademarks and Geographical Indications, the following items should not be considered as a trademark: 'generic names of the goods and services, words and image indicating the quantity, size, weight, quality, purpose, price, place of origin, method of manufacturing and time.'
202. A shift was therefore made to MNF registration in the form of a certification mark¹⁰, and a relevant application was submitted in December 2012. MNF was successfully registered (no. 10816) in April 2013, despite the standard 8-12 month procedures (see Annex 10).

Registration of MNF as a certification mark by the World Intellectual Property Organization (WIPO)

203. Based on the MNF registration, an application was submitted to the WIPO in June 2013 for Switzerland, China, the European Union, Great Britain, Japan, the Russian Federation, Turkey and the United States. It is expected that the procedure should take approximately one year, but MNF is already protected from the moment of the application's submission.

Developing mechanisms for MNF use

204. Prior to the use of MNF by domestic and foreign applicants (see matchmaking), procedures for MNF use stating the rights and obligations of the applicants as well as of the branding management organisation (to be identified), were worked out with the MoIA as the owner of MNF.
205. At project completion, the MoIA is carrying out consultations with line ministries prior to issuing an MNF-use order complying with Mongolian legislation.

¹⁰ Certification marks differ from [collective trade marks](#). The main difference is that collective trade marks may be used by particular members of the organisation which owns them, while certification marks are the only evidence of the existence of follow-up agreements between manufacturers and nationally accredited testing and certification organisations.

Facilitating MNF use by local and international business partners

At production level

206. Presentations on geographical indications have been given to herders during trips to western provinces (Shine Jinst soum of Bayanhongor aimag). Within the framework of AMBDP's cooperation with Altai Cashmere Company to integrate the cashmere value chain into a cluster building process linking herders and processor, it is compulsory that herders understand the importance of raw material quality, its legal protection as well as the potential profitable outcomes they can benefit from.

At enterprise level

207. In addition to the identification of business partners willing to develop the MNF concept, corresponding deals have been supported by the project through the:
- Close follow-up and facilitation of relations between business partners and among local stakeholders (MoIA, etc.).
 - Organisation of MCCI-accredited lab tests of samples linked to MNF-related deals.
 - Production of hand tags to be displayed at retail stands abroad.
208. At the end of the project, MNF is becoming a fully developed marketing concept building very much on the unique Mongolian cashmere colours and also stressing the exclusiveness of yak (Bodio's platinum yak).

Existing brand redevelopment

Bodio's of Mongolia

209. At the beginning of August 2012, Bodio's confirmed its interest in working with the team's branding and fibre experts, allowing them to get very hands-on in reshaping both the company's identity and product lines.
210. The first changes were cosmetic but fundamental. The evolution of business cards illustrates some changes.



211. Initially Bodio's identity resembled that of most other Mongolian cashmere companies. It was upgraded to something more in line with Western expectations. The design style was improved, the 'animal cartoons' were removed, and – significantly – the company was renamed 'Bodio's of Mongolia' to mime the way clothing companies and outfitters are named in Western markets (e.g. 'Pringle of Scotland').

212. Another key innovation was getting Bodio's to focus their self-promotion on a single factor: their production of Mongolian platinum yak. Instead of saying in essence 'we do everything', Bodio's now states that their expertise is in this rare yak (but they still do everything).
213. After the basic new identity template was set, Bodio's catalogue was totally redesigned. Bodio's became the first Mongolian company to feature western models in its catalogue, and to present Mongolian origin as a significant part of the brand's back-story involving Jack Weatherford (pictured below), author of 'Genghis Khan and the Making of the Modern World', as a model.



214. Further work was done with Bodio's in suggesting to the company to make a new suite of products with styles appropriate for the western markets and to produce modern hand tags.



Nans Cashmere

215. Nans is the only Mongolian cashmere company that succeeded in attracting a foreign private equity investor (Schulze Global Investments). Nans specialises in exquisite blends (the photo below shows an 80% cashmere 20% linen blend) and high-design garments. The team began working with them in December 2012 on revisions to their

identity system (effectively, ways of integrating more of the Mongolian origin story into the product labels and hang tags).



Altai Cashmere brand portfolio strategy for review

216. Altai Cashmere invited the project to assist the company with re-formulating its brand portfolio. It now has to manage four brands without having much experience in conducting a multi-brand strategy. In addition to its traditional brand 'Altai Cashmere', the company introduced the 'Metro', 'Ethno' and 'Noble Limited' brands to serve different consumer segments distinguished by brand image, design, quality and price level. The four brands need to be structured for maximum long-range brand value.
217. A series of meetings between the project and the company took place from August to December 2012. Altai's awareness was raised on the principles of brand portfolio management to help them ensure that they manage their brands as a true brand family rather than as a random, disconnected assortment of names and makes.



218. This includes the labelling structure displayed in the following picture.



Leather sector

219. The branding approach adopted for the leather sector had to take into account the following aspects:
- The only currently saleable article in any significant quantity is wet blue which is a fairly generic commodity that can hardly be linked to a specific identity. Clear differentiation could be more easily envisaged with a more elaborated product,
 - The production facilities within the tanneries do not yet lend themselves to any kind of promotional angle.
 - The demand on the international leather market is important, generating poor incentive for a product differentiation to gain market shares.
220. It was felt that the situation with the tanneries and the level of sophistication of their current processing lacked the brandability necessary to promote them as such in the world market. It was decided to focus on the provenance of the raw material and its unique back-story to develop interest in the Mongolian leather sector. Notions of both 'nation' and 'ingredient branding' were merged into a common strategy, with a view to persuading the designers of the major brands to incorporate the uniqueness of Mongolian sourced leather into their products at the design stage, and possibly design products using the back-story as inspiration.
221. The strategy adopted has then been to capitalise on the herding tradition, its fragility and the ethical sourcing associated with using sustainable Mongolian raw material. A relevant presentation was given at the APLF Hong Kong Fair (April 2013), in the 'Leather Naturally Forum'. The concept was very much appreciated by the designers

attending the show and the small range of finished displayed articles was very well received.

222. Instead of an ingredient brand development used for the fibre sector, leather branding has been developed around an image linked to a sustainable and environmentally friendly resource¹¹.

223. The branding-related activities of the project thus focused on:

- Brandability development: improvement of the quality of the products to reach international standards and the demand of the international market (technology);
- Image creation: to raise awareness on the origin and correlative pluses of Mongolian leather.

Initiatives towards building a Brand Management Agency/Organisation

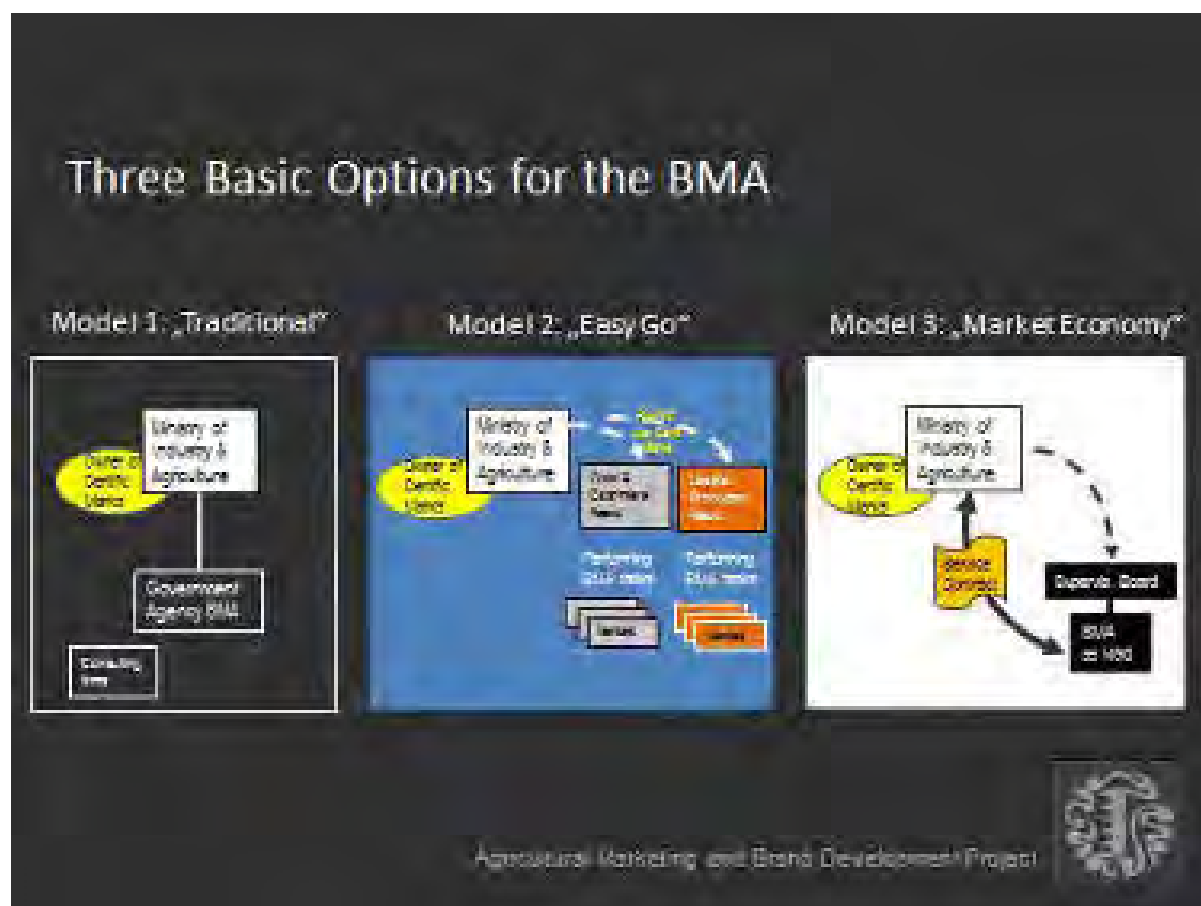
224. The initial denomination of Brand Management *Agency* (BMA) has been replaced by that of Brand Management *Organization* (BMO), given the administrative/public connotations of the term 'Agency' and the need for an independent legal status for this structure, eliminating the option of its public status.

BMO concept and business plan

225. A BMO/BMA business plan was developed (January 2013) (see Annex 11), and discussed during a project advisory committee session (end February 2013) and then with project stakeholders (MoF, MoIA, professional associations, target enterprises, etc.). Three options considered for the status of the BMO/BMA were presented and evaluated in terms of the long-term cost-benefit aspects, bearing in mind the fundamental requirements it must meet:

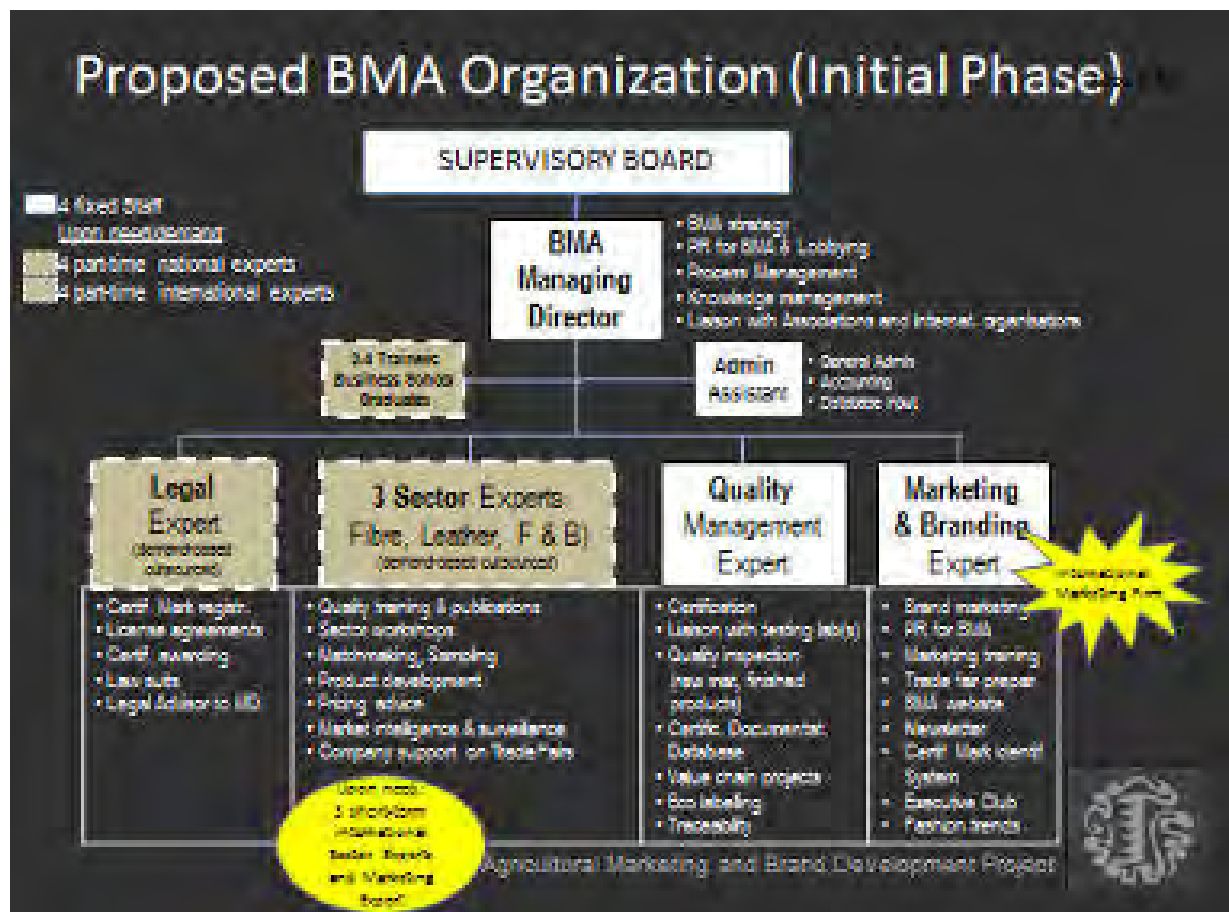
- Autonomous/independent
- Neutral
- Private-sector driven
- Non-profit, non-commercial
- Serving whole sectors and not only 'members'
- Ease of international integration
- Secured funding (eligibility for public funding)
- Ease of establishing organisation

¹¹ To link the cashmere and leather components, an MNF leather fob with the 'Khaan' logo (inspired by Mongolian history) has been designed (to be made with cashmere goat leather).



Basic Concept

226. Further to analysis of the various options (cooperative, NGO, public-private partnership, state agency or limited liability company), it was proposed that the BMO/BMA exist as a non-profit organisation operating for various agricultural sectors processing and using Mongolian quality agricultural raw material, namely leather and exotic fibres. The scope of work could be expanded to other sectors such as food and beverages. The establishment of the BMO/BMA is not intended to constitute any kind of competition to existing private sector institutions. It should serve the sectors in their entirety and its focus is purely technical.
227. The organisation will initially be small and consist of only four permanent staff. It should draw on a pool of experienced experts according to the demand for BMO/BMA services.



Main features of the business plan

228. The BMO/BMA will not be financially self-sustainable in the foreseeable future and will always require government funding to a large extent. It is to be established as a non-profit organisation serving whole sectors, and not just members. It will not be in position to generate sufficient income from its services to be financially self-sustainable. Companies will only pay for BMO/BMA services once their value has been proven to them. It will mainly perform public services, which in many countries (e.g. Canada) are co-financed by the government. It will therefore require almost 100% funding from the Government during its first two years. Its funding needs will be in the range of USD 450- 500,000 per annum (depending on the need to involve foreign experts). In any case, competition between the BMO/BMA and other institutions charging a price for similar services needs to be avoided.
229. From the outset, the BMO/BMA will try to request co-financing from client companies for specific services not offered by other institutions. Starting from year 3, the percentage of government contribution should be gradually reduced.

Risks and preventive measures

230. The main operational risk is that the BMO/BMA repeat the same mistakes that led to the failure of the Fibremark Society. The business plan has been designed such that this can be avoided. However, stakeholder support for the implementation of this plan will be crucial to avoid the certification mark concept becoming diluted, and the decline of the BMO/BMA like its predecessor. Taking into consideration the expected strong Mongolian GDP growth (six-fold in the next decade) and its impact on

disposable income, many companies will simply continue to supply the domestic market and avoid the arduous path to the international market. In the long run, however, this could lead to a deterioration of the industry despite any financial injunctions.

- Strategic

The Mongolian companies in the project sectors have shown a general lack of interest in investing the time and resources to grow, develop their quality, and go international. Complacency is very evident. The project experienced that many companies in both the fibre and leather sectors are quite satisfied with their present situation and not very ambitious in terms of developing export business. The BMO/BMA could run the risk that there are not enough client companies during the initial period, which would reduce its chances of surviving as an institution.

Preventive measure: Intense institutional marketing to companies and organisations in all sectors on the BMO/BMA's services, and building credibility through success stories with pilot companies. Any governmental support should focus on improving companies' export capacity. Financial support such as soft loans should only be given to companies in conjunction with TA. Companies will be requested to co-share the TA fees.

- Institutional

The main institutional risk is the lack of an internationally accredited testing laboratory to cooperate with the BMO/BMA if, in the case of cashmere, the MTI does not receive sufficient support in terms of both equipment and skills development to qualify for accreditation, and if the use of a foreign accredited testing laboratory is not desired.

Preventive measure: Support from the MoIA for the MTI to gain accreditation within a year of establishing the BMO/BMA.

- Personnel

The BMO/BMA might not be staffed according to objective selection criteria but rather based on personal relationships. The selected staff would then be neither qualified nor motivated to develop the organisation in the necessary direction. As it will be a very small organisation, each erroneous hire would have a negative impact on its performance.

Preventive measure: Recruitment needs to be based on a competitive scheme following best practice international models. The Supervisory Board will need to supervise the process to ensure that any form of nepotism is avoided and that staff selection is based on skills (including excellent language skills), experience and past performance. At least three different interviewers should see the candidates, and the candidates must reveal any relationships to decision-makers and stakeholders.

- Operational

Apart from the misuse of BMO/BMA funds, the main operational risk is non-compliance with the standards and procedures of the BMO/BMA's most important activity: the certification process. With the growing value of the certification marks, the risk of corruption will also increase. Selling certificates to non-qualified companies would dilute the brands and ultimately destroy the BMO/BMA's reputation and right of existence.

Preventive measure: Close supervision of BMO/BMA operations by its Supervisory Board and regular audits. The Supervisory Board must take immediate action in response to complaints. The BMO/BMA must ensure the absolute transparency of the certification process and of its decisions.

- Financial

Insufficient funding support from the Government from the outset of the BMO/BMA's existence combined with insufficient activities by its staff to generate a certain amount of income from consulting, training and so forth, would mean that it could not become (fully) operational and perform its tasks. This would ultimately lead to the organisation's downfall.

Preventive measure: A three-year support budget for the BMO/BMA is necessary as a precondition to the organisation's establishment. Otherwise it would not make sense to set up the BMO/BMA.

Other activities

231. The branding concept focuses the interest of decision-makers as a tool to develop sustainable resources and employment alternatives to the booming mining sector. It frequently leads to biased uses of the concept and the project has developed an awareness raising strategy to facilitate better understanding.

Participation in Mongolian national events

232. The project participated in the following events with short presentations on its activities and the branding concept.
- Mongolian Economic Forum 'Brand Mongolia' (March 2013);
 - International Conference on 'Contemporary issues in marketing development in the public and business sectors' (April 2013).

Design of a branding manual 'How to drive a cool brand'

233. A manual has been designed to give a didactic introduction to the main features of branding and the most important aspects that a company willing to brand its products should take into consideration.
234. This branding manual is presented in Annex 12.

Major achievements

235. The major achievements in relation to the ToR are presented in Annex 6.

Lessons learned

The design of the project

236. The specific objective and expected results of the project envisaged the development of a full brand development cycle, including operational brand use by enterprises.
237. Brand development necessitates, on top of brandability, the development of an identity and of an image, as well as of awareness and interest among the domestic and international business communities.

238. Even when extended from 18 to 23 months, the project duration is very challenging and does not comply with a standard brand development process which requires several years. This implicitly generates a risk faced by the concerned industries in terms of image and reputation, where the branding cannot be supported through continuous action during a long gap between project phases.

Status of the sector

239. The following situations have been faced in the implementation of the project:
- The Chamber of Commerce and Industry and the MNCCO it hosts are, by nature, involved in marketing brand development and have an audience among country authorities. Nevertheless, it appears that such involvement remains marginal in terms of action and practical initiatives. New attempts to involve them in further branding actions should be made.
 - Authorities and enterprises are developing initiatives to promote branding as a tool to foster exports alternative to the mining sector (conferences, declarations, etc.). Nevertheless, there is significant room to improve the understanding of branding, as while most declarations refer to the attractiveness of a 'Made in Mongolia' label, branding is not only image, but image supported by reliable partnerships with Mongolian enterprises, stable high quality and acceptable pricing. Awareness on this concept needs to be developed at all decision-making stages.

Relations with stakeholders

240. The active development of MNF and discussions held regarding the Brand Management Organization (BMO/BMA) at the end of the project, have highlighted the fact that, despite its very business-oriented content, such projects must constantly inform and involve public institutions (line ministries and technical institutes) as well as professional organisations (associations). This is a particularly sensitive aspect linked to Mongolia's history (for a long time ruled by a planned economy prior to shifting to a market economy), to public fund-raising needs (for BMO/BMA development) and to the MolA's ownership of the MNF certification mark.

Action plan

Conceptual principles

241. The design of an action plan is based on the following principles and priorities:
- Develop awareness and understanding**
242. Authorities and entrepreneurs face a lack of knowledge of what branding means in terms of concept and action. The following actions are priorities and should be twinned with similar actions for each industry:
- Increase awareness on branding concepts and practices (quality and brand standards, communication with foreign customers, negotiation, market studies, etc.);
 - Exposure to foreign markets and customers (fairs, study tours, matchmaking, etc.) including through Mongolian in-country events.

Develop in-country resources and new brands

243. On the basis of the progress made during the project, the following actions are envisaged:

- Strengthen the existing brand (MNF): this will be implemented through a set of actions (completion of international registration, development of branding agreements between domestic and international entrepreneurs, improvement of MNF management mechanisms, initiation of proceedings in case of MNF misuse, etc.);
- Develop new brands: this will include screening a broad range of products to assess their level of brandability prior to the development of the branding cycle itself;
- Establish and develop a Brand Management Organization to sustain brands development and management.

Action plan and resources

Action plan

244. A four-year action plan for branding development is described in Annex 13.

245. The human resources for the implementation of the action plan are estimated as follows:

- International (branding) expertise: 32 man x months
- Local (branding) expertise: 90 man x months

Training plan

246. In relation to this action plan, a relevant training plan has been estimated as follows:

Target	Topic	Activity	Outcome	Total Budget (USD)
Administration (line ministries and regional authorities)	Branding: concepts and consequences for public services	Seminars: workshops	Improved understanding of branding requirements	5,000
Mongol Embassies commercial attachés	Branding: concepts and consequences for public services and enterprises	Seminars - workshops	Improved understanding of branding and role of commercial attachés in development	5,000
Enterprises and their associations	Branding: concepts and consequences for companies	Seminars - workshops with international guest speakers.	Improved understanding of branding requirements	25,000

Administration (line ministries) and sectoral associations	Branding Management Organisation (business & development plan)	Seminars - workshops with foreign guest speakers from similar branding institutions	Policy influence on BMA/BMO creation, mechanisms and resources	25,000
Cashmere enterprises and MWCA	MNF concept, mechanisms and consequences for applicants	Seminars: workshops	Fibre sector understanding of MNF	5,000
Enterprises and their sectoral association	Brand development (one group of seminars /identified brand)	Seminar: workshop	Industry understanding and contributing to brand development	15,000
TOTAL				80,000

7. Conclusion

7.1 Overview of outputs

- 247. Implemented over a 23-month period ending in July 2013, the AMBDP mobilised 149,287.5 man-months of expertise to carry out a brand development and management process. This was concretised, in the fibre sector, by the signature of a contract using the Mongolia Noble Fibre certification mark protected at both domestic and international levels, while six other opportunities are close to conclusion.
- 248. These outputs have been developed through the involvement of the whole chain, including goat herders involved in pilot raw-material sorting, seven target enterprises involved in production and marketing practice improvement, six contracts with foreign buyers resulting from intense matchmaking, and supported by didactic materials (brand manual, quality cashmere production technology), as well as by a market study carried out in Europe.
- 249. The support to the leather sector has concentrated on improving production practices as well as intense matchmaking, which has highlighted strong demand (90% of Mongolian production) on the wet blue international market. Branding in this area was tackled through the development of an attractive back-story on the uniqueness of Mongolian production, which attracted foreign customers.
- 250. Both the fibre and leather sectors have been surveyed to launch a company database to be taken over by the respective associations and to be developed. Data analysis has provided information as to some current trends in these sectors.
- 251. To secure the sustainability of the branding process and of brand management, a business plan for a Brand Management Organization has been designed and presented to policy-makers, and relations have been built between Mongolian enterprises and some major international brands.

7.2 Current branding perspectives and constraints in Mongolia

- 252. The AMBDP's implementation has highlighted the following aspects to be taken into consideration in further branding development.

7.2.1 Business culture

- 253. The adoption of Western market economy principles is a prerequisite to successful branding and brand management. Most Mongolian entrepreneurs and public services

still need extensive exposure to and practice of these principles before branding can be easily managed. This will take time.

254. Two resources should be developed to overcome this constraint:

- The project's implementation has highlighted the potential of the Mongolian diaspora abroad as an efficient interface in the development of business culture. These opportunities should be capitalised on in any marketing/branding operations.
- Mongolian Embassies abroad have (or should have) commercial attachés whose function is to facilitate commercial links. They are also priority targets to be mobilised (after training) in brand promotion.

7.2.2 Pricing and the currency perspective

255. The prices offered by Mongolian manufacturers to foreign buyers are now those of the international market (wet blue leather) or above (fibre). This is, in particular, a serious constraint affecting the cashmere industry, and requires in-depth restructuring.
256. The GDP boom linked to the mining sector will generate price/cost increases in Mongolia that will impact on the prices that Mongolian producers will offer to international buyers, reducing opportunities to develop export markets. This is a serious challenge that the whole country faces and will have to solve, through the intense restructuring of industries (a long process), public subsidies, currency devaluation or a mix of such measures.

7.2.3 Mongolian fibre sector image at risk

257. The duration and institutional arrangements of the project have led to a situation whereby, at project completion, the interest of several foreign buyers in MNF has been raised (up to contract signature), but due to administrative procedures, an official MoA order cannot be released in a timely manner to use MNF when the winter collections are in preparation. This situation has arisen at a time when the continuity of the project cannot be secured and efficient bridging measures cannot be envisaged.
258. There is a high risk that the Mongolian fibre sector will rapidly lose the capital of confidence built up with foreign buyers during the project, and that the image of the Mongolian cashmere industry on international markets will be affected for a long period.

Annexes

Annex 1: Fund Utilisation Report

Expenditure Category	Cumulative disbursement until the end of July 2013
	Total
Remuneration foreign person month	\$1 106 645
Remuneration national person month	\$360 320
Per diem for all experts matchmaking missions abroad	\$9 250
Per diem, international experts outside of UB	\$5 900
Per diem Hildreth UB	\$8 924
Per diem, Lamb, UB	\$18 876
Per diem, Cracknell, UB	\$3 268
Per diem, Mendritzki, UB	\$10 792
Per diem, Hey, UB	\$2 808
Per diem, Wright, UB	\$7 904
Per diem, Raveau, UB	\$3 154
Per diem for national experts matchmaking missions abroad	\$5 250
Per diem, national experts outside of UB	\$11 200
International air travel L.S.	\$55 000
International air travel for matchmaking	\$890
International air travel A.C.	\$17 476
National air travel	\$0
Excess/ Unaccompanied baggage	\$1 750
Land transportation, vehicle rental and others	\$34 500
Office Operations	\$60 888
Equipment	\$12 355
Seminars, workshops, trainings and fellowships + Miscellaneous	\$31 391
Studies, surveys and Reports	\$60 000
Miscellaneous	\$79 903
TOTAL	\$1 908 444

Annex 2: MoU between the Project and Target Enterprises (model)

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereinafter referred as "MOU") is made by and between the Project Management Unit (PMU) of the Agriculture and Rural Development Project (ARDP), hereinafter referred to as the "PMU") and Erdenet Tex (hereinafter referred to as Erdenet Tex or the "recipient") (together referred as the "Parties") to create a mutual understanding of the purpose, the objectives, obligations and activities of the two cooperating Parties.

Background

Erdenet Tex was approved as a recipient of Technical Assistance (herein after referred as "TA") from the Agricultural Marketing and Brand Development Project (AMBDP). The AMBDP operates under the Agriculture and Rural Development Project. Technical Assistance (TA) is a consulting service provided by the French consulting company, SOFRECO, and financed by the Asian Development Bank. The beneficiary of the TA is the Government of Mongolia. The TA does not provide any financial and material contributions other than what has been explicitly approved by the responsible Project Officer of the Asian Development Bank and Erdenet Tex. In the event that financial and material contribution will be provided by the project after ADB's approval, the company will be expected to co-fund this contribution.

Purpose

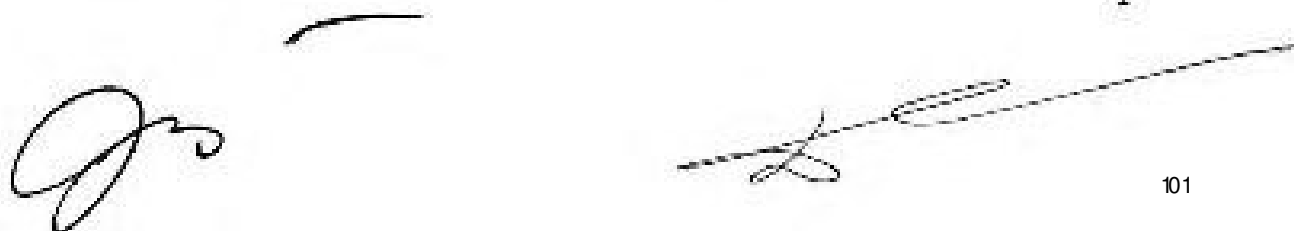
The purpose of this MOU is to clearly identify the roles and responsibilities of each party as they relate to the implementation of their mutual cooperation to achieve the objectives as stipulated in the Terms of Reference of the Project and as stated in the attached mutually agreed and signed Action Plan(s). In particular, this MOU is intended to coordinate activities related to the provision of TA by the Project to the company with the objective to sustainably upgrade the company's product quality in accordance with the attached Action Plan(s), which will be subject to regular review based on the mutual agreement of the parties.

Commitments

a) Commitment of Erdenet Tex :

Through the signing of the MOU and its attachments **Erdenet Tex** commits itself

- to implement all activities mutually agreed in the attached Action Plan(s) which will be subject to regular review possibly leading to amendments which also require a mutual agreement documented through signatures on the documents.
- to inform the experts providing the TA with any information about issues that are relevant to the implementation of the TA or might jeopardize the achievement of the objectives of the TA.
- To provide all data necessary to measure the impact of the agreed upon and implemented activities compared to baseline data at the beginning of the TA. In case quantitative data cannot be provided a qualitative statement on the achievement of objectives will be made.



- to make its staff available for interviews with experts charged with monitoring the technical achievements of the TA provided.
- to make its staff available for the trainings planned by the TA
- to implement the actions recommended by the TA within its financial capacity.
- to deliver progress reports to the PMU every two months. These reports shall include information on the progresses made towards implementing the activities described in the action plan, including the obstacles faced.

h) Commitment of the PMU of the AMBDP

Through the signing on this MOU the experts commit themselves

- to provide advice preferably but not always necessarily in written form, to Erdenet Tex on how to achieve the mutually agreed objectives to the best of their knowledge.
- to act professionally and without conflict of interest and in particular without any own business interests in accordance with the ADB guidelines and to avoid any conflict of interest.
- to inform Erdenet Tex on any issue that might have an impact on the professional delivery of their services.
- to provide on-field advice, services, evaluations and demonstrations when necessary to accomplish objectives.
- to deliver progress reports to the Erdenet Tex management every two months and upon termination of this MOU in regards to the progress made, obstacles and recommendations in achieving the objectives specified in the Terms of Reference and Action Plan.
- to inform Erdenet Tex about any risk associated with the implementation of the recommended actions.

Terms and conditions

Non-Disclosure. Except as and to the extent required by applicable law, regulation or legal process, without the prior written consent of the other Party, each Party shall not directly or indirectly, make any public comment, statement, or communication with respect to any business information of the other Party elicited during the implementation of this MOU. In case of necessity to make any such disclosure, it shall only be done with written prior approval from either Party upon prior provision to the other Party the content of the proposed disclosure, the reason that such disclosure is required, and the time and place that disclosure will be made.

This does not concern the standard progress reports (quarterly, annual and final reports) submitted by the TA team to the ADB and the PMU. These reports include indications on the TA's activities, the challenges it has faced, and on the progresses made by project partners.

Governing Law

This MOU shall be governed in all respects in accordance with the respective Mongolian legislation.

Termination

This MOU may be terminated:

- a) by mutual written consent of both parties;
- b) in case that either party fails to meet their obligations or the implementation of mutually agreed upon activities, either party can terminate the agreement under this MOU if an amicable solution can not be reached.

Each Party shall provide thirty (30) days' prior written notice to the other Party.

This AGREEMENT may be terminated ipso jure and without notice:

- a) in the event of termination or interruption of the Contract between SOFRECO and the ADB for any reason whatsoever;
- b) in the event of a request for the TA partnership with the company to stop from the Client (ADB) or the Beneficiary (the Government of Mongolia) for any reason whatsoever.

Compensation

Neither Party has the right to claim any kind of compensation whatsoever from the other Party due to activities under this MOU.

MOU Effective Date

This MOU shall be effective and binding from the date of signing by both Parties until the end of the first phase of the project (July 2013).

Signed this 28 August, 2012

Signed this 28 August, 2012

**For the Project Management Unit For
of the Agriculture and Rural Development
Project**

Sign:.....

Name: *Tuvshinbaatar*

Position: *Project Director*

Erdenet Tex Cor

Sign:.....

Name:.....

Position:.....



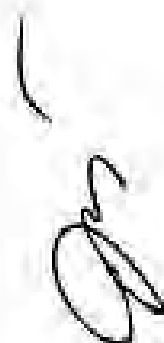
ATTACHMENTS

1. Signed Objectives and Action Plan "Management"
2. Signed Objectives and Action Plan "Quality"
3. Signed Terms of Reference of the Project

action plan 2012-2013 with Erdene Cashmere and Carpet Factory

OBJECTIVES		ACTION	RESPONSIBLE PERSON(S)	TIME FRAME	MEASURES OF EFFECTIVENESS	OUTCOMES
GENERAL	SPECIFIC					
Overall improvement in product quality and customer service for export readiness	Operator awareness on quality of finished product	Review of quality standards	Ronnie Lamb, Jargalsakhia, N from AMBDP, Khurenzong and R.Enkhmiso, quality engineer from Erdene Cashmere	September, 2012	25% increase in first quality products	Clear understanding on what represents quality standards
	Recommended dyes and chemicals for house stock dyeing equipment	Training on dyes and chemicals to be used on cashmere, yak and camel fibres	Jargalsakhia, N from AMBDP, Chemical Engineer	September, 2012	20% saving in commission processing by producing own yarn	Cost saving and quality improvement in cashmere, camel and yak yarns
	Analysis of defects in finished products and recommendations	DFT in key areas identified by diagnostic work	Ronnie Lamb, Jargalsakhia, N from AMBDP, Khurenzong from Erdene Cashmere	October, 2012	20% decrease in defects at each key area	Significant improvement in quality of finished products
	Appreciation of characteristics of cashmere, ramie, and yak fibres	Training with physical examples of all fibre types including those from China, Afghanistan and Iran and use of other wool fibres	Ronnie Lamb, Jargalsakhia, N from AMBDP, Khurenzong from Erdene Cashmere	November, 2012		Better awareness of limitations of natural fibres and use of alternative fibres
	Appreciation on importance of materials handling and safety standards	Training on materials handling and safety standards	Ronnie Lamb, Jargalsakhia, N from AMBDP, Khurenzong from Erdene Cashmere	November, 2012		Awareness of safety standards
	Further analyses of finished products and recommendations	Continuation of DFT in key areas identified by diagnostic work	Ronnie Lamb, Jargalsakhia, N from AMBDP, Khurenzong from Erdene Cashmere	December, 2012	5-10% decrease in defects at each key area	Improvement in quality of finished products
	Increase productivity	Senior Management training	Ronnie Lamb, Jargalsakhia, N from AMBDP, Khurenzong from Erdene Cashmere	December, 2012	5-10% in productivity	Improved output at lower cost

Overall improvement in product quality and customer service for export readiness	Review of factory equipment	Complete study into the suitability of existing factory equipment for achieving the general objectives	Ronnie Lamb and Jangalsachan N from AMBDP and Koethetic Engineer J Myadmandava from Erdene Cashmere LLC	January, 2013		Confirmation of suitability of existing equipment or alternatively recommended changes
	Maximize machinery utilization	Conduct investigation into current machine utilization and recommend improvements	Ronnie Lamb and Jangalsachan N from AMBDP and Koethetic Engineer Myadmandava, Linkhisa, designer Khurelbazar from Erdene Cashmere LLC	February, 2013	10% increase in machine utilization	Cost reduction through improved machinery utilization
	Review remuneration system following study on machinery utilization	Conduct investigation into current remuneration system and adjust according to results achieved	Ronnie Lamb and Jangalsachan N from AMBDP and Khurentog and Arundana, director in charge for Financial Department from Erdene Cashmere LLC	March, 2013		Fair and realistic remuneration system based on study of machine utilization
	Produce high quality woven products from baby camel natural and dyed	Training on techniques for producing dyed and natural yarns in baby reed and weaving and finishing technology	Ronnie Lamb, Jangalsachan N from AMBDP, Khurentog from Erdene Cashmere	April, 2013		Provide high quality baby camel products for the domestic and international markets
	Review of current marketing methods as to their suitability to reach the company's objectives	Training on improved marketing methods to meet company's objective of increasing current level of export from 20-30% of output	Juergen Mesdritzki from AMBDP and Baigalmia and Dasolmaa from Erdene LLC	May, 2013		More comprehensive understanding of market needs
	Increase export sales	Market study on company's target markets	Juergen Mesdritzki from AMBDP and Baigalmia and Dasolmaa from Erdene LLC	June, 2013		Focus on target markets and feedback on market requirements




Overall Improvement in product quality and customer service for export readiness	Issues for further discussion to be agreed and approved between Alviscup, Endenet, Sofreco and AQB								
	Training and advise on most efficient use of warp winding								
	Training on electron								
	Training on quality systems; ISO, 55 and QIT								




Annex 3: Fibre Quality Standards (Mongolian Noble Fibre & yak wool)

**‘Mongolian Noble Fibre’
Certification Mark
Quality Certification and Technical Specification**



Certified
Mongolian Noble Fibre

Specification Code..00000.....

The quality certification and technical specification should be approved by the Mongolian Agency for Standardization and Metrology.

NB.Please note that the defining difference between MNF Premium and MNF is in the technical specifications, the provenance and in the fact that the MNF Premium Fibres are all natural.

Valid date.....

1. Framework:

- 1.1. The quality certification and technical specification will refer to the following:
A/ Dehaired cashmere
B/ Cashmere yarn
C/ Cashmere knitwear products
- 1.2. The Mongolian Noble Fibre Certification refers **EXCLUSIVELY** to 100% **natural, unbleached** fibers (with regard to dyed fibres these must dyed by internationally approved dyes and chemicals, which are non-toxic and non-hazardous).
 - 1.2.1. MNF certification refers to dehaired cashmere, spun yarn and finished knitted and woven products from the fine down fibre from the undercoat of the Mongolian Cashmere goat (*Capra hircus laniger*).
 - 1.2.2. The fineness range within which the MNF qualities qualify is between 15.51-16.8mkm.
 - 1.2.3. In the case of blends the certification applies to the cashmere component only. Should a processor or buyer wish to use MNF as a component in any natural fibre blend then they must seek the approval of the BMA first.
The BMA will require technical information on any other natural fibre components that processors or buyers wish to use in their respective products to ensure that the standard quality requirements of MNF are matched by the natural fibres to be utilised in their blends.
MNF fibres must constitute at least 5% of any product containing BMAapproved and certified natural fibres.

2. Key terminology

- 2.1. Dehaired cashmere- washed, combed, and dehaired cashmere with a coarse hair content of less than 0.5%
- 2.2. Cashmere yarn- 100% unbleached natural cashmere yarn
- 2.3. Cashmere knitwear-Garments made from 100% unbleached natural cashmere yarn

3. Classification

- 3.1. Dehaired cashmere will be classified as follows;

- 3.1.1. By color:

- a) White
- b) Light grey
- c) Grey
- d) Brown

4. Technical requirement

- 4.1. Dehaired cashmere

The quality and technical specification of 'Mongolian Noble Fibre' should follow the dehaired cashmere's First grade of Mongolian National Standard (MNS) 3683:2007.

- 4.1.1. The requirement of dehaired cashmere should meet the criteria listed in Table 1.

No	Color	Description
1	Region (GI)	Mongolia
2	Type	All Natural, Untainted
3	White	White
4	Light grey	Light grey with beige overtones including red
5	Grey	Grey with bluish overtones including blue
6	Brown	Brown

- 4.1.2. The quality specification of dehaired cashmere should meet the criteria listed in Table 2.

No	Quality specification	Mean Fiber Diameter (mkm)	Mean Fiber Length (mm)	Hair content (%)	Oil content (%)	Moisture content (%)	Composition (%)
1	Mongolian Noble Fiber	15.51-16.8 (First grade of current MNS 15.51-16.8)	MNF 38,0	0,5	0,5	0,8	100%

4.2 Cashmere yarn and knitwear products

The quality and technical specification of cashmere yarn for Mongolian Noble Fibre should comply with the standard for cashmere woolen yarn as specified in Mongolian National Standard (MNS) 5820:2007.

The quality and technical specification of cashmere knitwear for Mongolian Noble Fibre should comply with the standard for knitted cashmere as specified in Mongolian National Standard (MNS) 5307:2003.

**‘Mongolian Noble Fibre Premium’
Certification Mark
Quality Certification and Technical specification**



Specification Code..00000.....

The quality certification and technical specification should be approved by the Mongolian Agency for Standardization and Metrology

NB.Please note that the defining difference between MNF Premium and MNF is in the technical specifications, the provenance and in the fact that the MNF Premium Fibres are all natural.

Valid date.....

5. Framework:

- 5.1. The quality certification and technical specification will refer to the following;
A/ Dehaired cashmere,
B/ Cashmere yarn
C/ Knitwear products.
- 5.2. ‘The Mongolian Noble Fibre Premium’ Certification refers **EXCLUSIVELY** to **100% natural, unbleached and undyed** fibers.
- 5.3. ‘MNF Premium’ certification refers to dehaired cashmere, spun yarn and finished knitted and woven products from the fine down fibre from the undercoat of the Mongolian Cashmere goat (*Capra hircus laniger*).
- 5.4. In addition to the technical specification of the Superior cashmere quality this will also be certified in accordance with the goat breed type and region (Geographical indication)
A/ Bayandelger ulaan
B/ Zavkhan buural
C/ Erchimiin khar
D/ Ulgiin ulaan
E/ Zalaajinstiin tsagaan
F/ Altain ulaan

- 5.5. The fineness range within, which the ‘MNF Premium’ qualities qualify is between 13.0-15.5mkm.
- 5.6. In the case of blends the certification applies to the cashmere component only. Should a processor or buyer wish to use ‘MNF Premium’ as a component in any natural fibre blend then they must seek the approval of the BMA first.
The BMA will require technical information on any other natural fibre components that processors or buyers wish to use in their respective products to ensure that the standard quality requirements of MNF Premium are matched by the natural fibres to be utilised in their blends.
MNF Premium fibres must constitute at least 5% of any product containing BMA approved and certified natural fibres.

6. Key terminology

- 6.1. Dehaired cashmere- washed, combed, and dehaired cashmere with a coarse hair content of less than 0.5%
- 6.2. Cashmere yarn- 100% undyed and unbleached natural cashmere yarn
- 6.3. Cashmere knitwear-Garments made from 100% undyed and unbleached natural cashmere yarn

7. Classification

- 7.1. Dehaired cashmere will be classified as follows;

- 7.1.1. By color:

- e) White
- f) Light grey
- g) Grey
- h) Brown
- i) See 1.4

- 7.1.2. By geographical indication

- a) Pure Mongolian breed (See 1.4)

8. Technical specification

- 8.1. Dehaired cashmere

The quality and technical specification of Mongolian Noble Fibre Premium should follow the dehaired cashmere’s Super grade of Mongolian National Standard (MNS) 3683:2007.

- 8.1.1. The requirement of dehaired cashmere should meet the criteria listed in Table 1.

No	Color	Description
1	Region (GI)	Mongolia, region specific and goat breed types
2	Type	All Natural, Undyed and Untainted
3	White	White
4	Light grey	Light grey with beige overtones including red
5	Grey	Grey with bluish overtones including blue
6	Brown	Brown

8.1.2. The quality specification of dehaired cashmere should meet the criteria listed in Table 2.

No	Quality specification	Mean Fiber Diameter (mkm)	Mean Fiber Length (mm)	Hair content (%)	Oil content (%)	Moisture content (%)	Composition (%)
1	Mongolian Noble Fibre Premium	13.0-15.5 (Superior class of current MNS 13,0-15,5)	MNF 38,0	0,5	0,5	0,8	100%

4.2 Cashmere yarn and knitwear products

The quality and technical specification of cashmere yarn for Mongolian Noble Fibre Premium should comply with the standard for cashmere woolen yarn as specified in Mongolian National Standard (MNS) 5820:2007.

The quality and technical specification of cashmere knitwear for Mongolian Noble Fibre Premium should comply with the standard for knitted cashmere as specified in Mongolian National Standard (MNS) 5307:2003.

/Emblem of Mongolia/

Mongolian Standard

Raw material preparation

Yak wool

MNS 6377: 2013

Official print

Mongolian Authority for Standardization and Metrology

Ulaanbaatar city

2013

Preface

Mongolian Authority for Standardization and Metrology (MASM) is one of the members of the International Standardization Organization and it implements national standardization policy with the cooperation of governmental and nongovernmental organizations within its activities.

Professional Standardization Technical Committee (TC) and Sub Committee (SC) execute the development of projects for standards. The project comes into force after the project, which is previously discussed at the technical committee meeting and supported with votes of more than 75% is discussed by the National Board for Standardization and approved by its resolution.

This standard was developed by the cooperation among Enkhtuya. D (Sc.D), Director of the Mongolian Textile Institute under the Mongolian University of Science and Technology, Luvsansharav. B (PhD), consultant lecturer and Ganbat. G (PhD), Head of the Department of the Product studies of the Biology Resources Management School of the Mongolian State University of Agriculture, Khishigjargal. Ts (PhD), Quality Specialist of the Agricultural Marketing and Brand Development Project, Oyunsuren. E, Laboratory Specialist of the Auction Leadership and Management Laboratory of the Department of the Product Studies of the MSUA, Green Gold Project of the Swiss Development Agency and the Agricultural Marketing and Brand Development Project of the ADB and reviewed by Purevdulam. Ch, expert of standards of the MASM by being met with the MNS 1-2: 2006 standard, “the Structure of the standard and a regulation to be developed”, the second part of the Standardization System of Mongolia.

The standard was discussed and supported at the meeting of the Technical Committee of Wool and Cashmere Standardization.

The first investigation will be conducted in 2013 and then every 5 years in the future.

Mongolian Authority for Standardization and Metrology

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Classification code 59080

Raw material preparation. Yak wool. Technical requirement	MNS 6377:2013
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The raw yak wool. Technical requirement (English word by the MASM)	
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Approved by the Resolution Number 9 of the national board for standardization on 21 February 2013.

This standard should be followed starting from the date of registration at the state registration.

1. Coverage

This standard is related to the preparation, inspection, reception, addressing and transportation of yak wool.

2. Classification

2.1. Yak wool is classified as follows:

2.1.1. By color:

a/ light white

b/ light

c/ brown

d/ dark brown

2.1.2. By quality:

a/ premium

b/ grade I

c/ grade II

3. Technical requirement

3.1. Yak wool fibre should be fine, high in crimp, elastic, and without damages caused by moth.

3.2. Dirt from grass and others should be removed from the fibre.

3.3. Amount of dandruff and dirt should be less than 5% of total weight.

3.4. Normal moisture of the packaged wool should be 10+/-1%.

3.5. Color of the fibre should meet the definition on the table 1.

Table 1

No	Color	Definition
1	Light white	White and yellowish fibre
2	Light	Light, blue and grey fibre
3	Brown	Evenly brown fibre
4	Dark brown	Brown, dark brown and darker brown fibre

3.6. Quality criteria of the wool should meet the definition on the table 2.

Table 2

No	Quality grade	Average diameter (micron)	Average length, mm	Amount of hair, %
1	Premium	Less than 18.4	Above 37.2	Less than 30

2	I	18.41-20.5	No less than 35.2	Less than 30
3	II	20.51-23.6	No less than 32.6	Above 40

4. Inspection and reception

4.1. Quality inspection will be conducted for 10% of total weight of the wool. If necessary, 100% will be involved in the inspection.

4.2. Any disputes regarding the quality of the wool will be settled by being based on the test result by the third certified laboratory.

4.3. The following standards should be followed for defining the quality of yak wool. If any of the standards is amended, the latest official standard should be followed.

- 1) MNS 2951:2007 Wool and cashmere. Method to get sample for testing
- 2) MNS 4054:2007 Wool and cashmere. Graphical method for defining length
- 3) MNS 1000:2007 Wool and cashmere. Precise definition method by micro binocular
- 4) MNS 2949:2001 Method to define the construction of cashmere
- 5) MNS 380:2007 Wool and cashmere. Method to define moist
- 6) MNS 1027:2007 Wool and cashmere. Method to define dandruff and dirt
- 7) MNS 3961:2007 Wool and cashmere. Method to define length

5. Packaging and addressing

6. The wool should be graded by its color and quality and packaged in a bag that is secured from moisture and dust.

7. The wool should be packaged, addressed, stored and transported according to “MNS 0215:2007, Wool and cashmere. The regulation on packaging, addressing, storing and transporting”.

Annex 4: Opportunities for Mongolia Premium Quality Exotic Fibres - Market Study (Europe)

Submitted in a separated file

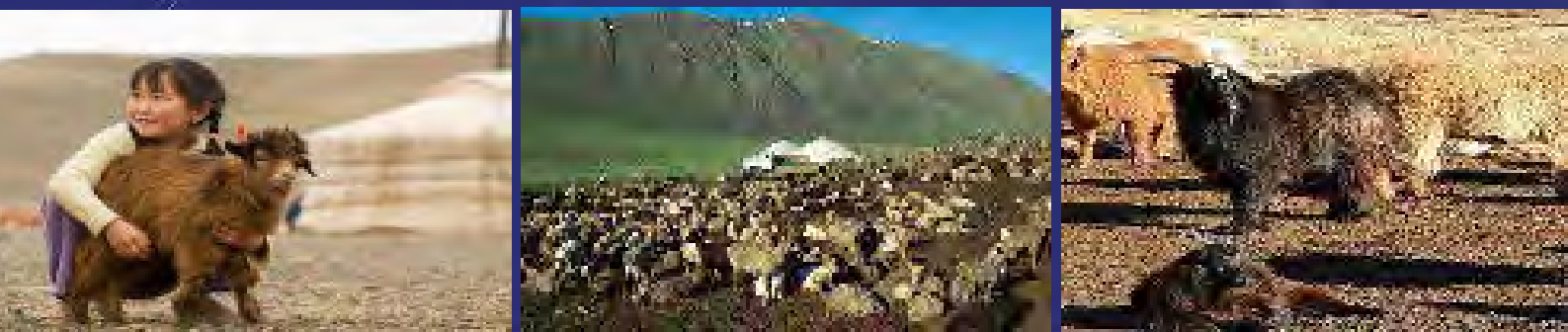
Annex 5: Quality Defect Manual for Cashmere, Camel, Wool and Yak



Mongolia



Asian Development Bank



B1489 – June 2013

TA-7139 (Mon) Agricultural Marketing and Brand Development

➔ Quality defect manual for Cashmere, Camel, Wool and Yak

Common defects, causes and remedies in the vertical processing of knitted and woven cashmere products.

Prepared by: Ronnie Lamb, International cashmere expert
Nasan Jargalsaikhan National cashmere expert
Khishgee Tsedev, National quality expert

Reporting period: June 2013



in association with





Foreword

This manual is prepared to illustrate common faults in the natural fibres from their raw state to finished knitted and woven products.

It has been compiled by the industry experts from the Agricultural Marketing, Branding, and Development Project.

The manual will begin with raw fibre and continue through sorting, scouring, dyeing, carding, spinning, knitting, weaving and finishing.

We will attempt to identify the problems that are most common and make recommendations based on our personal experiences on how to deal with them.

Where possible we will use photographs or illustrations to identify the problems and also if possible use illustrations to show how to effect the remedies.

We offer this as a guideline and do not suggest that you should ignore machine manufacturers' recommendations, if there is any conflict with our suggestions.

We also do not propose that you ignore the manufacturers recommended procedures for applying dyes, chemicals, detergents, spinning oils, or agents, again if there should be any conflict with our suggestions.

We ask that you use this as an aid to what you are currently doing.



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1. Sorting

It is the first stage in vertical processing and consequently the most critical.

The sorting of the raw fibres into colours and grades according to the use for which they are intended determines the outcome of the quality of the product that is to be made.

Sorters must be well trained and have the ability to not only remove highly visual defects such as strong coloured foreign fibres, dags, small stones and small sticks they must also be capable of segregating the fibres according to their fineness, length and variations within the natural fibre colour.

The skill of the sorter is the keystone to ensuring that future processing achieves its optimal outcome.

We have prepared a table that lists the most common defects, the cause and our recommended actions for obviating or eliminating the defect.

We strongly recommend that preventative measures are the best method of eliminating or reducing faults however where the fault has reached the stage where it is a noticeable or measurable defect then we also endeavour in our text to propose remedial actions.

Quality defects	Cause	Remedies
Natural fibre cross colour contamination	<ul style="list-style-type: none"> Sorters not sorting according to the technology standards 	<ul style="list-style-type: none"> Sorters must strictly follow the technology standards specification
Grades (fineness) mixed while sorting	<ul style="list-style-type: none"> Sorters not sorting according to the technology standard 	<ul style="list-style-type: none"> Impress upon the sorters their responsibility of ensuring that fibre is sorted to the
Natural fibre colours and grades mixed while packing	<ul style="list-style-type: none"> Irresponsible action on the part of the person packing the fibre after sorting 	<ul style="list-style-type: none"> Quality inspectors and book keepers should regularly double check the deliveries
Synthetic fibres or string present after sorting	<ul style="list-style-type: none"> Negligence on the part of the sorter 	<ul style="list-style-type: none"> Quality inspectors must constantly check the work of the sorters and maintain the highest quality standards
Mixed cashmere types from sorting	<ul style="list-style-type: none"> Sorting was not done according to the technology standard 	<ul style="list-style-type: none"> Sorters must adhere to the technology standard and quality.
Cashmere mixed with wool and camel fibres	<ul style="list-style-type: none"> Poor knowledge of fibre qualities or negligence 	<ul style="list-style-type: none"> Engineers and quality inspectors must tighten quality control standards



2. Scouring

It is the second stage of processing and the first mechanical process.

The objective in scouring is to remove all soluble and insoluble impurities and leave a minimal amount of residual natural oils (less than 0.5%) on the scoured fibres.

The residual is necessary for effective processing at the next stage, dehairing.

A minimal amount of residual oil is required to prevent the fibres from becoming airborne and depositing on pipes, ceilings, floors, machinery parts, etc.

After the raw fibres have been sorted into their respective grades they must be mechanically opened to remove all insoluble impurities, such as dust, grasses, vegetable matter, shrubs, sticks, stones, etc.

The effectiveness of the removal of insoluble impurities impacts on the quality of scouring and on the life cycle of the scouring machine.

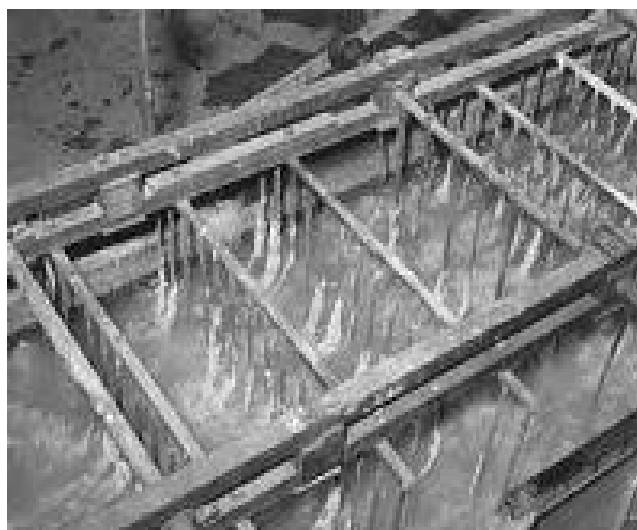
Loose, open, fibre, free of insoluble impurities will absorb the detergents and chemicals more easily making the scouring action more efficient and consequently more cost effective as this eliminates the requirement for excess dosages of detergents, chemicals and agents.

Mongolian cashmere natural fats and oils are more difficult to remove than those of other cashmere producing countries and require specially formulated scouring recipes applied at higher temperatures.

Approximately 32% of the original fibre weight is lost in processing, circa 12 % of insoluble impurities and 20% of soluble impurities

Quality defects	Cause	Remedies
Natural fibre cross colour contamination	<ul style="list-style-type: none"> Sorting standards not adhered to Fibres mixed prior to scouring by the operator Improper cleaning of the vacuum transport system 	<ul style="list-style-type: none"> Inform the quality inspectors in the sorting department and insist on quality standards being applied Raise the awareness of the masters, book-keepers, the operators and the quality inspectors in scouring Maintain cleaning standards after scouring and changes of raw fibre colours Constantly check the vacuum transport tube to ensure that it is always clean

Quality defects	Cause	Remedies
High moisture content after scouring	<ul style="list-style-type: none"> Low steam pressure Low temperature Drying cycle time too short Incorrect pressure at the squeeze rollers 	<ul style="list-style-type: none"> Maintain steam pressure at a minimum of 4 Bar Maintain temperature of 35-40 C Increase drying cycle time Set correct pressure on the squeeze rollers QC's or Masters must constantly check temperatures, cycle times and pressures during operation
High oil content after scouring	<ul style="list-style-type: none"> Fibres not properly opened prior to scouring Low temperature Incorrect application of soap solution Temperature drop during processing 	<ul style="list-style-type: none"> Conduct close inspection of sorted fibre to ensure that fibre is properly opened Maintain stable temperature Ensure that soap solution is mixed according to the manufacturers recommendation QC's or Masters must constantly check the temperatures during operation
Excess dust or vegetable matter	<ul style="list-style-type: none"> Sorted fibre not properly opened and cleaned prior to scouring Improper cleaning of the machinery 	<ul style="list-style-type: none"> Inspect fibre from opener before scouring Clean machinery on permanent basis Ensure that soap solution is evenly distributed
Fibres matted together	<ul style="list-style-type: none"> Water temperature too high Fibres not properly opened prior to scouring 	<ul style="list-style-type: none"> QC's and Masters must constantly check water temperature Inspect fibre from opener before scouring





3. Dehairing

This is the process of separating the coarse outer guard hair from the soft 'downy' cashmere.

There are various techniques in the separation of the fibres with the Chinese preferring a carding method, which constantly teases the fibre over long machines repeatedly, whilst this method is ultimately effective it does tend to shorten the fibre.

Japanese machines favour the aeronautic principle relying on gravity to do the separation. Simply put the coarse hair falls and the fine cashmere clings to the rollers and passes along the machine. This is also effective especially on Chinese cashmere but much of Mongolia's cashmere has an intermediate fibre that the Japanese machine can have difficulties in recognising and sometimes it drops and sometimes it continues.

The Italian machines tend to follow the Chinese principle but are modular and shorter giving better flexibility.

The most effective method is the pedal system developed in the United States, it is similar to the action of the levers on a piano, the pedal traps any cashmere fibres that are coarser than the fine quality and drops them below the machine.

Oil residuals on scoured fibres must be kept to a minimum and ideally at around 0.5% but certainly not more than 1-1.2%

Machines must be cleaned regularly to remove any build up and a major cleaning must be done between scoured lots.

Regular maintenance on all working parts is essential to ensure good separation and efficient running.

Quality defects	Cause	Remedies
High coarse hair content	<ul style="list-style-type: none"> -Incorrect re-feeding of drops Low temperature and moisture in the department Machine running too fast Too much fibre in the feed box 	<ul style="list-style-type: none"> Inspect dropped fibre material and ensure that only the correct drops are re-fed Maintain minimum temperature and moisture levels of 24-25C and 90% humidity Regulate machine speed to lower coarse hair content Maintain proper levels of fibre in feed box
Excess dust and dandruff	<ul style="list-style-type: none"> High dust content in scoured cashmere before dehairing Improper setting of the rollers and brushes will lead to increased levels of dandruff Incorrect setting for temperature and moisture 	<ul style="list-style-type: none"> Return scoured fibre for more effective opening Separate cashmere with dandruff and process separately Adjust settings on rollers and brushes to remove dandruff Maintain temperature and moisture at 90C and 90% humidity

Quality defects	Cause	Remedies
Dehaired fibre forming small balls	<ul style="list-style-type: none"> High oil content in scoured cashmere Improper cleaning of rollers and brushes Repeating the dehairing process Processing scoured cashmere in thick layers . 	<ul style="list-style-type: none"> Ensure that oil content is correct Maintain cleaning regime for rollers and brushes Avoid re-processing dehaired cashmere Ensure even blending and layering of scoured fibre before processing
High dead hair content	<ul style="list-style-type: none"> Improperly re-feeding drops with high dead hair content 	<ul style="list-style-type: none"> Carefully inspect drops for excess dead hair before re-feeding
Contamination of foreign fibres with cashmere during packing	<ul style="list-style-type: none"> Packing material not properly cleaned Lack of attention by packer 	<ul style="list-style-type: none"> Quality inspectors and masters should inspect packing materials Packer must exercise extreme vigilance when packing
High presence of good quality cashmere being fed to the hairing machine	<ul style="list-style-type: none"> Improper setting of the machinery Bad sorting of cashmere from hair 	<ul style="list-style-type: none"> Check the setting and fix it, improve the responsibility of the worker and improve the quality of hand sorting
Increase in the volume of cashmere drops under the dehairing machine	<ul style="list-style-type: none"> Improper setting of the machinery Improper Room conditions of temperature and humidity 	<ul style="list-style-type: none"> Check the setting and fix it Maintain proper room conditions
Dehaired cashmere has a 'cloudy' appearance	<ul style="list-style-type: none"> Improper setting of the machinery Improper Room conditions of temperature and humidity 	<ul style="list-style-type: none"> Check the setting and fix it Maintain proper room conditions
Fluctuations in humidity levels in the department	<ul style="list-style-type: none"> Improper setting of the air conditioning and humidification systems 	<ul style="list-style-type: none"> Check the setting on the air conditioning and humidification systems and effect the adjustments



4. Dyeing

A highly crucial stage in cashmere fibre processing and one that is problematic in most factories.

Mongolia's natural fibres provide a good substrate for dyeing medium to dark colours but the normal Mongolian white is not clean enough to allow this to be dyed to the valuable pastel shades.

This therefore requires the white fibre to be bleached and the technology in Mongolia for such a task is very weak.

The dyeing equipment at many of the factories is not ideally suited to cashmere fibre dyeing and most certainly not suited to the bleaching of loose stock white fibres.

The companies rely on the central supply system for their supplies of steam. The problem with this is that the delivery of steam can fluctuate greatly depending on demand. Good dyeing requires high steam pressure for penetration of the dyestuffs and if the pressure is low then the dyestuffs cannot attach themselves to the fibre causing a lack of colour intensity.

In addition to the impact of low steam pressure the effect of low temperature reduces the fastness properties of the dyes and will lead to the dyes being quickly removed in the first washing of the finished garment.

Most importantly the PH should be maintained at a consistent level (PH4.5-5) throughout the dyeing process and checked constantly for adjustment if necessary.

It is recommended to use chemicals, metal complex and acid levelling dyes from the traditional suppliers in Switzerland, Clariant and Huntsman formerly known as Ceba and Sandoz

Defects	Cause	Preventive and remedial measures
Poor quality and high presence of oil and dust in wool and cashmere Uneven colour distribution	<ul style="list-style-type: none"> Bad quality of scouring 	<ul style="list-style-type: none"> Scoured fibre must be closely inspected prior to dyeing. This type of defect is extremely costly and difficult to remedy if it is not detected after scouring
Unevenly dyed wool and cashmere Fibre strength reduction	<ul style="list-style-type: none"> Fluctuations in steam pressure, Fibre loaded improperly into feed box, Uneven application of emulsion Poor penetration of dyestuffs Dye formula not adhered to 	<ul style="list-style-type: none"> Constantly monitor steam pressure and watch for fluctuations Operator must exercise extreme vigilance in ensuring that the feed box is properly loaded, fibre must be open and not pressed down into the feed box. Cross check oil levels with laboratory The dyer must strictly follow the recommended dye recipes without deviation. Maintenance of tools and equipment should be done according to the preventative maintenance schedules. Final rinse must be properly done

Defects	Cause	Preventive and remedial measures
Excess colour loss and fading Uneven distribution of colour	<ul style="list-style-type: none"> Final rinse not properly completed Temperature, duration and PH not according to requirements 	<ul style="list-style-type: none"> Strictly follow technology procedures
Incorrect colour	<ul style="list-style-type: none"> Inadequate cleaning of dye vessels and colour mixing tank and transfer pipes Incorrect recipe, Incorrect steam pressure Incorrect calculation of dye components Different dyestuff used, Improper ratio of fibre to dye solution, Dyeing procedures not followed 	<ul style="list-style-type: none"> Following colour changes all machine parts must be cleaned thoroughly . The dyer must ensure that he is using the proper dye recipe Steam pressures must be checked regularly The dyer must ensure that his dye formula is properly calculated from the sample dyeing and that this is followed exactly Carefully check liquor ratios
Bleached cashmere with yellowish color and harshness of handle	<ul style="list-style-type: none"> Improper PH of the solution, Cycle time and temperature not followed,) Improper procedure 	<ul style="list-style-type: none"> Adjust PH of the solution according to the technical standard, Maintain cycle time and temperature throughout the procedure Ensure temperature reduction during softening Eliminate any foaming.
Coloured fibre entangled after dyeing Problems of fibre separation in carding affecting efficiency and quality	<ul style="list-style-type: none"> Excess temperature 	<ul style="list-style-type: none"> Ensure that temperature is maintained at the recommended level
Improperly dried dyed fibre Over-dried fibre will be brittle and break easily in subsequent processing. Wet fibre could lead to mildewing	<ul style="list-style-type: none"> Fibre not properly layered in the dye vessel. Incorrect temperature settings on the drying machine 	<ul style="list-style-type: none"> Layering should be done according to instruction. Ensure that the temperature inside the drier is at the recommended level.
Fibre weak after Dyeing	<ul style="list-style-type: none"> High temperature, incorrect programming and technical procedure 	<ul style="list-style-type: none"> Duration and temperature should be followed strictly. Program maintenance must be done regularly

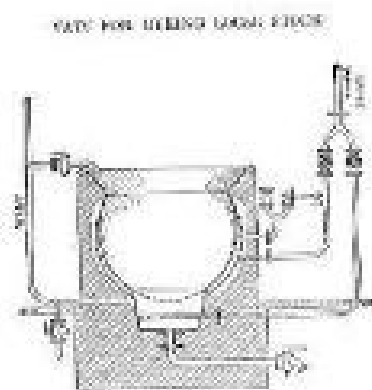


FIG. 27—Diagram of a Wool Drying Machine (Note: Drum and Drying Bin)

5. Blending/Oiling

Blending is the process of layering the fibre evenly after dyeing and mixing different dye lots in equal proportion to achieve the final colour requested by production.

There are always discrepancies in dye lots due to the fact that the substrate is a natural fibre and there are inevitably variations within this.

This requires the skill of the dyer and the blender to mix the different dye lots according to the final colour requested.

The blend then has to be oiled for further processing because without oiling the dyed fibres would be uncontrollable either flying into the air or dropping to the ground.

This would also lead to uneven distribution of dyed fibres and colour differences.

The type of oil used must be emulsifiable and saponify in knitted and woven final products.

The blending machine should have a good transfer system, which can be controlled to deliver a constant, measurable flow of material through the oiling chamber.

The oiling chamber should have spray heads that can be manouvered easily into position and also be simple to clean and maintain.

The ideal machine features an oiling system that is able to read and adjust the flow of material passing through the oiling chamber and the flexibility to adjust the volume of emulsion that is being applied so that the fibre and emulsion is in harmony.

After the emulsion has been applied the dyed and oiled material should lie in storage bins for a minimum of 12 hours but ideally up to 24 hours.

The best system for even distribution of dyed and oiled fibre is from the ceiling through a propeller motion spreading the fibre latterly across the inside of the storage bin.

The inside of the storage bins should have a smooth surface to prevent loose fibre attaching to the roof, wall and floor.

The entry door should be hermetically sealed to prevent fibre loss and any intake of air from outside of the storage bin

Defects	Cause	Remedies
Uneven distribution of emulsion on blended fibre	<ul style="list-style-type: none"> ▪ Spray nozzle not properly cleaned ▪ Spay nozzle out of alignment ▪ Uneven flow of fibre through the vortex. ▪ Increases the levels on carded fibers so that the carrying capacity decreases and causes the yarns to break. 	<ul style="list-style-type: none"> ▪ Clean spray head regularly ▪ Properly configure spray nozzle head, ▪ Ensure that fibre is properly open and that the feed rate is consistent and even

Defects	Cause	Remedies
High or low mixture of oil and water	<ul style="list-style-type: none"> Miscalculation of percentage for emulsion or ambient temperature is abnormal. Uneven distribution of oil and water causes wet and dry spots on the carded fibre and leads to yarn breakage 	<ul style="list-style-type: none"> The calculation of oil and water must be accurate for even application. Blended and oiled fibre should rest for approximately 24 hours before use allowing for the emulsion to level out.
Cross Colour contamination	<ul style="list-style-type: none"> Poor cleaning of work environment, Poor cleaning of storage bins Poor cleaning of machinery, Poor cleaning of fibre transfer system 	<ul style="list-style-type: none"> Proper cleaning of work environment Proper cleaning of storage bins Proper cleaning of machinery Proper cleaning of fibre transfer systems
Uneven blending	<ul style="list-style-type: none"> Poor layering of individual colour components and dye lots Uneven application of emulsion will prevent even layering of fibre 	<ul style="list-style-type: none"> Operator must follow the prescribed formula and layer according to the technical specification Condition of dyed fibres must be checked prior to blending Machine must be properly primed and checked prior to operation, all spray nozzles properly cleaned and aligned
Separation of oil and water	<ul style="list-style-type: none"> Incorrect room temperatures will cause the oil and water to separate Mixer in emulsion tank not functioning properly 	<ul style="list-style-type: none"> Ensure temperatures around the oiler are maintained at around 18-20C Ensure that the mixer in the emulsion tank is operating properly prior to processing the dyed fibre.



6. Carding

Carding is a mechanical process, which teases the fibres open and orients them in a parallel direction in preparation for spinning.

Dyed and oiled fibre is fed manually into a hopper in a uniform and constant manner. It is crucial that the hopper is kept at a constant level throughout the carding process and that the same amount of pressure is applied by the operator during loading.

The fibre is transferred by a lattice feed sheet into a weigh pan, which must drop the same volume of fibre to maintain the levelness of the fibre before passing on to the first opener card.

The weigh pan can be controlled by a weighing device mechanically, or for more accurate weighing through a micro-weigh system.

The breaker or opener teases the fibre open across the width of the card and onto a feed table for transfer on to the first part of the card.

Carding sets can have three or four swifts depending on personal preference.

If a lot of mixing of colour is required, as in a melange for example, a four part card would be better to maximise the mixing power.

A melange usually consists of many colour ingredients and therefore the more carding that can be done will help to evenly spread the colour mix.

The card wire and the settings between the swifts and the workers and strippers gets finer the further along the card you go.

At the mid way point the carded web is redirected by the scotch feed to re-orient the fibres and ensure maximum mixing and carding of the web.

As the web reaches the front it enters the tape condenser that separates the web into individual ends, slivers or rovings. Usually up to 156 ends.

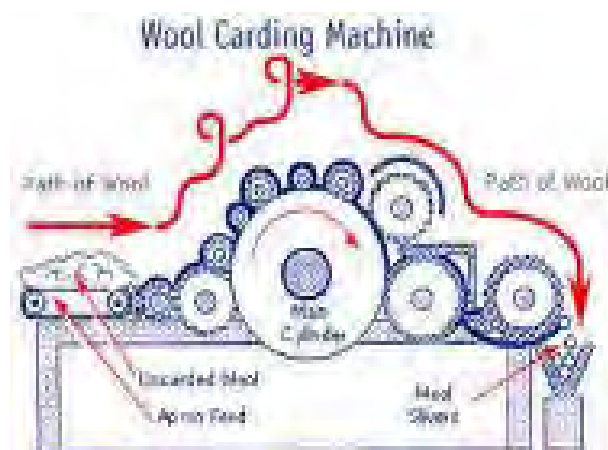
These individual ends are transferred on to bobbins carrying 13 ends per bobbin, four rows in height and three rows in width.

The extreme ends are usually affected by air turbulence and are fed back pneumatically to the hopper to be re-cycled.

Preventative maintenance and regular oiling and greasing plus checking the settings on the drums and the tape condenser will help to ensure consistent quality of carded sliver

Defects	Cause	Remedies
Unevenly carded fibre	<ul style="list-style-type: none"> Blunt or missing card wire and damaged card wire Large space between swifts and doffers and between workers and strippers Blended fibre not uniform 	<ul style="list-style-type: none"> Grind and sharpen all card wire – repair or replace damaged card wire Settings in accordance with standards. Inspect blended fibre and if not satisfactory return to the blending department

Defects	Cause	Remedies
Non-uniform edges of the carded sliver	<ul style="list-style-type: none"> Alignment of the scotch feed Oil leak at the drive mechanism of the comb for the doffer of the scotch feed 	<ul style="list-style-type: none"> Ensure that scotch feed is layering properly and according to the standard Repair oil leak
Thick and thin carded fibre	<ul style="list-style-type: none"> The swift is eccentric. Card wire on the swifts and doffers damaged. Gear wheels on the transfer mechanism are damaged 	<ul style="list-style-type: none"> Check the circumference diameter of the swift and ensure that the tolerance is no greater than 0.5mm. Repair damaged card wire Gear wheels with damaged teeth should be replaced
Long term card variation (along the carding machine)	<ul style="list-style-type: none"> Fluctuation from the weigh pan Slack tension on belts and chains Fancy roller setting incorrect 	<ul style="list-style-type: none"> Adjust the self-weighing mechanism Adjust the chain and belt drives Adjust setting of fancy roller to correct distance
Short term cross card variation (across the card)	<ul style="list-style-type: none"> Insufficient card wire on the last doffer 	<ul style="list-style-type: none"> Increase the number of card wires per square area
Uneven edges of the web	<ul style="list-style-type: none"> Uneven removal and transfer of the web 	<ul style="list-style-type: none"> Decrease the speed of the roller and increase in the space between the roller and the doffer
Uneven carded fibre web and sliver	<ul style="list-style-type: none"> Rubbers on tape condenser not aligned Variable tension on tape 	<ul style="list-style-type: none"> Constantly check setting of rubbers on tape condenser to check that they remain parallel Check tape tension to ensure that there has been no stretch



7. Spinning

The carding machine produces carded fibres in the form of slivers or individual rovings.

These carded ends are lightly wound together with just enough twist to hold them in shape, however they have no tensile strength.

The function of the spinning frame or mule is to stretch the slivers/rovings and then insert twist into them to provide tensile strength.

Cashmere spinning is either ring frame or mule spinning.

The ring frame is a horizontal traversing action with a carriage that rises and falls and a short drafting zone, inserting twist at high production speeds.

The yarns made on the ring frame tend to be coarser in count than that of the mule and therefore more ideally suited to weaving.

The mule occupies more floor space because the yarn is spun over a length of 3 metres with a carriage that moves back and forth.

The yarns spun on the mule tend to be finer and the much longer draft zone of the mule allows for any unevenness to be removed in the course of twisting the yarn.

The yarn from the mule is ideally suited to fine gauge knitwear.

The ring frames usually have around 150- 200 spindles and will take around 3-4 hours to complete spinning the yarns. The weight off the frame after the cycle is finished is somewhere around 30-40 kilos depending on yarn count.

The mules can have up to 40 spindles but will take nearly six hours to complete the cycle and will also spin around 30-40 kilos.

Defects	Cause	Remedies
High incidence of yarn knots	<ul style="list-style-type: none"> Slubbing from carding is weak and leads to high frequency of breakages requiring many knots 	<ul style="list-style-type: none"> Run frame or mule at lowest speed to reduce tension on ends during drafting
Misshaped tubes or cops	<ul style="list-style-type: none"> Operator negligence in not repairing broken ends and allowing frame or mule to continue in operation 	<ul style="list-style-type: none"> Spinning technician must check that the change wheel is correct for the twist insertion required
Uneven yarn profile	<ul style="list-style-type: none"> Uneven slubbing from carding 	<ul style="list-style-type: none"> Operator should remove uneven bobbin and return to carding
Heavy and light ends	<ul style="list-style-type: none"> More related to mule spinning where the carriage bows during delivery 	<ul style="list-style-type: none"> Spinning technician must observe the mule carriage during processing to ensure that the delivery and draft mechanism is functioning smoothly and that no bowing occurs.
High twist yarn	<ul style="list-style-type: none"> Incorrect change wheel 	<ul style="list-style-type: none"> Spinning technician must check that the change wheel is correct for the twist insertion required

Defects	Cause	Remedies
Low twist yarn	<ul style="list-style-type: none"> Incorrect change wheel 	<ul style="list-style-type: none"> Spinning technician must check that the change wheel is correct for the twist insertion required
Knots with long tails	<ul style="list-style-type: none"> Lack of skill of the operator 	<ul style="list-style-type: none"> Operator must be properly trained in the skill of 'piecing' carded slub to spun yarn
Random areas of two fold yarn	<ul style="list-style-type: none"> Negligence of operator allowing yarns to cross and form two fold areas 	<ul style="list-style-type: none"> Operator must be extremely vigilant in patrolling the spinning frame or mule to prevent yarns crossing over



8. Winding

The process of transferring spun yarn from cops or tubes on to packages dedicated to weaving and warping.

The spun yarn when it comes from the spinning mule or spinning frame is usually in small weights of around 100 -250 grams . These packages are too small for efficient running on the warping mill or on high speed automatic weaving machines.

Most of the modern winding machines are equipped with measured length devices that accurately measure the length of yarn required for warping or weaving. In the case of weaving the cone weight is generally around one kilo.

In addition to transferring the spun yarn from spinning cops or tubes on to cones of a prescribed weight and length, the winding machine also performs the function of eliminating thick and thin places and removes offensive knots, which have been tied in spinning.

The spun yarn passes through what is called a yarn or slub clearer that is set to minimize the size of the defects and reduce them to acceptable tolerances.

The yarn clearer will stop the yarn if it is thicker or thinner than the setting and cut and re-tie or splice the offensive area.

Modern winding machines have air splicers that will take out a knot or thick and thin part and splice the yarn so that it is of virtually the same profile as the good yarn either side of the offending area.

The splicer opens the ends by blowing air through them and then re-orientes the fibres and moulds them together in a seamless manner.

This is a very cost effective way of removing yarn defects and as these are not replaced by knots it saves time in mending on either knitted or woven products.

Defects	Cause	Remedies
Misshaped cones	<ul style="list-style-type: none"> Incorrect angle of build leading to running problems in warping and weaving 	<ul style="list-style-type: none"> Technician must check that the angle of build is correct for the count of the yarn and the weight required on the cone
Yarn breaking frequently	<ul style="list-style-type: none"> Weak yarn from spinning Sharp edge on plastic cone 	<ul style="list-style-type: none"> Condition of yarn should be reported to spinning department for prevention
Long tails on knots	<ul style="list-style-type: none"> Cutter on yarn knotter not set properly 	<ul style="list-style-type: none"> Plastic cones should be inspected and repaired
.Problems in warping and weaving due to cone size	<ul style="list-style-type: none"> Incorrect calculation by master 	<ul style="list-style-type: none"> Technician and operator must check the length of the tails on the knots and adjust the cutter to minimize the length
.Knots opening during subsequent processing	<ul style="list-style-type: none"> Knotting mechanism not functioning properly 	<ul style="list-style-type: none"> Calculations must be done accurately to ensure that there is no down time at warping or weaving due to wrong weight and measurement

Defects	Cause	Remedies
Thick and thin yarn	<ul style="list-style-type: none"> Yarn clearer not operating properly 	<ul style="list-style-type: none"> Technician must check the setting and the operation of the knotting head regularly. Technician must check the operation and settings of the yarn clearer.



9. Knitting

Knitting of high quality cashmere garments is generally done on flat bed knitting machines either hand operated, semi automatic or fully automatic.

The gauge of the machine is determined by the number of needles in a given area.

The most popular gauge is the classic 12 gauge, which converts into 12 needles per inch or 2.54 cms.

Gauges range from as low as 1.5 for extremely heavy garments to 16 or even 20 gauge for light-weight garments made from worsted spun yarns.

The most recent development has been the whole garment machine, which produces a seamless knitted garment that is ready to be washed.

The most popular automatic knitting machines are made by Shima Seiki from Japan or Stoll from Germany.

The most commonly used yarn counts are 2/26's and 2/28's.

These yarn counts are also used for the coarser garments by running several ends together to increase the weight.

The conventional automatic knitting machines knit individual panels, front, back and sleeves.

The collars, ribs and cuffs tend to be knitted on hand flat knitting machines as this is more cost effective.

The individual panels are then kept together in readiness for linking.

Defects	Cause	Remedies
Knitted panels either open or dense	<ul style="list-style-type: none"> Improper stitch length not set according to the technology standard 	<ul style="list-style-type: none"> Stitch length must be checked using HATRA system
2Drop stitch leaving holes in the knitted panels	<ul style="list-style-type: none"> Bad needle, latch not locking, poor stitch transfer, take down to loose or too tight 	<ul style="list-style-type: none"> Check alignment of needle, condition of needle to ensure latch is opening and closing, check action of take down
Mixed colours in knitted panels	<ul style="list-style-type: none"> Different dye lots used in same panels 	<ul style="list-style-type: none"> Ookkeepers and operator must check the number of the dye lots to ensure the same lots are used for the order.
Knitted panels are skewed	<ul style="list-style-type: none"> Spun yarns contain high twist leading to skewing 	<ul style="list-style-type: none"> Knitted panels must be returned and spinning department informed of excessive twist in yarn. Corrective measure is to narrow by an odd instead of even number

Defects	Cause	Remedies
Horizontal lines in knitted panels	<ul style="list-style-type: none"> Thick and thin yarn from spinning. Mixed dye lots of the same colour from spinning 	<ul style="list-style-type: none"> Knitted panels must be returned and spinning department informed of uneven yarn. Bookkeeper and operator must check that the same dye lots are used
Vertical lines in knitted panels	<ul style="list-style-type: none"> Worn needles or mixing needles of different origin or type . Mixed dye lots of the same colour from spinning 	<ul style="list-style-type: none"> Knitting technician and operator must constantly check the condition Of all needles and furthermore ensure that needle brands are never mixed.
Knitted panels are contaminated by oil and grease	<ul style="list-style-type: none"> Negligence by spinning technician when oiling and greasing machine parts 	<ul style="list-style-type: none"> Spinning technician must exercise extreme care when oiling and greasing machine parts
Knitted panels are contaminated with cofee or tea stains, ball point pen, make up,etc	<ul style="list-style-type: none"> Negligence by machine operator, poor attitude to work 	<ul style="list-style-type: none"> Masters must ensure that operators do not drink any liquids or apply any make up during knitting or by their machine



10. Linking

The knitted panels, fronts, backs, sleeves, ribs and cuffs are linked together on either a conventional linking machine (point to point) or on a cup seamer.

This was done in the old days, and even today by housewives, crocheting the knitted courses together to link the garment into shape and size for washing and wearing.

The conventional linking machine has a slightly higher gauge than the gauge of the knitting machine, which therefore provides a much tighter and neater seam and prevents the seams from stretching.

This is a task that requires great skill and perfect eyesight as each course of the knitted panels to be linked together are carefully placed in juxtaposition to each other on the circular linking bed and once all the courses have been aligned the stitching mechanism is activated to sew the panels firmly together.

This is a labour intensive, time-consuming duty, which even with a highly productive employee is still an expensive task.

As a consequence cup seamers have become more widely used.

The cup seamer more closely resembles a conventional sewing machine but there is a high degree of skill required by the operator in lining up the hash marks on the panels so that they match before activating the sewing mechanism.

The productivity of the cup seamer can be as much as ten times higher than that of the conventional point to point linking machine.

Defects	Cause	Remedies
Drop stitch leaving holes in seams	<ul style="list-style-type: none"> Poor skills on part of linker not matching the seams of the panels to be stitched Height of needle too high or too low causing the looper to miss Alignment and point alignment on dial plate 	<ul style="list-style-type: none"> Masters must ensure that the linker is properly trained before allowing them to work on their own Technician must set needle height according to the standard Technician must check alignment and point alignment on dial plate prior to linking



11. Wet and dry finishing of knitted garments

Knitted garment panels are fully or part assembled depending on subsequent processing and made ready for washing.

The washing process removes any soluble impurities picked up during processing and a relatively small amount of milling to provide surface cover on the garment for a softer more luxurious handle.

There are various types of washing machine, semi-automatic, paddles, fully automatic, front loading, top loading, etc.

The best machine is the one that allows the operator to stop the machine at any time and handle the garment to make adjustments to time, temperature, detergents, additives and softeners.

Cashmere is a natural fibre and as such requires a different approach virtually every cycle.

Drying is often not given enough respect by processors. The dryer holds the key to even and consistency of finish on knitted garments.

Following washing the garments are very wet, the first process, which is not done by many processors, should be hydro extraction.

This removes most of the excess water in a gentle spinning action without imparting any additional 'work' to the garment itself.

This is an important step as the task is to minimize the amount of work to the garment and prevent the fibres from rising to the surface.

The dryer should be quite large, roughly around a 50 kilo load and should be pre-heated prior to drying the garments. Again this serves to reduce the time in the dryer and will dry the garments rapidly and effectively.

Defects	Cause	Remedies
Inconsistency of finish between same lots from washing	<ul style="list-style-type: none"> Poor technology incorrect loading procedures, times and temperatures Mixed colour lots Machine overloaded 	<ul style="list-style-type: none"> Operator not following technical regime Garments should be pre-sorted by colour into light, medium and dark, prior to washing Number of garments related to weight ratio must be calculated before washing
Garments partially felted	<ul style="list-style-type: none"> Over- washing Over - drying 	<ul style="list-style-type: none"> Operator not following technical regime for temperature and time Garments not hydro –extracted Dryer not heated prior to drying (excessive drying accelerates felting process)

Defects	Cause	Remedies
Collar glazing on back of finished garments	<ul style="list-style-type: none"> Poor pressing technology 	<ul style="list-style-type: none"> Operator either not properly trained or is negligent when pressing garments. The proper procedure is to hold the steam iron slightly above the garment and NEVER to press down on the garment itself.
Garment becomes dimensionally unstable after wearing	<ul style="list-style-type: none"> Poor pressing technology 	<ul style="list-style-type: none"> Operator does not use the proper frames for shaping the garment and hand stretches the garments to shape. As this procedure is done at atmospheric temperature then they will quickly lose shape

12. Weaving

Mongolian processors are not as advanced in weaving technology as they are in knitting technology.

Most of the looms are from the former Soviet Union and they have low productivity and low efficiencies.

They are expensive to run due to their age and the ratio of looms to a weaver.

Spare parts are difficult to come by and factories mainly rely on cannibalising parts from other looms.

There is a mix of traditional shuttle looms and modern rapier looms.

The shuttle looms run at relatively low speeds in comparison with the rapier looms and the running speed of the rapier loom is generally three times faster than the shuttle loom.

Furthermore the drive mechanisms, elliptical and eccentric wheels and cams, for the transfer of the weft yarns and the shafts carrying the warp threads is much more fluid and gentle on the rapier looms and therefore permits the looms to run at greater efficiencies.

The running efficiencies on the shuttle looms rarely rise above 50% but on the rapier looms efficiencies between 80-85% are achievable.

The cost effectiveness of the rapier looms are a product of various things; loom speed, greater efficiencies and lower labour costs, as one weaver can watch between 4-6 rapier looms compared to 1 or 2 shuttle looms.

Defects	Cause	Remedies
Woven fabric not properly balanced	<ul style="list-style-type: none"> Miscalculation by design department Warping operator not following technical work sheet Weaver not following technical work sheet 	<ul style="list-style-type: none"> QCs and masters must confirm with design department regarding the lay out of the design across and along the fabric Warping operator must follow the technical work sheet Weaver must follow the technical work sheet QC's and Masters must approve of design and balance of fabric after start up.

Vertical lines on fabric	<ul style="list-style-type: none"> Warp sections on warping machine over-lapping Spaces between warp sections on warping machine Thick or thin yarns Damaged reed Healds on heald shafts sticking 	<ul style="list-style-type: none"> The width of the warp section should be double checked by the operator and the master after the first section has been set and before beginning to warp Thick and thin yarns should be replaced following the first inspection during the start up of weaving Damaged reed spaces should be repaired at the loom Damaged healds should be replaced at the loom
Horizontal lines or bars on fabric	<ul style="list-style-type: none"> Warp tension not properly set Thick and thin yarn Weaver not resetting tension after loom has been stopped 	<ul style="list-style-type: none"> Master must inspect fabric after start up to check tension Thick or thin yarns must be removed at the loom Weaver must ensure that following a restart that there are no dark or light horizontal bars.
Oil stains	<ul style="list-style-type: none"> Negligence by the weaving technician when oiling machine parts 	<ul style="list-style-type: none"> Masters, weaving technicians and weavers, must continuously inspect the fabric whilst weaving to eliminate this type of fault
Wavy edges at one or both edges of the fabric	<ul style="list-style-type: none"> Improper warp tension at either one or both edges of the fabric Temples not functioning properly 	<ul style="list-style-type: none"> Weaving technician must ensure that the warp tension at the edges of the fabric is correct during the set up and start of weaving
Fabric design not correct	<ul style="list-style-type: none"> Wrong calculation by design department Technical work sheet not followed in warping, drawing and weaving 	<ul style="list-style-type: none"> Weaving technician must ensure that the temples are properly cleaned and properly aligned at the edges of the fabric during the set up and start of weaving Masters must accurately check the design with the design department during set up.

13. Wet and dry finishing of raised and non - raised woven fabrics.

The first process in the finishing of greasy woven products is scouring and milling.

Scouring removes all of the contamination that has been picked up in the processing of yarn through to finished woven product. Special oils are used in the spinning process that can saponify with the soaps in scouring to form a lather to wash out the impurities.

Once the fabric has been washed and the impurities removed, the fabric has to be dimensionally stabilised.

This is called milling where a calculation is made as to how much length and width shrinkage is necessary to achieve the final dimensions required.

Fabrics are constructed in the loom to achieve a final width after weaving and finishing of 150 cms.

The final fabric length is usually 60 meters on average after weaving and finishing and sett accordingly in the loom.

Once the fabric has been stabilised dimensionally it can follow a number of finishing routines depending on the technical specifications of the final product.

The normal finishing routine for a natural finish without any raised or pile surface would be as follows;

- **Scouring** – Washing and removal of impurities
- **Milling** – Dimensional stability of fabric by shrinkage
- **Hydro-extraction** – Removal of excess water through a spinner
- **Drying** – Drying of fabric and setting of width through steam or radio frequency drying
- **Shearing** – Cropping the excess fibre length to a uniform height on the surface of the fabric.
- **Semi – decate** – setting of fabric to atmospheric temperatures to stabilise the fabric
- **Full - decate** - setting of fabric in an auto-clave for permanent fixing of length and width dimensions

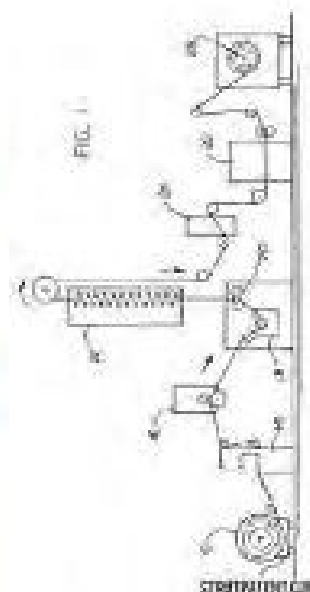
Finishing routine for a woven fabric with a raised surface;

- **Scouring** – Washing and removal of impurities
- **Milling** – Dimensional stability of fabric by shrinkage
- **Hydro-extraction** – Removal of excess water through a spinner
- **Wet napping** – The fabric is passed over a moser or natural teasle gig to draw out the ends of the fibres and bring them to the surface of the fabric.
- **Wet Brushing** – Once the fibres have been drawn to the surface the fabric they need to be directionalised. The fibres are brushed in one direction from the beginning of the fabric to the end. This is the first step of laying all the fibres in parallel.
- **Drying** – Drying of the fabric and setting of the width through steam or radio frequency drying

- **Dry brushing-** Continuation of the process of laying the fibres in a parallel direction.
- **Shearing** – Cropping the excess fibre length to a uniform height on the surface of the fabric.
- **Dry brushing-** Continuation of the process of laying the fibres in a parallel direction.
- **Semi – decate** – setting of fabric at atmospheric temperatures to stabilise the fabric

Defects	Cause	Remedies
Scouring and milling		
Over milled Under milled Slack selvages Fabric skewed	<ul style="list-style-type: none"> ▪ Too long in the machine, operator not following technical sheet ▪ Not long enough in the machine, operator not following the technical sheet ▪ Poor technology ▪ Poor technology 	<ul style="list-style-type: none"> ▪ Operator must follow instructions on technical sheet, related to time, temperature and measurement ▪ Operator must follow instructions on technical sheet, related to time temperature and measurement ▪ Fabric should be sewn together edge to edge leaving openings periodically to allow air to escape and also circulate ▪ Fabric edges poorly sewn together allowing the fabric to skew
Drying		
Fabric still damp after drying Fabric skewed Fabric with check designs out of alignment Wavy edges	<ul style="list-style-type: none"> ▪ Incorrect settings of time and temperature ▪ Drive mechanisms at each side for holding fabric at the edges are out synch. ▪ Weft straightening device not functioning properly ▪ Fabric edges following off of the enter tenter pins 	<ul style="list-style-type: none"> ▪ Properly adjust settings of time and temperature ▪ Ensure drive mechanisms at each side for holding fabric at the edges are in synch. ▪ Ensure weft straightening device is functioning properly ▪ Operator must be vigilant in observing fabric edges and watch that they do not fall off of the tenter pins
Napping and teasiling		
Fabric tender and easily burst Fabric too stiff and boardy Inconsistent levels of raised fibre on the surafce of the fabric Streaky apperance Fabric edges have no surface fibre	<ul style="list-style-type: none"> ▪ Operator not following the technical work sheet and has set the fabric too close to the wire rollers or natural teasele gigs. Also the operator has let the fabric run on the machine for too long. ▪ Operator not following the technical work sheet and has set the fabric too far from the wire rollers or natural teasele gigs. Also the operator has taken the fabric off of the machine far too early. ▪ Wire rollers and natural teasels not properly cleaned ▪ Damaged areas on wire rollers and missing teasels on teasele gig 	<ul style="list-style-type: none"> ▪ Operator must follow the technical work sheet and ensure that the fabric position relative to the rollers and teasels is set. Operator must follow the prescribed machine running time. ▪ Operator must ensure that the wire rollers and natural teasels are regularly and properly cleaned ▪ Damaged areas on wire rollers and missing teasels on teasele gig must be repaired or replaced ▪ Fabric edges must be opened out and flat during processing

Defects	Cause	Remedies
	<ul style="list-style-type: none"> Fabric edges doubled over during processing 	
Semi and full decating		
Damp fabric Crease marks Fringe marks on scarves Fabric not stabilised Fabric skewed	<ul style="list-style-type: none"> Steam exhaust pump system not working Fabric allowed to fold during feeding No protective layers covering fringes Settings incorrect Fabric not properly fed into sheet 	<ul style="list-style-type: none"> Check steam exhaust pump is operating properly Operator must exercise due care and attention when feeding the fabric into the machine Operator must ensure that strips of fabric are used to cover the scarf fringes while the scarves are being fed into the machine All cycle times for time, temperature, steam pressure and evacuation must be thoroughly checked Operator must exercise due care and attention when feeding the fabric into the machine



MA473D 型 钢丝起毛机
DOUBLE ACTING NAPPING MACHINE





Annex 6: Achievements against the ToR

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
i	Based on discussions with PMU staff and other stakeholders (including participating enterprises, business associations, the Chamber of Commerce and Industry, concerned government agencies, regulators, donor agencies and donor-funded projects, concerned academic institutes), describe and coordinate as needed recent, ongoing, and planned branding activities in Mongolia.	1. MNF ownership was decided: the MoIA 2. Brand Management Agency/Organisation needs discussion and agreement among stakeholders on the business plan before it is established.		Project completed and bridging proposal until the launch of Phase 2 submitted to the PMU taking over interim phase implementation. Outcomes endorsed at ARDP Final Conference (19/06/2013).	
ii	Develop, in consultation with key stakeholders and relevant to the targeted sectors, a brand framework for (a) collaborative branding with international premium brands, and (b) the original branding of Mongolian products.	Brand framework is defined as the rational behind the definition of the brands.	Collaborative branding in the sense of ingredient branding (MNF as certification mark).	Fibre: MNF registered in Mongolia as a certification mark owned by the MoIA. Leather: Uniqueness of raw material provenance used as back-story by merging nation- and ingredient- branding.	

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
iii	Prepare, in consultation with the key stakeholders, a business plan for the Brand Management Agency, defining its objectives, scope of work, activities, membership, legal status, organisational arrangements, financing and a sustainable brand management strategy.	The major issue is the funding of the BMA/BMO and the availability of an internationally accredited testing lab. The strategy has to be based on a realistic judgement of the starting situation (especially the availability of raw material).		Brand Management Agency/Organisation business plan designed, and submitted to and discussed with public authorities and enterprises.	
iv	Develop guidelines for collaborative branding that will include a generic brand partnership proposal and a generic brand partnership agreement.	Contains detailed guidance on how to apply the MNF brand to communication materials, websites, etc. (the look and feel of MNF).		MNF visual identification materials produced. MNF-use regulations designed and submitted to the MoIA (under discussion with line administrations).	

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
v	Select at least three model enterprises, as far as possible from VCD loan recipients, and target products for collaborative branding in view of subsequent original branding.	Companies producing quality garments/products that meet MNF/export standards, and sales contracts with international buyers (minimum: expression of interest from potential buyers). Combination of original branding with MNF branding not necessary for demonstration effect.	1. Also non-loan recipients accepted. 2. Original branding handled independent of MNF branding;	Database of 217 fibre companies and 134 tanneries/leather goods companies developed. Fibre: 16 Mongolian companies showing commitment selected for potential collaborative branding. Fibre: 1 contract with MNF. Fibre: 6 expressions of interest involving MNF. Leather: 7 tanneries selected for potential export business. Leather (wet blue): 24 expressions of interest.	Fibre (MNF): MoIA approval for MNF use not released at project completion. Leather: Ulan Baatar water treatment plant closed down, preventing delivery of the samples requested by foreign buyers
vi	Identify constraints and issues that each model enterprise needs to overcome in view of quality standards required by and preferences of target markets, and tailor a remedial programme in consultation with the respective enterprises.	Brandability: Based on MoUs, client company-specific quality diagnosis and remedial measures through the implementation of action plans to achieve the defined MNF quality standards. Market research required for objective determination of buyer requirements.		General quality standards for MNF defined and MNF registered as certification mark in Mongolia (international certification underway). Testing of eligible products from client companies on MNF criteria by MCCI accredited testing lab. Production of 'Quality cashmere production' brochure.	

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
vii	Prepare brand partnership proposals and partnership agreements for the selected enterprises.	3 original plus 3 ingredient brands	Redefined as commercial agreements (buyer-supplier agreements)	Fibre: 1 contract with MNF (Ezio Foradori - Chauncey). Fibre: 6 expressions of interest involving MNF. Leather (wet blue): 24 expressions of interest.	
viii	Identify international premium brands and facilitate matching with the selected enterprises in view of longer-term partnerships following the implementation of the brand partnerships that are mutually profitable.	Wider scope and higher chances of matchmaking require systematic market research. ToR for market research developed (approval pending since beginning of September).	Establishing commercial relationships between leading international brands with client companies with (potential for) MNF certification	Fibre: Contacts with 80 foreign companies and business trip to Ulan Baatar of N'Peal & Pure and Max Mara. Fibre: 1 contract with MNF (Ezio Foradori - Chauncey). Fibre: 6 expressions of interest involving MNF. Leather: Contacts with 50 foreign companies. Leather (wet blue): 24 expressions of interest. Exotic fibre market study in Europe.	

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
ix	Facilitate brand partnership agreements between the selected enterprises and international premium brands	1) Identification of potential foreign buyers and their requirements through systematic market research (approval pending) and networking. 2) Providing help to client companies to meet these requirements (brandability support), and 3) Defining the client companies' USP which provides an advantage compared to the traditional suppliers based on quality and unique features instead of price.	Brand partnerships defined as client companies getting sales contracts with Western (or domestic) buyers under the MNF certificate.	Fibre: 1 contract with MNF (Ezio Foradori - Chauncey). Fibre: 6 expressions of interest involving MNF. Leather (wet blue): 24 expressions of interest.	
x	Facilitate implementation of the brand partnership agreements	Defined as all activities necessary to establish commercial contacts between client companies and potential buyers (trade fairs, marketing material, buyer visits, cold calls, etc.).		Fibre: 1 contract with MNF (Ezio Foradori - Chauncey). Fibre: 6 expressions of interest involving MNF. Leather (wet blue): 24 expressions of interest.	Fibre (MNF): MoIA approval for MNF-use not released at project completion. Leather: Ulan Baatar water treatment plant closed down, preventing delivery of the samples requested by foreign buyers.

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
xi	Incorporate lessons gained from the above experience into the framework, the guidelines, the generic brand partnership proposal, and its agreement.		Lessons learned for the whole sector to be incorporated into manuals.	Done.	
xii	Develop guidelines for original brand development for selected products in consultation with relevant enterprises and business associations.	By definition guidelines have to be general to be applicable by other companies, associations etc.	Guidelines are to be defined as principles/methods for original brand development.	Brand manual issued.	
xiii	Develop original brands which encompass such brand components as brand essence, brand collateral, visual appearance (including packaging), verbal style, and the tone and manner of the brand.	Original brands are defined as brands owned by individual companies with the potential to be registered as trademarks. The design of brand collateral for 3 company-own original brands requires outsourcing work to be paid by companies.	Development of comprehensive and in-depth identification system for 3 companies can only be supervised but not conducted or financed by the project.	Design of MNF collateral. Improvement of the visual identity system of 3 cashmere companies (Altai, Bodio, Nanas).	

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
xiv	Assist those enterprises in introducing the original brands to target markets.	1. Assistance to client cashmere companies to introduce own (original) brands to target markets requires knowledge of target markets through market research (approval still pending), competitive products (quality, price), an effective export marketing strategy and the necessary funds for export marketing. 2. Leather companies need more time to reach a brandable stage. In the beginning, the focus is to improve product quality to achieve international competitiveness.	Through a systematic survey, identification of Mongolian companies that already have a special relationship with an importer abroad and want to improve their brand attractiveness.	Brand improvement carried out with Alatai, Bodio and Nans.	
xv	Design and deliver a complete 'how to' manual on branding (in both English and Mongolian) and present materials with full requirements for interested enterprises.	Step-by-step guidelines.		Brand manual issued.	

Item No	Original ToR: Targeted achievements	Comment	Revision	Achievements at project completion	Reasons for TOR achievement(s) deviation(s)
xvi	Design and conduct a brand training programme for Mongolian enterprises with interests in utilising their original brands.	All brand-owners are normally interested in using their own brands.		Training programme on branding (6 formal sessions, 167 participants from companies and associations).	

Annex 7: Fibre Sector – Four-Year Action Plan

MONGOLIA - MARKETING & BRANDING - FIBRE SECTOR - 4 YEAR ACTION PLAN

[illegible]

Annex 8: Leather Sector – Four-Year Action Plan

MONGOLIA - MARKETING & BRANDING - LEATHER SECTOR - 4 YEAR ACTION PLAN

Component/Activities	Expert / Profile	Stakeholders & Beneficiaries	Year 1												Year 2												Year 3												Year 4												long-term Int Exp																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
			1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
Parasite Eradication Program	International Leather Expert	Tanneries, meat producers, Armono, Vet service																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								

Annex 9: Questionnaire Survey among Fibre Companies

Survey among Cashmere/Yak/Camel /Wool companies

Please use the following scoring

1= unimportant/not relevant

2

3

4

5= most important/absolutely relevant

1. COMPANY BASIC DATA

1.1 Company name:

1.2 When was the company
founded?: _____ (year)_

Is the company registered?

☐ Yes ☐ No ☐ Registration in process

1.3 Address:

Phone number: _____

eMail: _____

Website: _____

1.4 Ownership

- ☐ 100% Mongolian
- ☐% owned by foreign partner

Name(s) of owner(s):

1.5. Company is managed by (years of industry experience)

- ☐ Owner(s) (.....years of industry experience)
- ☐ Employed manager(s) (.....years of industry experience)

- ☐ Mix of both (..... +years of industry experience)

1.6 Memberships

Member of the Wool & Cashmere Association?

☐ No

☐ Yes, since _____ (year)

Member of the Cashmere Council?

☐ No

☐ Yes, since _____ (year)

1.7. Support received from donor programs

Did you ever get any support from any donor program?

Which donor? _____

When? _____ (year)

What kind of support (e.g. training?)

1.8. Did you ever work with private consultants

- ☐ No
- ☐ Yes,

If yes, What kind of service did they offer
render for you:

2. FACILITIES/SPACE

2.1 Number of plants/ locations: _____

2.2 Estimated space available for:

Office: _____ sqm

Production: _____ sqm

Warehousing: _____ sqm

2.3. Buildings are

- ☐ Owned
- ☐ Rented
- ☐ Partly owned, partly rented

3. PRODUCTS

3.1 What do you produce (please circle material)?

- Dehaired Cashmere/ Camel / Yak /wool
_____ % of total production
- Yarn (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Fabric (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Sweaters (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Jackets (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Skirts (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Coats, ponchos (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Shawls (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Scarves (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Blankets (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Caps, gloves, socks (Cashmere, Yak, Camel, Wool) or other accessories
_____ % of total production
- Felt products
_____ % of total production
- Carpets
_____ % of total production
- Other:

3.2 Final consumers. Products are made for

- Female: _____ %
- Male: _____ %
- Unisex: _____ %
- Kids: _____ %

3.2 Product composition

- _____ % of sales are from products made pure material (Cashm., Yak, Camel, Wool)

- _____ % of sales are from blended material

4. STAFF

4.1 What is the present average number of staff? Full-time: _____ Part-time: _____

What was the average staff number in 2011?

Full-time: _____ Part-time: _____

4.2 Do you reduce/lay-off staff outside the seasons?

- Yes
- No

4.3 Average age of staff: _____ years

4.4 Salaries

What is the average salary of your production workers? _____ USD per month

Salary components. The workers get

- only fixed salary
- variable salary
- mix of fixed and variable salary

Variable salary is based on

- Pieces produced
- Defect rates
- Other: _____

4.4 Staff qualification

How many % of your staff are

- Untrained: _____ %,
- Trained by the company: _____ %
- With experience from other companies _____ %
- Specialists in their fields, graduates: _____ %
- Other: _____ %

4.5. Specialists: Do you have ...?

- an own designer
- an own sales person
- an own marketing person
- an own accountant
- quality management specialist or quality inspection specialist

4.6. Language skills of owner and/or staff in the company

How many people in the company speak (for effective business communication)

- ☐ English (.....people)
- ☐ Chinese (.....people)
- ☐ Korean (.....people)
- ☐ Japanese (.....people)
- ☐ Russian (.....people)
- ☐ French (.....people)
- ☐ Italian (.....people)
- ☐ German (.....people)
- ☐ Other: _____ (.....people)

5. PLANNING AND VISION

5.1 Formalized planning: Do you have the following plans (in written) for your company?

- ☐ a long-term strategy (at least 5 years)
- ☐ a business plan
- ☐ an investment plan
- ☐ an annual financial plan
- ☐ an annual sales plan
- ☐ annual marketing plan
- ☐ an export strategy/plan

5.2 Where do you see your company in 5 years?

- ☐ More or less same as now (no expansion)
- ☐ Moderately grown (5-year growth in total: +%)
- ☐ Heavily grown (5-year growth in total: +%)
- ☐ Smaller, but more profitable

5.3. Where do you want to grow?

- ☐ Mostly on domestic Mongolian Market
- ☐ Mostly on international Markets
- ☐ On both markets

5.4. How do you want to grow?

- ☐ Higher prices
- ☐ More pieces sold in present markets
- ☐ More pieces sold to our present export markets

- ☐ Finding new customers in present market
- ☐ Selling to new markets
- ☐ Adding new products
- ☐ Other: _____

5.5 Which regions or countries would you target for exports?

- ☐ Whole EU
- ☐ Northern European countries
- ☐ Southern European countries
- ☐ North America (US, Canada)
- ☐ Japan
- ☐ Russia
- ☐ Korea
- ☐ Other: _____

5.6. Do you think your company is already sufficiently prepared for these export markets?

- ☐ Yes
- ☐ No, because....
 - a) _____
 - b) _____
 - c) _____

5.7. How do you want to expand your business capacity?

- ☐ New equipment for spinning, weaving, knitting, dyeing
- ☐ Hiring more staff
- ☐ Introducing another shift
- ☐ Replacing staff by machines
- ☐ Hiring specialists
- ☐ Training existing staff in technical skills
- ☐ Training staff in language skills
- ☐ Training staff in quality management
- ☐ Training staff in sales and marketing
- ☐ Other: _____

5.8 . What do you see as the biggest problem for your company to achieve your goals to grow

(Please rank by importance)

Ranking

1 = Most important

2 = second most important

3 =

- ☐ Lack of qualified staff
 - ☐ Lack of knowledge about markets and their requirements
 - ☐ Lack of marketing know-how
 - ☐ Lack of financial resources for investments in new equipment
 - ☐ Lack of financial resources for working capital
 - ☐ Lack of supply of yarn in our colours and quantities in Mongolia
 - ☐ Lack of an own brand name
 - ☐ Lack of buyer information to access foreign markets
 - ☐ Dependence on few customers
 - ☐ Low quality of own products
 - ☐ Competition with cheaper Chinese manufacturers
 - ☐ Lack of manufacturing skills
 - ☐ Lack of language skills
 - ☐ Lack of design skills
 - ☐ Lack of production know-how
 - ☐ No guaranteed/stable supply of raw material
- Others: _____
- ☐ _____
 - ☐ _____
 - ☐ _____
 - ☐ _____

6. FINANCE**6.1. Do your work with normal bank loans?**

- ☐ Yes
- ☐ No

6.2. Did you recently apply for a loan from

- ☐ Government,
- ☐ ADB
- ☐ other international organisations. Please specify _____
- ☐ Commercial banks

6.3 Company recently got a loan from:

Interest rate p.a.: ____%

6.4. Applied for loan (but did not receive)

from: _____

Interest rate p.a.: ____%

Application officially rejected because of (reasons): _____

7. PRODUCTION**7.1 What is your maximum capacity?**

_____ (number of pieces or tons of material)

in _____ shifts per day

7.2. Total production in 2011

Number: _____ (pieces)

Weight (wool). _____ (kg)

or alternatively

- ☐ Below 3000 pieces
- ☐ 3000-5000
- ☐ 5000-10 000
- ☐ 10 000-30 000
- ☐ More than 30 000

Other: _____ (specify kg or tons)

7.3. Do you outsource (sub-contract) production from other companies?

- ☐ No, never
- ☐ Yes, regularly
- ☐ Yes, sometimes

7.4 Production planning

- ☐ Production is only order-based
- ☐ Production on stock for own direct sales
- ☐ Mix of both
- ☐ Other: _____

7.5. Do you use any IT-system for production planning and steering?

- ☐ Yes

- No

7.6. Do you plan to invest into your production

What kind of investment?

- Buildings (renovation, new)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)
- Equipment (replace, additional)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)
- Systems (new, updating)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)
- Eco-related (certification)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)

8. EQUIPMENT

8.1 Average age of equipment: _____ years

8.2 What type of equipment?

- Spinning: No, machine manufacturer

- Weaving: No, machine manufacturer:

- Knitting (Please circle: computer-programmable, normal, hand-driven)
 No., machine manufacturer:

- Washing

- Sewing

- Other: _____

9. PURCHASING

9.1 Do you import raw material, Yarn or finished products (e.g. from China) to sell them unprocessed on the domestic market?

- No
- If Yes, what kind of and from where:
 - a) Product: _____
imported from: _____
 - b) Product: _____
imported from: _____
 - c) Product: _____
imported from: _____
 - d) Product: _____
imported from: _____

If yes, do you do this

- Regularly or
- Occasionally?

9.2 %age of domestic and foreign suppliers (each group adds up to 100%)

- Wool:
 - a) Domestic suppliers: _____%
 - b) Imports: _____%
- Yarn:
 - a) Domestic suppliers: _____%
 - b) Imports: _____%
- Finished products
 - a) Domestic suppliers: _____%
 - b) Imports: _____%
- Other (zippers, buttons etc.)
 - a) Domestic suppliers: _____%
 - b) Imports: _____%

9.3. Do you outsource finished products from other Mongolian manufacturers?

- Yes, regularly
- Yes, sometimes
- Never

9.4 Why do you outsource?

- Sometimes we do have not enough capacity
- Buyer wants to buy too small quantities that are too costly to produce

- We need certain products that we cannot produce ourselves to complement our own collection
- Other: _____

6.6 Do you import finished products from other countries?

- Yes, from (country): _____

- No

10. SALES & EXPORT EXPERIENCE

10.1. Total sales (turnover) in USD (year):

2011: _____ USD

Thereof% .export

2010: _____ USD

Thereof% .export

2009: : _____ USD

Thereof% .export

10.2. How much did your sales volume

increase (in pieces or kg) in the last three years compared to the previous year?

- 2009: %
- 2010:%
- 2011:%

10.3 Where did you mostly achieve this growth?

- Mostly on domestic Mongolian Market
- Mostly on international Markets. Which Countries: _____

10.4. How much of your production (pieces) is sold

- to Mongolian customers: _____% of total sales
- to Tourists in Mongolia: _____% of total sales
- to Mongolian trading houses exporting these goods: _____% of total sales

- to Export markets: _____% of total sales

10.5 Customer structure (vulnerability; dependence on few customers)) (please add number of customers)

- We make 80% of our total sales with customers (number of customers)
- We make 80% of our domestic sales with customers (number of customers respectively final consumers))
- We make 80% of our export sales with customers (number of customers)

10.6. How much of last year's (2011) production is still on stock (unsold):%

Why is it unsold?

- Orders were cancelled
- Our sales projection were too optimistic
- We got many rejects due to quality problems
- Our design was not liked by consumers, retailers gave our merchandise back
- We started our production too late
- We do not sell unsold products for cheaper prices anywhere
- Other: _____

10.7. If you export, what are your company's export sales channels?

- Foreign Distributors/importers
- Mongolian trading houses as exporters
- Own shop in another country
- Direct foreign customers (Department store, retail outlets _____)
- Direct sales to customers via internet _____
- Direct final consumers
- Foreign customers pick up goods from our factory
- Others _____

10.8. Are you planning to do web-based sales

- Yes
- No

10.9 What would you do if a serious foreign buyer would place an order that would use more than 60% of your capacity or go beyond your capacity :

- We would accept the order and find an internal solution to fulfil it (e.g. extra shifts etc.)
- We would reject it because we don't want to depend on one customer and one big order.
- We would reject it because we would feel overcharged and do not want to cover the risk
- We would ask other companies to cooperate with us to fulfil this order
- We would outsource from other companies without giving details to the customer or the other companies.
- Other: _____

10.10. In case contacts with potential foreign buyers did not results in export sales? What do you think were the reasons?

- We have never been in touch with a foreign buyer
- We had contacts with potential foreign buyers .but did not close a deal because:.....
- Our price was too high
 - Our quality was not sufficient
 - We were not able to provide required certification
 - Potential buyer did not like our samples
 - We could not guarantee the quantity required by the potential buyer
 - Buyers required product features we were not able to produce
 - Buyers required quantities that were too low for us
 - We could not agree on terms of payment and delivery
 - We were not able/willing to provide samples for free
 - We were not in a position to provide marketing support/material to the buyers
 - We could not comply with buyers eco demands

- Potential buyers were not really serious or not trustworthy
- Other: _____
- We don't know why we did not get an order (Unknown reasons)

10.11. What do you think does an export market require from you to be successful there?

Please score

1 = Very important for export markets

2 = important

3 = Don't know

4 = Not very important

5 = Absolutely unimportant for export markets

- Reliable delivery (time, quantity, quality, destination)
1 2 3 4 5
- Flexibility
1 2 3 4 5
- Certified product quality
1 2 3 4 5
- Competitive prices
1 2 3 4 5
- A certified Mongolian origin
1 2 3 4 5
- Certified Eco-friendliness of products and production processes
1 2 3 4 5
- Own design matching fashion trends
1 2 3 4 5
- Attractive financial terms for buyer
1 2 3 4 5
- Other: _____
1 2 3 4 5
- Other: _____
1 2 3 4 5

11. QUALITY

11.1 Is your company certified within any standard quality management system (e.g. ISO 9001, ISO 14001)?

- ☐ No
- ☐ Yes,
for: _____

11.2. Are you interested in getting a premium quality certificate for your products

- ☐ No, we don't need it
- ☐ Yes

11.3 Would you allow an outside certification inspector to regularly check the quality of your products and see whether they comply with defined criteria and standards of the certificate (fibre diameter, fibre length, Mongolian origin)?

- ☐ No
- ☐ Yes

11.4. Would you pay for this certification?

- ☐ No
- ☐ Yes

11.5. Do you have a system (e.g. checklists) for separate quality auditing of shipments before release?

- ☐ No
- ☐ Yes

11.6. Do you use fabric testing labs

- ☐ No, never
- ☐ Yes, upon own initiative
- ☐ Yes, when the customer requires it

11.7. What was your average defect rate on finished products at the final inspection (2011): _____ % of all products at final inspection had a defect and were not delivered.

11.8. How do you do to ensure quality before delivering to customers (can cross-mark several)

- ☐ 4-eye principle
- ☐ All items are checked
- ☐ Random check
- ☐ Analysis/certification by laboratory (lab name: _____)
- ☐ Our products are checked by customers' inspectors coming to Mongolia
- ☐ Other: _____

11.9. What was your 2011 average rate of rejects from your customers (pieces sent back) as % of all pieces delivered to customers)?

- Mongolian customers: _____ % of total no. of pieces delivered were rejected
- Foreign customers: _____ % of total pieces delivered

11.10. Do you think that a normal/average consumer in Western markets can see the difference between top quality and low/medium quality of.....?

- Cashmere garments? ☐ Yes ☐ No
- Camel garments? ☐ Yes ☐ No
- Yak garment ☐ Yes ☐ No
- Wool garments ☐ Yes ☐ No

If no, why would he then pay a premium price?

- ☐ He thinks; What expensive is, must be good.
- ☐ He trusts that the shop what not overprice goods
- ☐ He trusts the brand
- ☐ He thinks that Cashmere must be expensive
- ☐ He doesn't care
- ☐ Other: _____

11.11. How would you rate the overall quality of your products?

Our product quality is sufficient for

Use the following scoring
 1 = for low-end domestic market
 2 = for normal domestic market
 3 = for low end Western market

4 = for medium Western market
5 = for top-quality Western brands

- Dehaired Cashm./ Camel / Yak /wool:_____
- Yarn (Cashmere, Yak, Camel, Wool):_____
- Fabric (Cashmere, Yak, Camel, Wool):_____
- Sweaters (Cashm., Yak, Camel, Wool):_____
- Jackets (Cashmere, Yak, Camel, Wool):_____
- Skirts (Cashmere, Yak, Camel, Wool):_____
- Coats/ponchos (Cashmere, Yak, Camel, Wool):_____
- Shawls (Cashmere, Yak, Camel, Wool):_____
- Scarves (Cashmere, Yak, Camel, Wool):_____
- Blankets (Cashmere, Yak, Camel, Wool)_____
- Caps, gloves, socks (Cashmere, Yak, Camel, Wool)_____
- other accessories (_____):_____
- Felt products:_____
- Carpets:_____
- Other:_____

11.12. In case....why do you think your quality is sufficient for Western markets?

- ☐ We are already regularly exporting
- ☐ We are certified
- ☐ We got positive feedbacks on trade fairs
- ☐ We were visited by Western buyers
- ☐ We send samples to Western buyers
- ☐ We were/are in negotiations with western buyers
- ☐ Our products are bought by Western tourists in Mongolia
- ☐ Other:_____

11.13. In case..... why do you think your quality is not sufficient for Western markets?

- ☐ We have no experience with these markets
- ☐ We don't know what the markets require
- ☐ Our attempts to export failed
- ☐ Western buyers were telling us that the quality is not sufficient
- ☐ We have difficulties to ensure consistent quality (equipment, raw material)
- ☐ We can't to upgrade our production equipment and processes
- ☐ Our workers are not skilled enough
- ☐ Other:_____

12. MARKETING

12.1. Who is in charge of marketing?

- ☐ (function)_____
- ☐ Nobody

12.2. Does the company regularly collect information on export markets?

- ☐ Yes
- ☐ No

12.3 What do you think? How important are for an average Western customer the following criteria for their decision to buy a specific Cashmere product.....?

Scoring:

1= not important at all

..

5 = absolutely important

- Brand name
1 2 3 4 5
- Price
1 2 3 4 5
- Origin (Mongolia)
1 2 3 4 5
- Eco-label
1 2 3 4 5
- The shop where the buy
1 2 3 4 5
- The product story
1 2 3 4 5
- Other:_____

12.4. How do/did you find your customers

- We did not look for the customer but the customers found us through his own research:
_____ % of our customers
- We did some research and were actively approaching customers (cold calls):
_____ %
- We met customers on trade fairs:_____ & of customers

- We were recommended by other customers:_____%
- Our suppliers recommended us:_____% of customers
- The Wool & Cashmere Association recommended us:_____%
- Other:_____ = _____% of customers

12.5. Company's knowledge about consumers. Do you have an idea about your final customers (consumers)

Mongolian market

- o Age group :_____
- o Gender:_____ % Female _____ % Male
- o Income group (H-M-L)._____
- o Fashion-oriented or conservative (circle)
- o Price-sensitivity: _____
- o Other: _____

Foreign market

- o Age group:_____
- o Gender: _____ % Female _____ % Male
- o Income group (H-M-L)._____
- o Fashion-oriented or conservative (circle)
- o Price-sensitivity: _____
- o Other: _____

12.6. How do you define your targeted final customers (consumers)

Scoring

H= High, M=Medium, L=Low

People who use our products are mostly:

- Nationality:_____
- Gender (male/female/both)._____
- Age group:_____
- Income group (H/M/L):_____
- Fashion-oriented (H/M/L):_____
- Stylish (H/M/L):_____
- Quality-oriented (H/M/L):_____
- Price-sensitive:_____
- Modern/conservative:_____
- Heavy/low spending on clothes:_____
- Urban/small cities/rural._____

12.7. Are you sure that your products match your target customers definition?

- o Yes
- o No

Why not?

12.8. Why do customers buy your products?

Please rank:

1= least relevant 5 = most relevant

Mongolian customers:

- o Brand name
1 2 3 4 5
- o Quality
1 2 3 4 5
- o Price
1 2 3 4 5
- o Design
1 2 3 4 5
- o Mongolian origin
1 2 3 4 5
- o Availability
1 2 3 4 5
- o Other: _____

Foreign customers:

- o Foreign Brand
1 2 3 4 5
- o Quality
1 2 3 4 5
- o Price
1 2 3 4 5
- o Design
1 2 3 4 5
- o Mongolian
1 2 3 4 5
- o Other: _____

12.9. Present Brand

Do you have an own registered brand name:

- o Yes. Name: _____
- o Yes, but not yet registered:
Name:; _____
- o No

12.10. Do you think that your brand is known to consumers?

- In Mongolia ☐ Yes ☐ No
- In foreign markets: ☐ Yes ☐ No

12.11. Does your brand name play an important role to decide your fashion style?

- ☐ Yes
- ☐ No

12.12. What kind of marketing activities are you undertaking?

Scoring

1 = Never

2 = almost never

3 = seldom

4 = sometimes, irregular

5 = Always

- Searching for new customers (internet etc) and making cold calls_____
- Trying to meet potential customers on trade fairs:_____
- Sending unrequested samples to potent. buyers:_____
- Asking suppliers (yarn) for support:_____
- Develop own product catalogue and send it to potential buyers_____
- Cooperate with other companies to jointly look for new buyers_____
- Ask existing buyers for help to look for buyers (reference):_____
- Participate in fashion shows:_____
- Ask Mongolians living abroad for help to arrange contacts with buyers:_____
- Placing ads in local newspapers, magazines _____
- Placing ads in foreign newspapers, magazines _____
- Bill board advertising:_____
- Participating in joint advertising organized by the Association;_____
- Radio, TV spots:_____
- Having own company brochure_____
- Having/updating own website:_____
- Other:_____

12.13. Where do you look for market information?

- ☐ Attending national trade fairs, fashion shows
- ☐ Visiting international trade fairs (Which ones? _____)
- ☐ Reading industry magazines
- ☐ Doing internet research
- ☐ Discussing with other companies
- ☐ Talking with suppliers (yarn etc.)
- ☐ Talking with customers
- ☐ Other (please specify):_____

12. 14.Did somebody from your company participate in marketing training?

- ☐ No
- ☐ Yes. Who (function)?_____
- Topic of training:_____

Who organized the training?

Who gave the training?

12.15. How does the company make price decision?

- ☐ Best guess
- ☐ Detailed calculation (full costs +profit margin)
- ☐ We try to match customer's expectations
- ☐ We use competitors' prices
- ☐ We use purchase price of raw material x weight of finished product x factor x for production costs and profit margin (standard costing)
- ☐ Other:_____

12.16. Where do you see your product prices?**On Mongolian market**

- ☐ Higher end
- ☐ Medium
- ☐ Lower end

On export markets

- ☐ Higher end
- ☐ Medium
- ☐ Lower end
- ☐ We don't know

12.17. Whom do you see as your main competitors?

- **On the domestic Mongolian market our main competitors are:**

Our domestic competitors compete mostly on

- ☐ Brand image
- ☐ Marketing, promotional activities
- ☐ Price
- ☐ Quality
- ☐ Design
- ☐ Market presence, availability (Shop space, merchandising)
- ☐ Distributor's margin and terms of payment
- ☐ Other: _____

- On international markets or main competitors (incl. Mongolian companies) are:

Our competitors on international markets compete with us mostly on

- ☐ Brand image
- ☐ Marketing, promotional activities
- ☐ Price

- ☐ Quality
- ☐ Design
- ☐ Availability (Shop space, merchandising)
- ☐ Distributor's margin and terms of payment
- ☐ Other: _____

12.18 What kind of marketing media do you use?

- ☐ Company image brochure
- ☐ Product catalogue
- ☐ Media ads
- ☐ Internet ads
- ☐ Give-aways
- ☐ Free samples
- ☐ Other: _____

13. PRODUCT IDEAS AND DESIGN**13.1. Do you use computer-aided design technology?**

- ☐ Yes
- ☐ No

13.2. Origin of designs :**Of the total production**

- Designs provided by its **local** customers : _____ % of total production
- Designs provided by its **foreign** customers : _____ % of total production
- Company's own designs _____ % of total production

13.2 In case of new design how long does it take you from the drawboard/computer to producing a product sample

Average: _____ days

13.3. Which sources are you using to develop own ideas for new product and design?**Where do you get your ideas from?**

1 = No, never used
2 =
3 = Sometimes used
4 =
5 = always used, very relevant

- | | | | | | |
|------------------------------|---|---|---|---|---|
| ○ Internet research | 1 | 2 | 3 | 4 | 5 |
| ○ From buyers | 1 | 2 | 3 | 4 | 5 |
| ○ From suppliers (yarn etc.) | | | | | |
| ○ Association | 1 | 2 | 3 | 4 | 5 |
| ○ Trade magazines | 1 | 2 | 3 | 4 | 5 |
| ○ Fashion magazines | 1 | 2 | 3 | 4 | 5 |
| ○ Domestic market | 1 | 2 | 3 | 4 | 5 |
| ○ Import products | 1 | 2 | 3 | 4 | 5 |
| ○ Local competitors | 1 | 2 | 3 | 4 | 5 |
| ○ Fashion shoes | 1 | 2 | 3 | 4 | 5 |
| ○ Foreign producers | 1 | 2 | 3 | 4 | 5 |
| ○ Trade fairs | 1 | 2 | 3 | 4 | 5 |
| ○ Other: _____ | | | | | |
| | 1 | 2 | 3 | 4 | 5 |

13.4. What kind of design do your products have?

(please provide % of total production)

- Classic Mongolian design_____%
- Modern Mongolian design._____%
- Fashionable Western design._____%
- Classic Western design_____%
- Other:_____ %

13.5. Does your company regularly introduce new collections to the market?

- ☐ No
- ☐ Yes

If yes, which ones:

- Autumn/Winter
- Spring/ Summer
- Cruise collection
- Other:

13.6. Which 3 foreign markets do you see as most important to your company and for

which kind of products (type, material) for these markets?

- Country: _____
Products: _____

- Country: _____
Products: _____

- Country: _____
Products: _____

14. INTEREST IN BRANDING

14.1 Do you have an own brand name for your products?

- Yes: _____(brand)
- No, but we use our company name
- No, not at all

14.2. If you have a brand name: Is it officially registered in Mongolian IPO?

- ☐ Yes
- ☐ No

14.3. Do you know what a registration means respectively why it is necessary?

- ☐ Yes
- ☐ No

14.4. If you don't have a brand name, why didn't you develop it?

- No idea, no time
- We don't need it because we can sell without a brand name
- Other reasons:

14.5 How much of your total products were sold (in 2011) unbranded/branded? Total = 100%

- Unbranded/no name _____%
- Branded (same label for all markets) _____%
- Brand only for Mongolian market: _____%
- Company's own brand only for Export: _____%
- Foreign customers' brand(s)/label: _____%
- Others: _____%

14.6. How much do you agree with the following statements?

Please score:

- 1 = fully **dis**agree
- 2 = More or less agree
- 3 = Don't know, no opinion
- 4 = More or less disagree
- 5 = Fully agree

- A new international brand for high quality products from Mongolia should be introduced to help fibre companies export
1 2 3 4 5
- We don't need for ourselves a new international brand that other companies can also use
1 2 3 4 5
- We can develop our export ourselves without any support
1 2 3 4 5
- Only certified products should get the new premium quality label
1 2 3 4 5
- We export without a label and are satisfied with this
1 2 3 4 5
- A license fee should be paid by any company for using this brand (e.g. 0.02 cents per label)
1 2 3 4 5
- The certification should be done by the Wool and Cashmere Association
1 2 3 4 5
- Entering a foreign market under own brand is too expensive for us
1 2 3 4 5
- The certification should be done by an independent institution
1 2 3 4 5

14.6. Do you think an own brand would help your company to sell more?

On Mongolian market

- ☐ Yes
- ☐ No

On foreign markets

- ☐ Yes
- ☐ No

14.6 Would you spend money on developing an own brand for your company (costs for developing a label, tags, etc.)?

- ☐ Yes
- ☐ No

15. ENVIRONMENTAL ASPECTS

Eco-Questions; How environment-friendly are the company's products and production processes.

Scoring:

1= not important at all

..

5 = absolutely important

15.1 What do you think? How important is for the average Western customer's product selection the eco-friendliness of the product or production process?

Importance: 1 2 3 4 5

15.2 Did any foreign company ever ask you to fill in a questionnaire about eco-related issue as a precondition to buy from you?

(e.g. treatment of your waste water, energy consumption, chemicals used etc)?

- ☐ Yes
- ☐ No

15.2 Do you know what international buyers require from Mongolian companies in terms of eco-friendly production and products

- ☐ Yes
- ☐ No

15.3 Do you think you fully comply with international eco standards?

- ☐ Yes
- ☐ No

Where do you see deviations?

15.4 Do you think your company fully complies with Mongolian environmental regulations?

- ☐ Yes
- ☐ No

Where do you see deviations?

15.5 Are you going to solve the present problems within the next 2 years?

- ☐ Yes
- ☐ No

16. COMPANY STRENGTHS AND WEAKNESSES

Please rank

- 1 = most important strength
- 2 = second most important strength
- 3 = third most important strength
-

16.1. What do you see as particular strengths of your company?

- ☐ Production capacity
- ☐ Modern equipment
- ☐ Skills of the workforce
- ☐ Flexibility
- ☐ Quality
- ☐ Brand

- ☐ Design
- ☐ Certified eco-friendliness
- ☐ Secured raw material supply
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

16.2. What do you see as particular weaknesses of your company?

- ☐ Lack of funds for investment
- ☐ Lack of funds for working capital
- ☐ Lack of secure raw material supply in right quantity and quality)
- ☐ Lack of space
- ☐ Lack of good design
- ☐ Lack access to foreign markets
- ☐ Lack of experience in foreign markets
- ☐ Lack of marketing know-how
- ☐ Lack of modern equipment
- ☐ Lack of skilled workers
- ☐ Lack of language skills
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

17. PERCEIVED NEEDED SUPPORT

Please rank by order of importance in each group

- 1 = most important
- 2 = second most important
- 3 = third most important
-

17.1 Technical support**Note:** This does **not** mean any financial/material support from the project!**(Please rank by order of importance)**

We think that our company urgently needs

- ☐ Advice on product finishing

- ☐ Advice on selection of right equipment
- ☐ Specific technical advice , e.g. on dying
- ☐ Advice on design
- ☐ Advice on sizing
- ☐ Advice Raw material selection and processing
- ☐ Ad-hoc advice on all kinds of quality problems (call center approach)
- ☐ Training on use of specific equipment
- ☐ Training on General management
- ☐ Training on quality management
- ☐ Training on production planning
- ☐ Training on logistics
- ☐ Training on improving production efficiency
- ☐ Workshops with other companies on quality
- ☐ Manuals on most common quality defects
- ☐ Other: _____
- ☐ _____
- ☐ _____
- ☐ _____

17.2 Marketing support

Note: This does not mean any financial/material support from the project!

(Please rank by order of importance)

- ☐ Developing an own brand (incl. brand collaterals)
- ☐ Improving existing own brand (incl. brand collaterals)
- ☐ Develop own website
- ☐ Improve own website
- ☐ Training on basics of marketing (what is marketing and how to do it)?
- ☐ Information on foreign markets
- ☐ Training on how to do market research
- ☐ Contacts with foreign buyers (matchmaking)
- ☐ Information on fashion trends
- ☐ Better pricing strategy
- ☐ Export strategy
- ☐ Use of media
- ☐ Use of samples
- ☐ How to prepare for trade fairs
- ☐ Merchandising in Mongolian shops
- ☐ Installing a factory outlet
- ☐ Doing internet-based market research

- ☐ Developing company brochures and product catalogues
- ☐ Support for trade fair visits
- ☐ Other: _____
- ☐ _____
- ☐ _____
- ☐ _____

18. FINAL QUESTIONS:

Please spontaneously express your opinion on the following statements

Scoring:

1= Fully agree

2 = Agree more or less

3 = Don't know, cannot answer, no opinion

4 = Disagree more or less

5 = Fully disagree

- We are seriously interested in exporting
1 2 3 4 5
- We would spend money for entering an export market (costs for marketing, travel, trade fairs, samples etc.)
1 2 3 4 5
- We know what we need to grow (higher sales, higher profits)
1 2 3 4 5
- We don't need a new brand for our products
1 2 3 4 5
- It would be a good idea to have a joint brand for premium quality Mongolian products that all eligible companies can use for export markets
1 2 3 4 5
- Products should be officially certified to use the brand
1 2 3 4 5
- If the brand is successful we would pay money for certification of our products to be allowed to use the brand
1 2 3 4 5
- To enter a foreign market we don't need a Mongolian premium brand
1 2 3 4 5
- We don't want to have our products certified by an institution

- 1 2 3 4 5
- We are willing to cooperate with other Mongolian producers
1 2 3 4 5
 - We know all our markets and our customers quite well and don't need additional information
1 2 3 4 5
 - We would allow an independent Institute to inspect our products in order to get a quality certification
1 2 3 4 5
 - We are interested in sharing our experience with other Mongolian producers
1 2 3 4 5
 - We want individual support to our company and are do not cooperate with other companies
1 2 3 4 5
 - Every company should find its own way to foreign markets
1 2 3 4 5
 - We are interested in a diagnosis of our company to find improvement potential
1 2 3 4 5
 - We want to become premium quality exporter
1 2 3 4 5
 - We are worried that competitors/outside could get information on our business if we cooperate too closely
1 2 3 4 5
 - We think Mongolia has a good chance to become a premium quality exporter to developed Western markets
1 2 3 4 5
 - Having all quality producers under one brand is a good idea
1 2 3 4 5
 - Branding is not really an issue for our company
1 2 3 4 5
 - The concept of having one brand for all companies producing top quality is confusing
1 2 3 4 5
 - We would rather have better financial conditions than marketing and branding support
1 2 3 4 5
 - Only big companies would benefit from a joint premium brand for quality products
1 2 3 4 5
 - We want to concentrate on the Mongolian market
1 2 3 4 5
 - A premium brand for all companies producing premium quality should not require certification of products
1 2 3 4 5
 - Establishing an independent certification institute for product quality certification is not really needed
1 2 3 4 5

Annex 10: MNF Certification Mark Registration in Mongolia



TRANSLATION

MONGOLIA
TRADEMARK CERTIFICATE

No. 10876
(Certification mark)

Pursuant to the Decree of the General Director No. 47 of 2013 of the Intellectual Property Office of Mongolia the present Certificate is granted to recognize the exclusive rights for the trademark:

Trademark:



MONGOLIAN NOBLE FIBRE®

Limitation in respect of the words and figures: ®

Application number: 12199

Filing date: 2012.12.10

Priority date: --

Name of the owner: Ministry of Industry and Agriculture of Mongolia

Address of the owner:

Period of validity: 2022.12.10

International classification of goods and services: 22, 23, 24, 25, 35

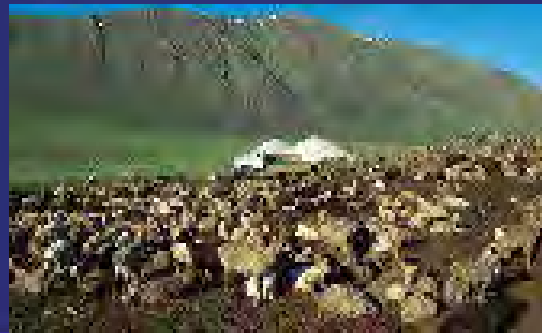
**GENERAL DIRECTOR OF THE
INTELLECTUAL PROPERTY OFFICE
OF MONGOLIA**

N.CHINBAT

Ulaanbaatar city

Annex 11: Brand Management Organization Business Plan

Confidential Report



B1489 – February 2013

**TA-7139 (Mon) Agricultural Marketing and
Brand Development**

↳ **Business Plan of a Mongolian
Brand Management Agency**

Submission Date: 13th February 2013



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Abbreviations and Glossary

AC	Advisory Committee (of the AMBDP)
ADB	Asian Development Bank
AMBDP	Agriculture Marketing and Brand Development Project
ARDP	Agriculture and Rural Development Project
BMA	Brand Management Agency
B2B	Business to Business
CC	Chamber of Commerce
CCMI	Cashmere and Camel Hair Manufacturers Institute
EU	European Union
GIZ	Gesellschaft für Internationale Zusammenarbeit (formerly GTZ)
GoM	Government of Mongolia
HACCM	Hazard Analysis and Critical Control Points
HG	Herders Group
IPOM	Intellectual Property Office of Mongolia
KPI	Key Performance Indicators
LAN	Local Area Network
MD	Managing Director
MNET	Ministry of Nature, Environment and Tourism
MFS	Mongolian Fibremark Society
MNF	Mongolian Noble Fibre
MNT	Mongolian Tugrik
M&E	Monitoring and Evaluation
MoED	Ministry of Economic Development
MoIA	Ministry of Industry and Agriculture
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTA	Mongolian Tanneries Association,
MTI	Mongolian Textile Institute
MWCA	Mongolian Wool and Cashmere Association
NGO	Non-governmental Organization
OJT	On-the-job training

PE	Participating enterprise
PMU	Project Management Unit
PSC	Project Steering Committee
QPR	Quarterly Progress Report
RID	Rural Infrastructure Development
RTI	Research and Development Institute of Light Industry
SDC	Swiss Development Corporation
TA	Technical Assistance
TL	Team Leader
ToR	Terms of Reference
UB	Ulaanbaatar
UK	United Kingdom
URL	Uniform Resource Locator
US	United States
USAID	United States Agency for International Development
USP	Unique Selling Proposition
VCD	Value Chain Development

GLOSSARY

aimag	Province: highest sub-national administrative unit
soum	District: administrative level below aimag
bagh	Smallest administrative unit

Preface

This proposed Business Plan for a Mongolian Brand Management Agency (working name) was requested from the project team by the Terms of the Reference of the Agricultural Marketing and Brand Development Project (AMBDP). The project started in September of 2011 and will end in June 2013 after a 4-month extension phase.

The AMBDP consists of a) Brand development, b) technical support for Mongolian companies to achieve the necessary quality level ("brand-ability"), c) matchmaking with buyers on Export markets and d) development of this business plan to establish and operate a Brand Management Agency (BMA) which is to ensure sustainability of the project results through replication of the processes, development of methods and tools and development and implementation of marketing strategies.

The original idea of creating brand partnerships between Mongolian brands and established high-end brands proved to be unrealistic. Collaborative branding needed to be redefined as ingredient branding. For the fibre sector "Mongolian Noble Fibre" was developed by the project and registered as certification mark owned by the Ministry of Agriculture

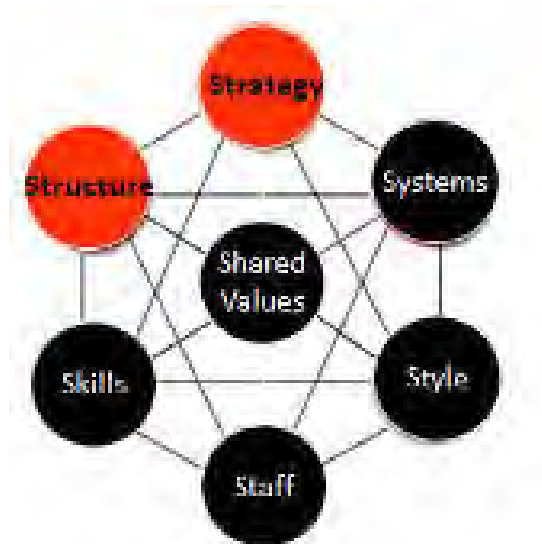
The Business Plan is based on the assumption that the Brand Management Agency (BMA) can be established in the course of 2013. The word "Agency" does not necessarily suggest that the institution should be a Government Agency. As the discussion on the legal form and the funding of the BMA is still on-going the Business Plan has to be such that several legal forms are possible without jeopardizing the mission and the tasks of the institution. However, the AMBDP team is suggesting establishing the BMA as a non-profit non-governmental organisation. This legal form will facilitate that the institution can fulfil its mission and meet its objectives.

In 2008 a USAID project attempted to establish a similar institution – the Fibremark Society - to manage 2 Cashmere certification marks. The lessons learned from this failed attempt were of major consideration for the design of this business plan. Four major issues lead to the failure:

- The fact that the institution was established as a membership organisation ("Society" in the sense of an Association) for Mongolian companies leading to the dominance of a few larger companies
- The fact that no internationally accredited testing lab could be established in Mongolia
- The lack of official support to the institution neither from Associations nor from the Government
- The lack of funding which made the Fibremark dependent on the unlimited sale of certification labels to high-volume/low-quality companies.

The Business Plan has to be designed such that these mistakes are avoided so that the BMA has the best chance for survival in particular in the difficult first 2 – 3 years of its existence.

In any case the decision makers on the question whether this Business Plan will be approved and the resources be provided need to pay attention to the fact that building even a small organisation is not just a question of hiring some staff and defining their objectives and tasks. It is a complex undertaking requiring work on 7 basic elements (as defined by McKinsey, see graphic below).



Each element is connected with the 6 others. Any decision made on one of these elements has an impact on the other ones or differently phrased if the strategy is changed the structure of the BMA, its staff and so on need to follow this change. In other words, even with a perfect Business Plan an organization is doomed to fail if those taking decisions on the organisation do not bring these interdependent elements into the necessary balance. Defining the necessary skills that fit the strategy and the structure but then placing staff that does not possess these skills will lead to an organisation that is not able to perform its tasks and will eventually become a lost second chance to better position Mongolian agricultural products on the global market and thus a failed investment.



Executive Summary

The Mongolian Brand Management Agency (working name) is proposed to be a non-profit organization operating for various agricultural sectors processing and using Mongolian quality agricultural raw material, namely leather and exotic fibres. The scope of the work can be expanded to other sectors such as food & beverage. Establishing the BMA is not intended to constitute any kind of competition to existing private sector institutions. It will serve the whole sectors and its focus is purely technical.

a. Market opportunities and strategy

The international market for premium quality agricultural products offers a tremendous opportunity for Mongolia in terms of growth in income and jobs. Cashmere, Yak and Camel products unlike the other great Mongolian export successes in mining, provide jobs all along the value chain, significantly among the herders, a group particularly vulnerable to the globalizing economy.

Due to Mongolia's proven competitive advantage some small Mongolian fibre goods manufacturers already managed to get a foothold on foreign markets. Mongolia is the second largest exporter of Cashmere in the world and in general holds a positive image internationally as a pastoral, eco-clean land. For these reasons, the Mongolian fibre industry must become more active now to position itself in the international market.

Similar chances exist for the leather and the food & beverage sector.

The task of the Brand Management Agency (BMA) will be to support the sector to achieve the necessary international competitiveness.

b. Needs of Mongolian agricultural companies

For fibre companies the domestic market is increasingly getting oversaturated. Export would offer new business opportunities but Mongolian Agricultural companies have rarely, not sufficiently or never been exposed to the challenges and demands of competition on developed international markets. Mongolian companies are in most cases not competitive and need to be made fit for export markets through technical and marketing support. Compared to Chinese competitors Mongolian companies have no chance to achieve the necessary economies of scale to compete on price in volume markets. Therefore, they need support to target high-end markets through focus on quality and unique Mongolian raw material features.

c. Branding

Brands are a promise of reliable quality and other features customers want to be assured of. Branding offers a chance but gives no guarantee to raise the international awareness and create interests in and desire for Mongolian agricultural products.

The BMA will help Mongolian exotic fibre processors and garment manufacturers to gain a foothold in the international markets and increase export (volumes and price), through managing premium quality brands capitalizing on Mongolia's potential competitive advantages in the high-end segment of the international apparel industry. The BMA will support Mongolian companies to produce brandable products.

The BMA will help companies in the leather sector (in the beginning mainly tanneries) as well as companies in food & beverage sector to catch up with stage of development that Cashmere companies already achieved.

d. Certification Marks

All Certification Marks will be registered under the name of the Ministry of Industry and Agriculture which will task the BMA with the execution of its ownership rights based on a legal service contract.

e. Mission of the BMA

The mission of the BMA is to promote Mongolian high-quality agricultural products on international markets by building and protecting the reputation of both raw material and finished products, implementing supporting marketing activities and to develop the domestic industry's competitiveness along the sectors value chain on all processing stages ("brandability").

The Agency will start with the Mongolian sector producing and processing Mongolian high-quality exotic fibres (Cashmere, Yak and Camel fibre).

f. Legal status of the BMA

It is suggested to establish the Mongolian Brand Management Agency around mid-2013 as a non-profit non-governmental organisation (NGO) in the form of a small independent institution without any kind of membership scheme. Among other advantages this legal status offers the possibility to pay competitive salaries and fees to attract and retain highly qualified and experienced experts. It also allows the involvement of all stakeholders (including foreign ones) in its governing Board. Another advantage is the possibility to attract financial support from donors.

g. BMA organization & management

The BMA will work closely with the Ministry of Agriculture on the basis of a service contract.

The BMA shall be composed of only a small number of fixed staff: The Managing Director, a PR & Marketing Expert, a Quality Expert and an Admin Assistant. Three Mongolian Sector Experts shall be employed on a temporary basis according to the demand for BMA services. Provisions shall be made to employ foreign experts on a short-term basis. The qualification of the Executive Director is of major importance for the long-term acceptance and development of the BMA.

h. Governance

The institution's charter (work in progress) shall stipulate the establishment of a Supervisory Board which shall set the BMA's strategic direction as well as to steer and control the activities of the BMA. The Government, private sector organisations (Associations) as well as private companies, both Mongolian and foreign, shall constitute the Board. The Supervisory Board is suggested to consist of 15 members. Building the BMA's international recognition and reputation requires that 4 members are foreigners representing prestigious international sector organisations (e.g. CCMI) and reputable commercial buying companies.

i. BMA services

The services are to raise the international reputation of Mongolian agricultural products (raw material and finished products) and to help companies to capitalize on this through improving their international competitiveness proven through their ability to earn the certification marks.

The BMA will act as a certification institution for the registered Mongolian premium brands respectively certification marks (Mongolian Noble Fibre and others to be developed for leather and food & beverage), provide a range of services that fall under the category of "agricultural marketing" and provide technical training and advice on quality.

The BMA will implement specific agricultural marketing programs on behalf of the Government.

The BMA is proposed to assume the function of Cluster Manager in case the Government decides to support such a cluster approach for the sectors.

j. BMA funding

The BMA will not be financially self-sustainable in the foreseeable future but will always require Government funding to a large extent. The BMA is established as a non-profit organisation serving the whole sectors not just members. The BMA will not be in position to generate sufficient income from its services to be financially self-sustainable. Companies will only pay for the BMA services once their value is proven to them. The BMA is mostly performing public services which in many countries (e.g. Canada) is (co-)financed by the Government. Therefore, the BMA will require almost 100% funding from the Government during its first two years. Thereafter the funding needs will be in the range of 400 – 500,000 USD (depending on the need to involve foreign experts) per annum. In any case, competition of the BMA with other institutions which are charging a price for similar services needs to be avoided.

The BMA shall try from the beginning to ask for co-financing from client companies for specific services not offered by other institutions. Starting from Year 3 the percentage of Government shall gradually be reduced.

k. Service Contract

Taking into consideration the importance of the agricultural sector for Mongolia, Government funding is justified because the BMA shall conduct tasks for agricultural sectors that in most countries are sponsored by the Government through programmes for technical support, export promotion and marketing. A formal contract between the MoIA and the BMA shall form the basis for services the BMA provides and the funding it receives from the Government. The contract would include that MoIA terminate any financial support to BMA in case of non-performance.

l. Workplan

The suggested workplan requires from the BMA to continue with the activities conducted under the AMBDP namely a) establishing the cooperation and working procedures with the testing labs, b) the international promotion of the brands/certification marks c) the provision of technical support to companies to become brandable (gaining certification), d) international registration of the certification marks, e) provision of training for the internationalisation of the companies, f) matchmaking between Mongolian and foreign companies through trade fairs and other measures.

m. Immediate objectives

The BMA's immediate objectives are to become fully operational by the end of 2013 (Charter, recruitment of staff, setting up the office, establishing Supervisory Board, ensuring additional funding) and to review the detailed workplan and detailed organisational manual describing all processes.

n. Testing Lab Issue

The availability of an internationally accredited testing is an indispensable precondition for introducing and promotion an internationally acknowledged certification mark for fibre. The same will be true for the other sectors.

Without the testing lab a BMA would not be in a position to perform its certification tasks and – eventually – would not have a reason to exist. In the case of fibre products for a limited period the Mongolian Textile Institute (MTI) and an international testing lab have to work in parallel on raw material, yarn and finished product testing until the MTI has gained its international accreditation. This means extra testing costs and requires skill building and investment into necessary equipment for the MTI. The MoIA is requested to provide the necessary support to the MTI.

o. Key factors for success

Key factors for success for the BMA are a) its reputation as neutral and independent quality-focused non-profit institution, b) the availability of an internationally accredited testing lab, c) the quality of the BMA staff, in particular the Managing Director and d) secured funding.

1. Competitive Advantage and Branding Strategy

This section identifies the country's competitive advantage in Cashmere, and then proposes the strategy for maximizing benefits from this competitive advantage. This includes the establishment of a certification mark, as well as two supporting project areas: facilitation of the creation of an independent testing laboratory and implementation of a collaborative marketing and promotion program. The approach laid out in this section forms the underpinning of the strategy underlying all the activities of the Brand Management Agency as described in the rest of the business plan.

1.1 Mongolia's competitive advantage.

Mongolia's main competitor on the international Cashmere market is China as the world's largest exporter of raw material, semi-finished and finished products. Italy and the United Kingdom are major players as manufacturer of yarn and garments and therefore also to be seen in the future as competitors for Mongolian garment producers.

Mongolian Cashmere is uniquely positioned on the international market to grow rapidly. To do this, it must capitalize on its major advantages. Product positioning, targeting the correct markets and raising quality standards are essential to success. Mongolia's advantages and differentiation as it relates to its competitors can be articulated in the following areas:

- *The last, great wilderness*. Mongolia's international reputation is growing as an untouched, vast land. As ecotourism interest grows, this image is becoming even more enhanced. International consumers are enchanted by Mongolia with its preserved pastoral land and a large proportion of the population still living as nomads. Western consumers find this image nostalgically and sensually appealing.
- *Environmentally friendly*. Environmentally observant business practices are increasingly important. Mongolia's production value chain has the potential to enjoy an environmentally positive image, which the Brand Management Agency must help to enhance.
- *Ethical*. Adherence to ethical production and business practices is becoming increasingly important. Mongolia is perceived to be relatively ethical compared to its main competitor, China.
- *Quality*. Chinese Cashmere is still considered the highest of quality; however, when collected and processed correctly, the Mongolian fibre can match this competition. Mongolian Cashmere can be processed into garments that are extremely desirable from the consumer's point of view.
- *Unique Cashmere colours*: Mongolia's unique 5 Cashmere colours in combination with the other features have a distinct advantage over raw material from other countries and are the basis for a premium brand with a convincing message to consumers.
- *Yak*: Mongolia is also home to special types of Yak fibre producing a highly unique light grey, white and blue. The international yak market is expected to have a bright future, because the wool is seen as an exotic fibre and fits into the recent revival of natural fibres. The fashion industry is looking for new and innovative fibres, with the potential for higher margins. Yak wool, which is warmer than sheep wool, might be the next natural fibre to be taken up by fashion designers.

- *Not China.* Mongolia's biggest competition ironically presents its greatest strategic advantage. As China's performance on quality, human rights and environmental standards have been questioned, its products' international reputations have been hurt. In contrast, Mongolia's reputation as a clean, positive unspoiled land offers a great alternative to China.

1.2 Importance of Certification Marks

Mongolia must capitalize on its Unique Selling Proposition (USP) by branding its image and communicating to buyers worldwide the advantages of its Cashmere and other exotic fibres (Yak, and Camel). The Certification mark serves as the guarantee and the messenger for these perceived values of Mongolian material.

The Mongolian Noble Fibre Certification mark is registered in Mongolia as property of the Ministry of Industry and Agriculture. The MoIA tasks the BMA with the execution of its property right. The MNF certification mark will also be registered in the EU, in the US, Japan and other relevant foreign markets.

Obtaining ownership execution rights of this legal mark is a strong base from which the BMA can launch a widespread marketing and promotion campaign.

1.3 Brand strategy

The AMBDP experts suggested that the special features of Mongolian Cashmere were worth a special name. Terms like Royalty and Nobility sprang to mind as effectively cashmere is the King of luxury fibres and ultimately it was felt that the word Noble has an intrinsic and powerful perceptual resonance with the Mongolian environment, culture, history and identity.

"Certified Mongolian Noble Fibre" is not intended to be a stand-alone brand rather what is termed an 'ingredient brand'. It is designed to complement the principle brand as an endorsement, confirmation of provenance, guarantee of quality and an assurance that the product is made from 100% pure Mongolian cashmere.

The value of this certification mark will be built through a) ensuring a consistent quality through the use of an internationally accredited testing lab and an inspection program, b) an attractive brand identification system c) a long-term brand awareness creation program in target markets, d) legal defense against fake and abuse, e) technical support for Mongolian manufacturers.

1.3.1 Starting situation

The original TOR of the AMBDP failed to address or recognise the underlying limitations of the quality of Mongolia's cashmere fibres and its reputation on the world market. Without government intervention Mongolian companies will find it extremely difficult to compete on the volume and lower end of the middle markets.

The introduction of the concept of MNF as a luxury fibre and the premium surcharges associated with the implementation will further compound this problem because the strategy to establish MNF as a premium luxury quality cannot be achieved within the time span of the existing project term.

The strategic concept is to identify the best of Mongolia's unique and exclusive region specific fibre types and then to cultivate and develop the quality until it reaches premium, sustainable standards, internationally accredited and commercially accepted. However, as it stands in December 2012 there is only one Noble fibre, 'Shinejinst white' of which only one company managed to get circa 400 kilos of spun yarn. To put this in perspective this represents around 1,000 knitted garments.

The proposal to feature Mongolia's unique region specific Cashmere types from Bayanadelger, Baataagaan, Durvuljin and Tsaganovoo as the Noble fibres will have to follow nature and factory process cycles. Breed selection and cultivation of these types will begin in early spring 2013 and the kids will be born in August and September. The first combings will be in the spring of 2014. It is however feasible that with training on sorting and grading that fibre will be available in spring of 2013 but most likely in relatively small amounts.

The project is required to fulfil its remit to have Mongolian branded products on the international markets by the end of the project in June 2013. Contingent upon finding sufficient volumes of 'special fibre' from these regions, they will then be subject to the normal process cycle: Sorting, washing, dehairing, (dyeing?), carding, spinning, yarn preparation, knitting and finishing. Realistically this will take up until September of 2013 as it did in the case of 'Shinejinst white.' This cycle once again falls outside of the remaining term of the project and needs therefore support from the BMA.

As stated above the concept of MNF as devised and intended cannot be implemented and completed within the time allotted to the project. However, It would be remiss and unwise to abandon the concept of MNF. The reaction at the 2012 Cashmere World Fair in Hong Kong and from several prominent brands that were contacted in connection with the development of MNF have shown that it is the correct strategy for the long-term identity of Mongolia as a source of premium quality fibres and for the reputation of Mongolian processors.

1.3.2 Multiple brands common in the industry

It is not uncommon that as a brand grows in popularity that it adopts a broader brand portfolio to meet the demands of the consumer and in particular his/her needs and purchasing power. Examples are:

Ralph Lauren

Polo Ralph Lauren and Ralph Lauren Black in men's and ladies wear have been able to maintain their integrity and image at the upper end of the scale in the premium middle market whilst at the same time introducing other brands such as Ralph Lauren Purple, RLX, RRL, Club Monaco, Chaps, American Living, and Ralph Lauren Rugby.

Armani

Jeremy often uses the example of the Armani 'House of Brands' portfolio, which extends from the sporty 'Armani Jeans', casual 'Armani Exchange', fashionable 'Emporio Armani', classic Armani Collezione, couture 'Giorgio Armani' to the ultimate super luxury brand 'Armani Privé'

United Brands

Scotland is widely recognised as the home of knitwear in both merino wool and cashmere and the town of Hawick is often endearingly referred to as the 'Home of Cashmere'. Most of Scotland's prestigious knitwear brands come from Hawick. The Edinburgh based 'Dawson International' the biggest knitwear group in the world, at one time, acquired the strong Hawick knitwear brands such as Pringle, Ballantyne, Barrie and McGeorge and established 'United Brands'.

The strategists, brand and image makers from the above-mentioned companies combined all the core elements of luxury, elegance, fashion, quality, demographics, age, price and life style into the thought process of constructing a cross brand portfolio to meet the specific needs and demands of their target markets.

1.3.3 MNF brand strategy

Quality variations

Mongolian Noble Fibre needs now to adjust its sights to accommodate the many facets of Mongolian quality. The overriding principle of MNF and the desire to establish an image based on premium certified quality should not be compromised. This could lead to the risk of failing in the same way as the fibre mark society did several years ago unless clear quality standards are established which are recognised and enforced what they stand for and represent.

The fineness of Mongolian cashmere is now recognised and classified internationally at between 16.5-17 microns, this compares with Chinese cashmere at 15-15.5 microns.

The original proposal to certify Mongolian Noble fibres as 15.6 +/- 0.3 microns will continue for the premium qualities but a compromise will have to be made in order to absorb the other acceptable qualities under the MNF banner.

Branding

The short-term expedient is to adopt the strategy of applying alternative brands under the MNF umbrella that meet the stated objectives. This is a task for the branding expert in extending the image of MNF and developing brands that fit the redefined quality standards. Quality criteria for the certification needs to be defined by the Cashmere experts and then two or three brand images have to be developed that fit the revised criteria. It may be an over complication to reach out for more than two brands at this time particularly in cashmere.

The third MNF image may be reserved for Yak.

The simplistic approach is to continue with MNF premium quality as proposed and MNF (2) as a general standard providing it is below 16.5 microns, which is the border-line definition for 'fine' cashmere. The QS tolerance should be 16.2 +/- 0.3 microns.

MNF (3) should apply to Yak where the AMBDP is experiencing most success and products can quickly be labelled after establishing the brand image.

Coping with the next buying cycle

In December (the time when this paper is being prepared) the Cashmere industry is about to enter the traditional period for prototyping. Typically the buyers work with the factories on the prototypes during December and January. The selections are done by the buyers in March and sample orders are then placed so that the agents of the sellers can show their collections before bulk orders are placed for delivery, commencing July, August and September.

The instruction from the AC to have garments in the stores with MNF brand collateral by March respectively June 2013 will only apply to the samples during this period.

The AMBDP team will have to negotiate a signed commitment from the buyers indicating their intention to feature MNF certified brand collateral.

2. Independent testing laboratories.

The question whether independent internationally accredited Mongolian testing labs exist in Mongolia determines not only the future of the BMA but also the chances of Mongolian premium quality agricultural products on international markets.

2.1 Necessity for independent testing lab(s).

The question of establishing the BMA as a certifying institution is closely connected to the availability of an internationally accepted/accredited testing laboratory.

Professional buyers are becoming increasingly sensitive as regards the raw material used for garments. Manufacturers in several countries have been identified for labelling products as 100% Cashmere while testing labs proved that they were using yarn made from a blend of cheaper wool and cashmere to save costs.

The question of which testing lab to use for analysing compliance of raw material and finished products with specified criteria and standards of a certification mark is one of the most difficult but also decisive ones for the Mongolian Noble Fibre certification mark. It is also closely connected to the whole concept of a Brand Management Agency as certification institution. A certification mark without certification institution would not make sense. On the other hand a certification institute needs a testing lab. When USAID tried to establish a certification mark owned by the Fibremark Society one of the reasons for its failure was the unresolved question of a truly independent and qualified testing laboratory. The idea of establishing a new financially self-sustainable private lab never materialized.

The certification of MNF will only be internationally acceptable to commercial buyers if approved by CCMI accredited laboratories. MTI is not yet one of these.

An independent testing lab will also be required for leather and later for food and beverages.

For all 3 sectors the objective is to have Mongolian testing labs internationally accredited.

2.2 Mongolian Textile Institute (and others)

The success of MNF and the natural fibres is dependent upon accurate results in providing the certification. The Brand Management Agency will have to use internationally accredited laboratories initially in parallel to the MTI to compare with the results from the factory labs and the MTI. Mongolia, the second largest Cashmere exporter in the world, needs to have an own internationally accredited laboratory for the certification of MNF. It is important for the development, credibility and integrity of the Mongolian cashmere sector to have the services of an internationally accredited laboratory available to them in-country. A coordinated effort is required to promote the strengths of the MTI lab and begin the process of achieving internationally accredited status.

The Cashmere and Camelhair Manufacturers' Institute (CCMI) is the leading international industry organisation. The role of the CCMI is to protect the interest of its members and investigate any form of malpractice by its members or non-members. The CCMI membership consists of all the major processors worldwide including Loro Piana, Malo, Johnstone's, Hinchcliffe, Piacenza, etc.

The CCMI included the Mongolian Textile Institute (MTI) in their latest 2012 round lab sample testing, which is carried out regularly to evaluate and accredit those laboratories that successfully test the samples given to them. MTI was encouraged to participate so that they could measure themselves against the CCMI approved labs. 45 labs participated and unfortunately MTI came last, even in one instance completely failing to identify the fibre composition. MTI will not qualify for CCMI accreditation until they improve significantly.

The BMA will need to work for at least one year with both the Mongolian Textile Institute and a foreign testing lab in parallel. This will affect logistics, cost and time with accredited testing laboratories in Korea and Japan, meaning that it will take a minimum of two weeks until test results are provided. The extra costs that this approach will cause are justified (and need to be sponsored from the BMA budget or directly by the MoIA) to build the credibility for the MNF certification mark right from the beginning while at the same time allowing the MTI to develop skills and capacities to assume the role as Mongolian internationally accredited testing lab.

It is noteworthy that the MTI lab testing facilities have gradually improved over the last few years helped largely by European Union and GoM funding. Further funds from the GoM have been dedicated to the lab for this year. The MTI laboratory is presently equipped to conduct most of the routine tests that would be required by international buyers of exotic fibre products although their facilities to accurately check fibre composition may be less than most internationally accredited laboratories would have. MTI's method of using projection microscope technology is a generally accepted practice but is totally dependent on the skills and experience of the lab technicians. The lab technicians employed by the internationally accredited laboratories have developed their skills in testing fibres from all origins and on a regular basis during many years. This is an unfortunate weakness of the MTI technicians as they are not generally subjected to the testing of fibres of different origin and certainly not to the frequency that is experienced at commercial test houses.

Regarding the equipment for identifying fibre composition, the singular most important of all tests, the Physics and Chemistry department at the Mongolian State University has the facility to do nano-technology using scanning probe microscopy, which is ideal for accurately identifying the presence of all foreign fibres, even by type.

The MTI will build confidence with the major buyers providing that they meet the rigorous testing standards set by the CCMI to ensure that all member laboratories achieve consistency and accuracy in their testing. If the MTI passes this initial stage they can continue to build on this and establish a reputation for reliability and consistency that will be of great advantage to the factories in Mongolia.

3. Institutional Strategy

3.1 Mandate of the Brand Management Agency

To provide technical assistance to Mongolian agricultural companies to help them become sustainably internationally competitive, utilise their growth potential on international markets, increase income, create jobs and keep an optimum amount of value added in Mongolia.

3.2 Basic Principles

The following principles are proposed to determine the nature of the BMA:

- Independent
- Neutral
- Private-sector driven (as least in the medium to long run)
- Non-profit
- Serving whole sector not only „members“
- internationally integrated

These principles are a result of the lessons learned from the Fibremark Society which was established as a membership organisation serving the interests of its members and depending on the income from the sale of labels which at the end lead to a club of bigger companies and a dilution of the quality requirements for the Mongolian Cashmere Certification mark.

Any deviation from the above mentioned principles will change the nature of the BMA and will possibly result in an organisation that is not able to fulfil its mission which would be just a repetition of the failed Fibremark Society case.

Although being linked with the MoIA through a service contract and executing the Ministry's ownership rights of the registered Certification Marks the BMA shall not be established as a Government Agency but as an NGO. It needs to be fully integrated in the private sector and to be able to liaise with international industrial organisations, such as CCMI.

3.3 Mission

The BMA is the “Guardian of the Khan Logo” for the Mongolian Noble Fibre Certification Mark

- to serve the **long-term** economic interests of
- the **whole** Mongolian fibre sector, leather sector and others
- through raising the **value** of Mongolian agricultural raw material
- through upgrading their **quality** to international premium level and
- building, enhancing and defending their **reputation**

- on the national and **international market**

The BMA will assume the same role and mission also for certification marks for leather and leather goods as well as for food & beverage once these certification marks are defined and developed. An international example of a similar organisation is the Harris Tweed Authority which is a private sector organisation but was established through a law.

3.4 Vision

The vision describes the status that the BMA will have achieved after about 3 years (2016) if the Business Plan is consequent

The Brand Management Agency is

- An internationally acknowledged and highly reputable
- Independent and neutral
- non-government and
- nonprofit institution
- executing the ownership rights for Quality Certification Marks and
- effectively and creatively serving the interests of whole Mongolian sector(s) and of
- all companies - both Mongolian and foreign –
- which are producing or processing Mongolian high quality agricultural products

through

- reputation building, technical support and
- certification (preferably using a Mongolian laboratory)
- according to international standards
- financially supported by the Government of Mongolia
- based on a formal arrangement specifying

3.5 Objectives

The main objective of the BMA is to help Mongolian producers/processors to increase income along the value chains through generating higher value added in a sustainable way. The Brand Management Agency will promote quality standards and implement supporting marketing campaigns for the Cashmere industry both domestically on the Mongolian market and internationally. The main international target consumers for Mongolian Cashmere are the European Union, the US and Japanese markets. The domestic Cashmere market in Mongolia accounts for a significant amount of the total Cashmere sales of Mongolian producers and therefore needs to be addressed by the BMA as equally important to export.

3.6 Tasks

Therefore, the proposed tasks of the BMA are:

- Build and promote the international reputation of the Mongolian Certification Mark(s)

- Certify the origin and quality of Mongolian agricultural products according to international standards
- Support development of internationally accredited testing lab in Mongolia.
- Train Mongolian producers and processors in quality management, export marketing, efficiency improvement and other related topics to reach and maintain international premium standards and achieve defendable competitive positions on the international markets
- Provide marketing and matchmaking support to all companies of the sector(s).
- Observe international markets and provide market intelligence
- Liaise with international fibre/leather organizations (CCMI etc.)

3.7 Key Performance Indicators

Key performance indicators (KPI) for the BMA are defined as

- Sales of certified products
- % of export sales of companies from certified products
- Quality improvement of sector output
- Increase in export of agricultural products in target markets
- Successful matchmaking contacts (new customers found for certified products)

KPI will be subject to annual review by the BMA's Supervisory Board. BMA staff salaries (at least the MD's salary) should have a variable component related to the KPI.

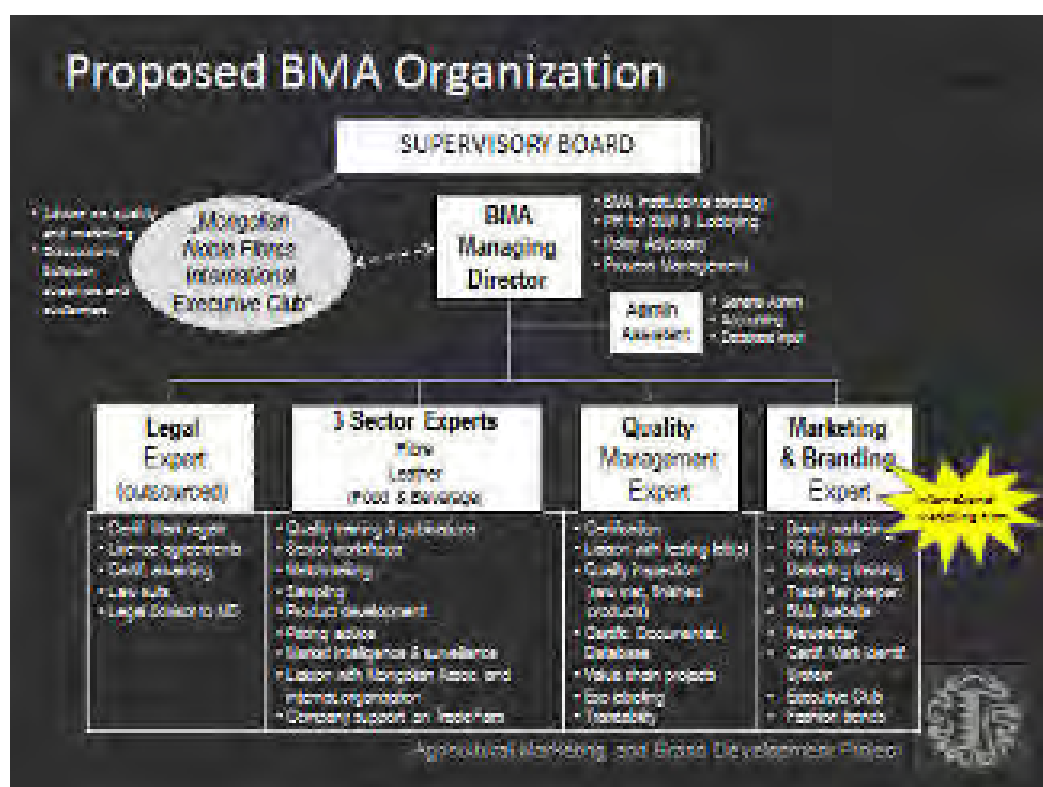
4. Organization

4.1 Organizational structure

The BMA shall be a small organisation with only 4 fixed staff. It is basically defined as a very specialized technical certification and advisory institute. By no means, the BMA shall assume any of the tasks other private sector organisations such as the Chamber of Commerce or the Associations are performing. The BMA should rather be perceived as a partner rather than a “competitor. The BMA should therefore strictly adhere to the functions and tasks defined by this Business Plan and fixed in its Charter.

The Organisation will consist of a Managing Director (exact title to be determined) and 6 Mongolian experts. However, in order to keep the fixed cost to a minimum only the MD, the Marketing Expert, the Quality Expert and the Admin Assistant will be fixed staff. All other National Experts (Legal, Fibre, Leather and Food & Beverage) will work as free-lancers charging daily fees. This will give the organisation enough flexibility to cope with a potentially difficult start when the BMA still has to struggle with creating the attractiveness of its brands and with generating enough demand for its services.

The following chart shows the proposed organisational structure.



For any specific activity that the fixed staff cannot fulfil external (international) experts/consultants shall be hired on a temporary basis (not longer than 3 months per assignment p.a.) with clearly defined work output through detailed ToR. These can be local or international consultants.

Starting with year 3 of its existence (or earlier if the circumstances are suitable) the BMA will charge fees for its services including consulting services provided by its National and

International Experts. Potential conflicts of interest need to be very carefully managed by the MD through – among others – contractual obligations and confidentiality statements as well as through frequent audits.

4.2 Managing Director

The qualification, experience and personality of the Executive Director are of utmost importance for the acceptance, international recognition and long-term development of the BMA.

The BMA requires a forward-thinking and energetic leader as its Managing Director. The candidate must be independent from conflicts of interest, a collaborative leader. He/she should have demonstrated the highest level of integrity. He/she should have a sound knowledge of both the domestic and international fibre and/or leather markets and preferably contacts with important players and stakeholder organisations both in Mongolia and abroad. The MD needs very good language skills. He/she should have a background in marketing and be an excellent speaker and presenter. The MD must be a professional and a “technocrat” rather than a “politician”. A major deviation from these requirements will lead to a high risk that the small organisation will not achieve the reputation of being a neutral institute serving the long-term interests of the whole sector and not just some companies or pressure groups.

The Managing Director's independence from conflict of interest may pose a challenge in recruitment. The BMA's leader must have no financial or personal interest in any particular company along the value chain(s). In addition, the Managing Director must not be distracted by political ambitions or interests, so as to put the BMA's interest above any others. He or she must not be perceived to be favouring any stakeholder or stakeholder organisation.

Collaboration among stakeholders is essential to effectively implement this plan. The Managing Director must possess the management skills and personal charisma to drive this team effort. He/she must listen and understand all relevant positions and take decisions on an objective basis.

Familiarity and experience with the international fibre and/or leather market will be essential for the Executive Director since the position will require frequent interaction with international stakeholders. Therefore, language skills including English and possibly Italian or Japanese would be a strong asset.

While the candidate may be of any nationality, he/she is most likely to be a Mongolian, due to several factors. First of all, the available pay scale would presumably be too low for an expatriate. In addition, it will be easier for a Mongolian executive to obtain trust from the national agricultural sectors, Associations, Government etc.

Recruitment of the Managing Director will be crucial for the implementation of this Business Plan. By the BMA charter, this is the responsibility of the Supervisory Board. Once the Board has completed the recruitment and contracting for the position, it is then the Executive Director's responsibility to implement the strategic plan for the BMA.

The Executive Director's responsibilities will include:

- Develop, suggest for approval and implement the institutional strategy of the BMA
- Manage the resources of the BMA
- Lead the BMA staff
- Develop a detailed annual work plan
- Develop and suggest for approval all new programs and services of the Agency
- Oversee all operations of the BMA (incl. marketing and promotional activities)
- Maintain key relationships with international Cashmere organizations and other stakeholders

- Oversee budget and funding requirements and propose respective plans to MoIA and the Supervisory Board
- In cooperation with Associations publicly represent the Mongolian Cashmere industry both domestically and internationally
- Manage special projects (including the support to the MTI to gain its international accreditation)
- Report to the Supervisory Board on a regular basis (quarterly and annually)
- Together with the Legal Expert defend the certification marks and if necessary represent the ownership rights at national and international courts

In particular women should be encouraged to apply for the position. During the course of the AMBDP the team became aware that the most successful fibre companies were founded and managed by women.

4.3 Staffing plan

The staffing will start with the recruitment of the Managing Director and his assistant immediately after the approval of the Business Plan and the official starting date of the BMA which suggested to be the end of the AMBDP (June/July 2013). In the first six months all other staff members shall be hired possibly except the food and beverage expert. This expert will be hired once the scope of the BMA work in this sector has been decided by the Supervisory Committee and the MoIA. At an advance stage when the BMA is fully accepted by the Mongolian companies and the number of certification cases has substantially increased the BMA should consider an Inspection Expert in addition to the Quality Expert.

The detailed ToRs of each expert are attached as Annex a) to this Business Plan.

It goes without saying that good English language skills are absolutely essential for each expert working in or for the BMA. A good command of languages spoken in target markets (e.g. Japanese would be additional assets.

All staff – both fixed staff and short-term experts – will have to sign a confidentiality and conflict of interest statement that will imply severe financial and legal consequences in case of non-compliance.

5. Certification

5.1 Definition of Certification Marks.

5.1.1 Fibre

There will be two categories of the Mongolian Noble Fibre Certification Mark. The standards are defined under 5.4

Mongolian Noble Fibre

This is the regular standard for Cashmere up to 16.5 microns, unbleached, natural or dyed colours. Also Yak wool and Baby Camel hair raw material and products can be certified under MNF if complying with the defined standards.

Mongolian Noble Fibre Premium

Only Cashmere raw material (and the garments made from it) from selected soums, up to 15.5 microns (+/- 0.3 microns) and in (five) unique natural colours fall under this category. In addition also rare and fine Mongolian Yak of the “Platinum Grey” colour will fall under this category.

5.1.2 Leather and Leather Goods

Certification Mark(s) for leather and leather goods have not yet been developed. The idea of “Mongolian Noble Leather” needs to be further exploited during the remaining period of the AMBDP. As the Mongolian leather and leather goods industry is far behind the fibre industry on its way to international markets the AMBDP had to concentrate on tanneries and their wet blue products first. The outcome is promising and it is not unrealistic to assume that at the end of the process there will be several tanneries also able to produce leather according to international standards. Certification of wet blue would not make much sense since it can be mainly regarded as a commodity with little possibility for differentiation for Mongolian products.

5.1.3 Food & Beverages

The AMBDP did not have the resources to work in this sector. The BMA will need to start from scratch for brand development and selection of brandable products following methods similar to the one used for the fibre sector. . Seabuck thorne products could be seen as

5.2 Certification Marks ownership

The MoIA will be the owner of all Certification Marks developed by AMBDP and to be developed by the BMA. The Ministry will contractually entrust the BMA to develop additional Certification Marks and to execute its ownership rights. This includes taking all legal actions necessary to register and defend the Certification Marks.

The contract with the BMA should cover a period of at least 3 years. The MoIA will continuously monitor the performance of the BMA and can decide whether the contract will be extended or whether a new institutional arrangement shall be set up (e.g. a split of the functions and a transfer of the Certification Mark ownership rights to a similarly neutral and independent export promotion institution). However, these decisions are highly sensitive since they possibly jeopardize the whole concept of having a BMA and its basic principles of the organization (independent, neutral etc.) thus also putting the reputation and international acknowledgement of the Certification Mark at stake.

5.3 Certification Mark registration

All Certification Marks (names, logos, standards) will be registered as property of the MoIA. The application process with the Mongolian Intellectual Property Office (IPO) for registration of MNF as MoIA property was initiated by the AMBDP at the beginning of December 2012 after receiving official approval from MoIA. A final confirmation of the official registration cannot be expected before June 2013.

The registration requires the nomination of a testing lab, definition of quality standards and regulation as regards the awarding of the Certification Mark(s). The MTI will be officially registered as testing lab for MNF in cooperation with a defined foreign internationally accredited lab.

5.4 Quality standards

5.4.1 Fibre

Cashmere

The Quality standards for Mongolian Noble Fibre (both categories) are attached as Annex b).

For *Mongolian Noble Fibre* (normal category) an extended official Mongolian “Grade 1” specification will be used as a basis.

For *Mongolian Noble Fibre Premium* the standard is more restrictive. An extended official Mongolian “Grade Superior” will be used as a basis

Yak

The official Mongolian Quality standard is seen by the AMBDP expert as too low. The Quality expert is cooperating with the Research Institute of Animal on a new specification. However, the outcome of this work is not expected before March 2013.

Camel

The existing official Mongolian standard for Quality Baby Camel will be used.

5.4.2 Leather and F&B

Neither Certification Marks nor the respective standards have been developed by the AMBDP at the time when this Business Plan is being developed. It will be one of the tasks in the project extension period respectively of the BMA staff to work on this.

5.5 Certification process and costs

The following chapter describes only the process as regards fibre products and MNF Certification Mark. A similar process needs to be developed by the BMA for the other sectors and Certification marks.

5.5.1 Process

The standards and the regulation for each Certification Mark to be managed by the BMA are registered with the IPO. The BMA will develop a detailed process description of the certification process ("Regulation") and standard documents (MoU, general agreements) as well as the contract with the testing labs as one its first tasks.

Certification will be based on a standard agreement (MoU) between a company and the BMA. The company agrees with all underlying regulations and guideline. The company also agrees with giving the right to the BMA to conduct inspections and controls without previous announcements to ensure the company's compliance with the certification standards as well as to contact customers to verify that the whole order was according to its specification.

The BMA will never issue any kind of general license agreement with companies. Certification will not be given for a specific garment for a defined or unlimited period but certification will only be given for an exact customer (or company-internal) order. That means each new order for the same garment(s) requires a new request from the manufacturer and a new certification process. This means that a manufacturer will never get a MNF license agreement but a right to use the labels only for the specified order.

The BMA will certify quality and origin of raw materials and finished products upon a company's application in written to use the MNF Certification Mark (label). The applying company has to provide 3 samples garments of the same type. Each sample will be cut into two halves.

The BMA will send the sample halves to the MTI and in parallel to a second internationally accredited testing lab with the request to check compliance with the specification which indicate origin (just Mongolia for MNF or defined breeds for MNF Premium) and technical quality criteria registered for the Certification Mark with the IPO. Both raw material and garment quality will be checked by the institutes. The process shall not take longer than 4 weeks. In addition the BMA will decide to use an anonymous Consumer Panel on a regular basis or at random to check the typical Cashmere "touch and feel" which cannot be defined in its technical specification. The BMA Fibre Expert and/or the Quality Expert will advise the company on certain measures necessary to improve the "touch and feel" before the certification process is completed.

After confirmation of the compliance with the standards the applying company signs a standard agreement with the BMA for the specified order concerning the use of the labels in strict adherence to the Branding guidelines. The labels will then be handed over to the company according to the quantity of the order.

5.5.2 Costs

As part of the MNF promotion during the first two years of the BMA's existence the costs of all tests will be covered by the BMA. However, the applying companies have to provide the samples for free. Starting with Year 3 the company's will be expected to cover also the testing lab costs and pay a handling fee to the BMA.

The MNF labels will be provided for free to the companies for the certified products and according to the size of the order during the first two years. Starting in year 3 the price of the MNF labels will be the equivalent to the BMA's own purchase costs. The BMA is the sole institution authorized to produce and sell the labels.

Hangtags and other elements of the MNF identification system need to be bought by the company for a price equivalent to their production costs and a small handling fee.

Brand Guidelines for each certification mark contain the exact description and specification for the use of the labels and for other elements of the identification systems as well as the use of the MNF for advertising etc. (please refer to Annex c)).

5.6 Cooperation with testing labs

The process to be established for fibre products will also need to be applied for the other agricultural sectors.

5.6.1 Mongolian Textile Institute

The MTI is intended to be the sole testing lab for MNF certification process. However, at the time when this Business Plan is being developed the MTI is not yet fully prepared for this role due to lack of equipment and lack of experience of its lab staff.

The AMBDP is in the process of identifying an internationally accredited testing lab that is willing to train the MTI staff so that MTI will eventually achieve its official accreditation from CCMI. The training will at least require a year and after the end of the AMBDP the BMA needs to support the MTI in this process.

The BMA will conclude contracts with both testing labs which in the case of the MTI also specifies a) the obligation to achieve international accreditation within a defined period and b) Key Performance Indicators. The BMA will have the right to terminate the cooperation in case of non-performance.

5.6.2 Foreign internationally accredited testing lab

Ideally a foreign internationally accredited testing lab that – as explained before – will be tasked to do all tests for MNF certification in parallel to the MTI for about a year would also provide the training to the MTI during this period. At the time when this Business Plan is being prepared the International Fibre Expert of the AMBDP is contacting foreign labs to find out about their willingness to cooperate and the about the costs for the training as well as for the MNF certification. Preferably the lab should be in Asia.

5.7 Audit of certification process

The BMA and the MTI will be subject to regular audits. The Supervisory Board will decide on annual special audits of the certification process and task a local audit firm (in special cases in cooperation with a foreign testing lab) with this task. The Board will also decide on ad hoc audits in special cases such as requests from the MoIA, complaints from customers of Mongolian producers, charges filed by competitors, complaints from international organisations (such as CCMI) or own initiatives. The audit reports are confidential. In case of fraudulence or other serious irregularities the Board will take immediate actions to secure the reputation of the BMA and ensure compliance with its regulations. The Annual Report of the BMA will refer to the results of the audits without specifying details.

5.8 Market surveillance for fraud, fake and abuse detection

The investment into a brand respectively a Certification Mark is creating a substantial value. Once a brand has been successfully established consumers are willing to pay a premium for it since it

guarantees quality, origin, eco-friendly production etc. There is a substantial risk of fake and abuse involved both in Mongolia and abroad.

Without continuous and systematic market surveillance and monitoring by the BMA some companies might feel encouraged to use the Certification Mark without authorisation. This concerns both Mongolian and foreign companies.

- Through its website the BMA will encourage buyers/customers to file any complaint as regards the quality of certified products.
- The BMA experts (sectors experts and quality experts) will conduct own random tests through purchasing MNF labelled products in Mongolia and abroad.
- Competitors will be allowed to submit samples of products (purchased at rivals' stores) for inspection by BMA
- The BMA will closely cooperate with the CCMI (and similar institutions for leather and food & beverages) to get information on fraud, fake or abuse of the MNF Certification Mark.
- Through its agreement with the Mongolian supplier who got awarded the certification Mark for specific orders the BMA will reserve the right to directly contact importers/distributors in target markets to enquire about customer satisfaction.
- The manufacturers who received a certification for its orders are obliged to provide the buyers with a leaflet that informs the buyer/importer/distributor about the rights and the ways to complain about insufficient product quality that is perceived as not being in compliance with the MNF standards.
- The BMA will build and continuously update a database on identified fraud cases where BMA certification marks and other were abused/faked and put the respective companies on its watch list.
- The BMA will participate in international working groups dealing with product fakes.
- The BMA will assume the right to publish any abuse or fake of the certification on its website after official confirmation of the case upon approval from the Supervisory Board.

The Sector Experts and the PR&Marketing Experts of the BMA will conduct regular compliance check of the correct use of the brand collaterals through shop visits in Mongolia and abroad, checking of company websites, ads and catalogues.

5.9 Legal defence of certification mark rights

The BoIA will be the owner of all Certification Marks but will contractually entrust the BMA with the execution of its ownership rights. The MNF Certification Mark and other future BMA certification marks need to be legally protected through

- official registration with the Mongolian Intellectual Property Office (IPO) as well as in target markets abroad and
- through necessary legal actions against unauthorized use of the mark (fraud, fake, theft etc.).

In Mongolia the legal protection of ownership of the Certification Marks is provided under Trademark and Geographical Indications Law.

With an increasing value of the Certification Marks (through international recognition and acceptance by customers), the risks of fraud will increase, too. The necessary legal expenses (and the required capacity of the BMA's Legal Expert) for law suits against companies abusing the Certification Marks will therefore unavoidably go up over time.

In close coordination with the BoIA as the owner of the Certification Marks and closely supervised by the MD the BMA's Legal Expert will take all legal actions necessary to enforce compliance with the certifications standards. This can also involve international action through contracting a

foreign lawyer. The BMA needs to set up a network of correspondent industrial property attorneys who can be mobilized to take necessary legal actions in their respective countries.

The BMA will closely cooperate with international and national law enforcement agencies as well as with organisations dealing with consumer protection and protection of intellectual property rights. If applicable and necessary the BMA will become a member of such organisations. The MD will represent the BMA on events organized by these organisations. For MNF coordination with the leading international industry association, the Cashmere and Camel Hair Manufacturers Institute (CCMI) will be helpful in providing guidance and support in enforcement of the Certification Mark rights. Such legal processes require both infrastructure and expertise which the Brand Management Agency cannot always contain in-house. This international partnership will be essential in the upkeep of the brand. CCMI have expressed great interest in helping to establish and enforce the Mongolian brand, as increasing Mongolian quality standards has a positive effect on the industry as a whole.

The General Agreement with a company that got awarded the certification for a specific order will state that in case of use of a certification mark beyond its agreed limits (orders) or in violation of other rules related to the Certification Mark a company has to pay a fine to the BMA not less than 20% of the value of the order. The company may be blocked for certification for a minimum of 2 years with all its products.

In case of fake or other kind of abuse of the Certification Mark the BMA will support the company that incurred the damage in its legal attempt to claim compensation from the counterfeiter. However, this support will be limited to legal advice from the BMA's Legal Expert.

There is an inherent risk of abuse of the Certification Mark also by BMA staff. As explained before the Supervisory Board will task an Audit Company to frequently audit the compliance of BMA staff with the internal rules and procedures to identify cases of violation (e.g. theft or illegal/unauthorized sale of labels). The Legal Expert is acting as Compliance Manager of the BMA and has to report directly to the Chairman of the Supervisory Board any suspicion of violation of the rules.

The BMA Legal Expert will define intervention criteria and detailed procedures for legal reactions by the BMA to each kind of legal issue for Supervisory Board approval.

The Legal Expert will also develop a budget for expected legal expenses including the use of international attorneys.

5.10 Annual report and database on certification and abuse of Certification Marks

The BMA will issue an annual report on its certification activities as well as detected cases of fraud, fake and abuse of the Certification Marks as well as of its remedial actions. The report will be confidential and handed over only to the MoIA as owner of the Certification Marks and to Chairman of the Supervisory Board. A version with disguised names will be published on the BMA website after previous approval from the MoIA.

The information will be stored on a specific BMA database which allows drawing conclusions about fake and abuse patterns in order to define preventive actions in cooperation with international organisations such as CCMI.

6. Training and Technical Support

6.1 Training programs

The BMA will offer both training for groups of companies and company-specific training. In the first year group training will be provided for free. For individual training companies have to apply for BMA service. Only companies that comply with eligibility criteria (to be defined) will be eligible for individual training. The BMA will charge for individual training a fixed amount to recover parts of its costs and also to ensure a company's commitment. Individual training (both as lectures and on the job) are to be based on a contract. The BMA shall only provide training on very specific topics related to its very objectives and tasks and shall not compete against commercial Mongolian training providers. However, the BMA could hire external trainers. Topics such as "The basics of marketing" or similar will not be provided but possibly topics such as "Export Marketing for Cashmere products in France" or "How to export food products to Russia".

The training need to be either absolutely sector-specific or company-specific and will cover the following topics (list to be extended):

- Technologies and machinery utilization
- Production process optimization
- Quality management
- Sourcing
- Costing & pricing
- Smart Exporter program
- Export marketing and sales management (incl. sampling)
- How to deal with international customers
- Website development
- Web-based sales and marketing
- Import requirements and regulations of target regions/countries
- International standards (Eco, HACCP etc.)
- Market research for specific target countries
- Negotiation skills
- Fashion trends
- Design
- Trade fair preparation
- Branding and marketing material preparation
- Certification requirements and inspection

This list will be continuously reviewed and adapted to the needs of the sectors. The training will be provided by BMA staff and – if necessary fundable – by outsourced trainers specialized in the sectors.

6.2 Regular workshops

As a means to promote itself as independent, neutral and non-commercial service provider to the sectors (that is not competing against established institutions or commercial Business Service Providers) the BMA will organize together with the respective Associations and/or the National Chamber regular workshops (in the first two years for free) to inform the companies about the BMA services and provide important information on market developments, upcoming events (trade fairs) and technological trends. The workshops are also intended to gradually become a forum for all companies in the sector to exchange ideas and experience and to possibly facilitate cooperation between manufacturers (which will require some time).

6.3 Handbooks and Manuals

The BMA will publish Hand Books and Manuals (in Mongolian) on topics such as Quality Management specifically related to the conditions of the Mongolian companies. The manuals shall be based on lessons learned from the experts' work with companies (disguised) thus helping the other companies to learn from both mistakes and successes.

The BMA will continuously review the market for relevant international sector-specific technical publications that are not available in Mongolia respectively in Mongolian. The BMA will check the demand in Mongolia and might then consider buying the copyright for these publications and get them translated into Mongolian.

All Handbooks and Manuals and translated international publications will be listed on the BMA website and sold by the BMA only in printed versions.

6.4 Ad-hoc services and help-desk

BMA will establish a help desk for providing technical advice via email to companies experiencing acute problems in their production process. This advice can only be very limited and is based on the information provided by the companies. It should be discussed on the phone whether it makes sense that BMA experts personal visit the companies requesting help to analyze the situation at their premises.

6.5 Annual Industry Quality Report

The Sector Experts will produce annual Sector Quality Reports which will be published on the BMA website. No company names are to be mentioned in the reports. The report should clearly state which quality issues the sectors are experiencing, what the reasons are, what remedial measures are necessary to overcome the problems and what the BMA was contributing to the achievements that the sectors made.

7. Marketing and Brand Promotion

7.1 Guiding Principles

This plan must be implemented as soon as possible to maximize return on current opportunities. Guiding principles to keep in mind include:

7.1.1 Focus on export markets.

Promotion of the Certification Marks is of highest relevance mostly to export markets, for both direct exports or indirect exports (tourist market or expatriate community). All BMA staff have to be familiar with international markets and their import requirements and regulations.

7.1.2 Companies' Marketing skills to be enhanced.

The BMA cannot compensate for the lack of (export) marketing experience and skills of Mongolian companies. It can only provide collective support and create positive conditions that the manufacturers have capitalize on.

7.1.3 Timing

The seasonality of the Cashmere trade means that it is imperative that the Brand Management Agency build and implement its programs almost immediately to take advantage of the next season (2013 autumn).

7.2 Website

The BMA website will be developed as the main formal and regular information channel with Mongolian and international processors, manufacturers, customers, suppliers and stakeholders.

The BMA will set up a website under the URL "Noble Mongolia" which is presently registered for the International Branding Specialist. The website will be in Mongolian, English, Japanese, French, Italian and Russian. There will be no section for registered users since the BMA does not have a membership scheme.

The website will contain a blog section where interested party can express their opinion on BMA issues.

The role of the webmaster will be assumed by PR & Marketing expert.

The website will be at least monthly updated. It will contain all reports approved by the MoIA and the Supervisory Board Chairman for the general public as well as the Charter of the BMA, sector news and specific technical information,

The BMA website shall be clearly different from those of Associations by focusing on technical aspects related to branding, quality and certification.

7.3 Trade fairs

As the experience the AMBDP made with the participation at Cashmere World Trade Fair in Hong Kong showed, participation in trade fairs is the best and most focused way to raise attention of the target group for the Certification Mark, create interest in Mongolian products and further business contacts between western buyers and Mongolian producers.

The BMA as the “Guardian of the Certification Marks” will participate in 2 leading international trade fairs per sector (in total six per year). One of the trade fairs will be in Asia (Hongkong for Fibre and Leather) and one in a western country (Bologna for leather; Pitti Uomo or Dusseldorf Fashion week or other for fibre; ANUGA in Germany for food and beverage).

For the trade fair preparation the BMA will closely cooperate with the MoIA and the respective Associations. During the first 2 years the BMA will finance the booths and all costs of its own staff. Mongolian companies will be invited to participate but have to cover their own costs (travel, hotel, meals and local transportation). Minimum five Mongolian companies as exhibitors are necessary to justify a larger booth. In case that no company is interested the BMA will set up a smaller booth and represent the sector together with representatives from the MoIA and the respective Association.

If anyhow possible the BMA representative at the trade fair shall try to give a speech on the Mongolian sector, the role of the BMA and the Certification Marks on a business forum organized by the trade fair company or by international sector organisation.

Companies that want to participate have to express their commitment in written and assume the obligation to pay for a certain percentage of the booth costs in case of late cancellation. These companies will be individually prepared for the trade fair participation by the Sector Experts.

The BMA might decide to participate in key trade fairs only as visitors for information gathering (market intelligence) with or without Mongolian companies.

The BMA will not fund domestic fashion shows of individual companies or domestic trade fairs but will try to show presence through visits by BMA staff and individual discussions with exhibitors.

7.4 Advertising

The BMA will not be in a position to create a pull for MNF with final consumers but will solely target companies (B2B marketing). The BMA will therefore resist any temptation to spend funds from its budgets on advertising, neither for print media, TV or radio. Advertising is an expensive and unfocused means to address potential B2B partners. The BMA will also not contribute to any company’s commercial advertising even if the company gets the authorization from the BMA to use the Certification Mark.

A company that was authorized to use the Certification Mark logo for clearly defined purpose has to comply with the Branding Guidelines (see Annex). Any violation against these might lead to the BMA’s decision not to issue any authorization to this company for a certain period.

A BMA brochure will be developed and updated both in printed and electronic version and typical multi-purpose material for Trade Fairs (such as banners).

7.5 Press activities

Press activities (as well as public speeches) are a cheap (or low-cost way) and effective means both to promote the BMA in its institutional strategy as well as to create attention and interest in the Certification Marks and the Mongolian agricultural sectors in general. Therefore, besides Trade Fair participation and the BMA website press activities are the third most effective element of the BMA marketing tool box.

The BMA shall develop and deliver stories which will attract the attention of Western buyers. The launch of the stories shall be scheduled in advance of the buying seasons.

The MD of the BMA and the PR & Marketing Expert have to make extensive use of this tool. The BMA will develop a PR plan as part of its Annual Plan setting clear targets for the number of press articles, speeches and participation of events.

Press activities are necessary at least on a monthly basis and also on special occasions. Targets are the trade press in European Union, North America, Japan and other target countries buying luxury goods including Australia, New Zealand, China, South Africa and Taiwan.

The BMA shall issue at least a quarterly press statement/release which shall be sent to relevant journalists and media. For this purpose the BMA will establish a database of contacts of journalists and (industry) media as recipients of the press releases which needs to be regularly updated and extended by all BMA experts.

The BMA shall hold at least 2 press conferences per year and invite both foreign and national journalists to this event.

All press activities shall be planned in an annual PR plan.

7.6 Use of social media

The BMA will extensively use modern internet media. This includes networking sites such as Facebook, LinkedIn or similar as well as blogs and micro-blogs (for example, Twitter). Social media offer relatively cheap possibilities for brand promotion as well as market research. One of the objectives will be to create communities of buyers of Mongolian raw materials. The BMA will encourage users to make contributions to blogs on quality aspect of and satisfaction with Mongolian products.

7.7 Newsletters on fashion trends

The BMA will regularly publish a newsletter on fashion trends (colours, designs, materials) early enough so that Mongolian manufacturers can develop their collections accordingly and order the respective yarns in the trend colours. This service will be free in the first two years and then sold to interested parties.

7.8 Inward buying missions

At least once a year the BMA will invite foreign buyer companies (importers, distributors) to conduct a mission to Mongolia and visit Mongolian companies. The BMA will organize a program around the company visits. This is part of its collective matchmaking tasks. Interested Mongolian companies can apply for participation in the program and will the service for free during the first 2 years of the BMA's existence. Starting from Year 3 Mongolian companies who want to participate in the event need to pay a fee to the BMA. All foreign companies have to cover their own costs.

7.9 Company surveys and needs analysis

The AMBDP conducted a questionnaire-based survey among fibre companies and developed a company database. This work needs to be continued and extended to include the leather and the food & beverage sectors. The database is an important tool to analyse the situation of the sectors and to develop ideas for technical and marketing support programs in order to enable as many Mongolian companies as possible to become internationally competitive. Therefore, the BMA shall conduct every 2 years an update of its company database in close cooperation with the respective Associations. The questionnaire used by the AMBDP for the fibre sector is attached as Annex d) as a model. It should also be developed for the other two sectors and be continuously revised and adapted to the actual situation of each sector and the general economic situation and development of the national and international industry. It is a major input for the development of new technical support programs for the sectors and therefore indispensable for the operations of the BMA.

7.10 Market research, intelligence gathering and dissemination

Market research is one of the core functions of the BMA. It goes without saying that the research results shall be made available to all companies in order to avoid any impression of favouritism. Market research can be done on a a) general level (e.g. to determine the potential of a market) and/or b) on a very specific level (e.g. identification of potential business partners and defining the ways how to approach them).

Any specific research for individual companies needs to be fully paid by these companies and the information gathered shall only be reserved for the client(s) for a defined period after which the BMA has the right to publish it on its website.

An example of the ToR of a specific market research is attached under Annex e).

Due to the fact that there is very little specific information e.g. on the international fibre market publicly available on the internet, market research will mostly mean gathering primary data through direct contacts with companies, associations and other organisations abroad. The BMA as a very small organisation will need to outsource this service. It will be a very costly exercise and a Mongolian company that wishes to get these data has to be prepared to spend a 5-digit USD amount. This would already exclude all smaller manufacturers as individual clients for market research. The BMA will therefore always prefer to conduct market research for the whole sector and to run this exercise as a project with special funding from the government as part of the Government's agricultural sector support programmes.

7.11 International "Club(s) of Certificate Users"

All companies that are using Mongolian agricultural material can apply for certification. This service is therefore also open for foreign companies as long as they comply with the defined quality standards. The BMA will therefore consider establishing a kind of discussion group outside its Corporate Governance structure (see under Chapter 10) that exchanges ideas and provides input to the BMA's institutional and marketing strategy. A "Club of Certificate Users" (or Certified Users; working title) could be a platform on which in particular foreign companies provide input to improve the BMA's technical and marketing support.

7.12 Cooperation with other Marketing and Branding initiative

The BMA shall keep an overview over existing and planned branding and other marketing initiatives for agricultural products in Mongolia. For additional funding the BMA shall offer its own services as implementing body to organisations that are conducting or planning to conduct such projects. In order to avoid duplication of efforts the BMA shall establish formal relationships with the initiatives or the respective organisation through MoUs.

7.13 Other marketing-related services

The BMA shall learn from other organisations and be open to introduce or experiment with innovative marketing approaches. The BMA shall continuously monitor international marketing activities conducted by other foreign organisations related to its 3 sectors, especially those using modern media. It shall organize events on which manufacturers and buyers can meet and develop business relationships. These events shall be regularly conducted under specific themes. A good example to learn from is the “Smart Exporter” program of Scottish Development International. (<https://www.sdi.co.uk/export-from-scotland/export-training.aspx>)

8. Systems and Databases

8.1 Systems support

As an organisation with a very small core staff the BMA will outsource system support. The office shall be equipped with a LAN and a fast-speed internet connection. If possible the BMA will take over the hardware and software of the AMBDP project.

8.2 Databases

The BMA needs to establish a certain number of databases to for knowledge management and transfer. All experts are expected to provide regular input to these databases. These tasks are defined in each expert's ToR (please refer to Annex a). Especially the following databases need to be established and continuously updated:

- Press contact database
- Mongolian companies database per sector
- Database on target markets: international actual and potential processors of Mongolian raw material and buyers of finished products made from these materials
- Database on competitors to Mongolian companies
- Database on training material, relevant technical and marketing publications
- Database on BMA support activities to individual companies (tasks, activities, results achieved)
- Database on certification cases (incl. testing lab results and identification systems elements sold)
- Database on identified fakes and abuse of BMA certification marks
- Database on legal activities to defend the BMA certification marks

9. Cooperation and Communication

9.1 Cooperation with national private sector institutions

The BMA is a purely technical support organisation. It shall never be perceived and mistaken as competitor to existing private sector organisations (National Chamber, Associations and others). The BMA is not a membership organisation and has no policy advocacy role. The BMA will therefore avoid any public statement and activities that could be misunderstood as assuming or claiming the role of other public sector institutions. Instead the BMA will seek for opportunities for cooperation with such organisations. The BMA will offer group training to the members of the organisations and try to do joint marketing activities such as offering participation in a Mongolian booth on trade fairs. The BMA will not be in a position any kind of funding to these organisations. The BMA will jointly organize workshops and roundtable discussions for exchange of experience on technical topics such as export marketing, quality improvement or similar. Continuous dialogue with private sector institutions is also part of the BMA's institutional marketing.

9.2 Cooperation with Government institutions

The cooperation with Government institutions will mainly take place with and through the MoIA on a contractual basis. The contract will stipulate that the BMA has to execute clearly defined tasks and provide services in order to achieve clearly defined objectives related to the development of the companies of the 3 sectors as defined in Chapter 3 of this Business Plan. The amount that the BMA needs in order to financially survive is actually the payment for the conducted services. It goes without saying that – in case of underperformance - the MoIA can decide to terminate the service contract with the BMA with a defined notice and then allocate the tasks to other institutions.

In order to perform its tasks the BMA will also closely have to cooperate with other Ministries and institutions under Ministries in particular

- Deputy Prime Minister (Intellectual Property Office and Mongolian Agency for Standardization and Metrology)
- Ministry of Environment and Green Development
- Ministry of Finance (Customs General Administration)
- Ministry of Economic Development
- Ministry of Education and Science
- Ministry of Foreign Affairs

The cooperation with these institutions need to be formalized and should therefore be based on Memoranda of Understanding specifying the terms of the cooperation. Setting up these MoUs is one of the first tasks of the BMA Managing Director.

9.3 Cooperation with international institutions

As a non-government organisation the BMA will be in a position to cooperate with international private sector organisations, such as the CCMI, related to the 3 sectors' quality, standards and marketing issues. The cooperation shall enable the BMA to benefit from the international experience and contacts of these organisations and develop international credibility and reputation as independent certification institution for high-quality agricultural products. If possible leading international organisations should be represented on the BMA Supervisory Board.

10. Corporate Governance

10.1 Legal status

The will be established as an non-profit NGO. This status gives the BMA several advantages compared to a Government agency.

- It can fulfil its mission to be a truly independent and non-commercial institution
- It can serve the whole sector and not just members
- It can establish a Supervisory Board composed of representatives of different stakeholders including foreign ones
- It is eligible for donor funding
- It can become member of international organisations
- It can pay competitive salaries

However, the disadvantage is that the BMA will always need to look for funding and will always to have to actively fight against attempts from stakeholders to get control over its organisation and its activities. Therefore, an extremely high degree of transparency of its activities and decisions are of utmost importance. This needs to be ensured through its Charter and its Corporate Governance.

If there is no group of natural persons available and ready the relevant Mongolian Associations could act as founders of the NGO.

10.2 Charter

A draft charter for the BMA is attached under Annex f).

At the date of its legal establishment the BMA will be organized, managed and supervised under the terms of this Charter. The Charter sets out general provisions, goals, structure of the Agency, Board powers, Supervisory Board Member rights and obligations, Executive Director and financing issues.

Key elements of this charter are as follows:

- *The mission* of the Agency is officially to promote the performance and international competitiveness of the assigned Mongolian agricultural sectors with focus in the beginning on the fibre (Cashmere, Camel, and Yak) and leather sectors along the whole value chains through technical support measures. The BMA has no policy advocacy role.
- *Legal entity.* The BMA will be legally established as a non-profit and non-governmental organization of Mongolia
- *Name:* the BMA will operate under the name of “Mongolian Brand Management Agency.”
- *Location:* The BMA will establish its office in Ulaanbaatar only.
- *Membership:* The BMA will not have any kind of membership scheme with influence on its operations.

- *Supervision:* The BMA will be under the supervision of a Supervisory Board. The Agency is bound to submit its balances and activity reports to this Board and the respective Mongolian authorities.
- *Supervisory Board:* The Board is the governing body of the BMA and shall consist of 15 representatives of national and international stakeholders.
- *Chairman of the Supervisory Board* shall always be a Mongolian
- *Certification Marks:* All certification marks will be owned by the Ministry of Industry and Agriculture and nationally and internationally registered as its property.
- *Service contract:* Through a service contract between the MoIA and the BMA the BMA will execute the Certification Marks ownership rights on behalf of the MoIA for the defined purposes.
- *Policies:* The BMA will adopt international best practice standards and policies which ensure its independent and objective decision making to ensure sustainable international trust and credibility.

10.3 Supervisory Board

The composition of the Supervisory Board shall reflect the various national and international stakeholders as shown in the graphic below:

Stakeholders to be Considered on BMA Supervisory Board -- for Discussion				
Government and Government Bodies	Associations, Cooperatives and Chamber	Testing Institutes (incl. foreign ones?)	Private companies (incl. foreign ones?)	International Institutions ?
<ul style="list-style-type: none"> • MoIA • MoF • MeED • Mongolian Agency for Standardization and Metrology 	<ul style="list-style-type: none"> • MOWA • MNCG Cashmere Council • Wool Association • Camel Association • Yak Association • Food and Beverage Ass. • Sealuckitham Assoc. • Leather Association • Leather Goods Associat. • Cooperatives 	<ul style="list-style-type: none"> • Mongolian Textile Institute (MTI) in coop. with Mongolian State University • International ICOMI accredited laboratory (in cooperation with MTI) 	<ul style="list-style-type: none"> • Certified national companies • Certified international companies • Value chain members (cooperatives) 	<ul style="list-style-type: none"> • WTO • ICOMI

It is proposed to establish a Supervisory Board consisting of 15 members:

The composition of the Board will ensure a balance between public and private interests, national and international views, small and big companies, manufacturers and buyers. It is suggested to have the following composition:

- 1 representatives of the Ministry of Light Industry & Agriculture

- 1 representative of the Ministry of Finance
- 1 representative of the Ministry of Nature, Environment and Tourism or of the Ministry of Economic Development
- 3 representatives of Mongolian Associations
- 1 representative of the National Chamber of Commerce and Industry
- 3 representatives of smaller Mongolian manufacturing/processing companies
- 2 representatives of bigger Mongolian manufacturing/processing companies
- 3 representatives of foreign (buyer) companies

The members shall be elected for a 2-year term with the possibility to be re-elected for only one additional term.

The Chairman shall be elected out of the Supervisory Board with two thirds of the members' votes.

10.4 Board Governance

10.4.1 Board responsibilities

The Supervisory Board shall discuss and decide on:

- Election of its Chairman
- Election of new members
- Appointing and releasing the Managing Director of the BMA
- Approval of BMA strategy and Business Plans
- Approval of Business Plan including detailed annual workplans and budgets
- Appointment of auditors
- Approving of reports
- Adoption of policies

A quorum is given when 11 members are present at Board meetings.

10.4.2 First Board meeting

In its first meeting by majority vote, the Board shall confirm up front on the Governance structure of the BMA as stipulated in the BMA Charter. This includes the following issues:

- Election of a Chairman;
- Board size, Board member terms and term limits;
- Standards for Board member qualifications;
- Meeting and voting rules of the Board
- Board Committees: number and members, rotation and working principles
- MD selection and succession policy
- Reporting requirements
- Changes to corporate organizational documents
- Other governance policies and procedures.

10.4.3 Committees

The Board shall establish 4 committees, each consisting of 3 Board members:

- Committee on BMA strategy and organization
- Committee on market developments and requirements
- Committee on quality, technical and certification issues
- Committee on auditing

10.4.4 Compliance issues

The Chairman of the Supervisory Board will act as sole contact for the Compliance Officer of the BMA and will receive confidential reports in case of identified non-compliance issues.

10.4.5 Disclosure

Individual directors should disclose to the Board all information and analyses of which they become aware that may be relevant to the execution of the Board's oversight obligations. The Board shall also require similar disclosure by all BMA staff (fixed and consultants).

10.4.6 Access to BMA staff and consultants

The Board members shall have reasonable access to all BMA staff. Any such access should be arranged through the MD and in consultation with the Chairman.

10.4.7 MD and staff recruitment

The Board shall be responsible for recruitment, selection and contract negotiation with the MD as well as his annual evaluation. The Board also approve each staff hire based on objective selection criteria..

10.5 Financial accountability and transparency

The Supervisory Board shall be responsible for ensuring transparency and integrity of BMA financial statements, whether audited or unaudited.

The BMA must make best efforts to provide accurate and timely financial statements. Financial information concerning the BMA shall be prepared in accordance with the Mongolian law and Generally Accepted Accounting Principles. They shall be available to the Board members any time upon written request submitted to the Chairman of the Supervisory Board.

As regards financial accountability The Board shall be responsible specifically for:

- Adoption of policies addressing selection of auditors, proper accounting treatment of transactions or off-balance sheet arrangements and any other related party transactions;
- Adoption of policies prohibiting interference with the audit process;
- Approval of all financial or other arrangements extended to Supervisory Board members or staff of the Agency;
- Adoption of a "Code of Conduct" for all Agency staff (see below)
- Ensuring the sufficiency, clarity and timeliness of all financial disclosures of the Agency.

10.6 Code of Conduct and Confidentiality & Conflict of Interest Agreement

A written Conflict of Interest policy shall be adopted that complies with existing Mongolian law requirements and international practice. Potential or actual conflicts of interest and any other questionable transactions of the BMA, individual staff members or members of the Supervisory Board shall be disclosed to the Board by any Board member or BMA staff who becomes aware of such an occurrence.

In addition, confidentiality clauses should be adopted to help preserve proprietary information, assets and business interests of the Agency.

Therefore, in its first meeting the Supervisory Board will ensure adoption of a

- Code of Conduct (please refer to a model code under Annex g)
- Confidentiality and Conflict of Interest Agreement (please refer to a model under Annex h)

to be signed by all Supervisory Board members and all members of the BMA staff.

10.7 Reporting

The Supervisory Board shall receive regular formal confidential reports from the MD of the BMA about objectives, achievements, explanations for deviations from objectives, corrective measures, planned activities for the next reporting period.

- Quarterly Reports (only internal, not be published)
- Annual Reports (to be jointly signed by the Chairman of the Supervisory Board and the MD) for publication on the BMA website.
- 6-monthly formal presentations by the MD to the Supervisory Board

Any member of the Supervisory Board can request additional information or a special report through a formal request submitted to the Chairman who needs to approve this request. .

The Service Contract between MoIA and The BMA shall stipulate for additional reporting requirements according to the Mongolian Budget Law. The BMA will need to submit its monthly and annual financial statements to the MoIA.

The Chairman or the Audit Committee can decide about tasking external auditors with an audit of any of the reports (see below).

10.8 Auditing

The Board shall give the mandate to the BMA external auditors or terminate the respective contract. It shall establish the terms of the auditor's engagement. The Board takes responsibility for reviewing and commenting on the audit reports as regards the correctness of the BMA's Agency's financial reports and internal controls. The Board is ultimately responsible for ensuring the accuracy and completeness of the BMA's communication to the members, the MoIA and the public as regards additional fund-raising activity.

Regular audits are conducted on an annual basis. The Board may decide on having a 6-monthly audit during the first years of the BMA existence. The MoIA may ask the Chairman to task the audit firm at any time with special audits. The Chairman can decide on tasking the audit firm with ad-hoc audits if he deems it necessary.

The audits shall also include compliance with the certification process according to the Certification Marks regulations.

Recipients of all confidential audit reports are the Chairman, the MoA (due to its service contract) and the MD through the Chairman.

Provision for the auditing costs is made in the Financial Plan of the BMA.

11. Financial plan for a 3-year period

11.1 BMA Financial Plan

The BMA is performing a public service based on contract with the MoIA. Its main objective is to contribute to sustainable improvement of the performance and international competitiveness of Mongolian agricultural sectors. Therefore, Government support is an indispensable part of the BMA funding.

A detailed Financial Plan for a 3-year period is attached under Annex i).

11.2 Expenses

The proposed 3-year budget begins with the hire of the Managing Director, an Assistant, a Quality Expert and a PR & Marketing Expert. All expenses are in US Dollars without inflation.

During the first 2 years as part of promotion of the BMA most services will be provided for free.

It can be assumed that during the 3-year period the need for funding from Government sources will decrease as starting with the 3rd year the BMA will manage to generate more and more income from the sale of its services to Mongolian companies.

11.3 Funding

The BMA will be established as a nonprofit organisation and NGO (please refer to Chapter 3.4) in order not to be forced to make business through use of its entrusted main assets (Certification Marks). One of the main reasons why the Fibremark Society failed was insufficient funding so that at the end it was forced to “sell” its labels with little restrictions in order to financially survive which then lead to a dilution of the brands.

As a consequence the BMA will heavily depend on Government funding which is justified due to the services it provides to the sectors.

11.4 Special projects/programs

Through excellent performance the BMA will try to be considered by the MoIA a priority candidate for the implementation of any technical and marketing-related support programs for the sectors thus also justifying Government subsidies. In close cooperation with the Associations the BMA will actively develop ideas for such kind of programs and propose them to the MoIA.

12. Workplan and Schedule for a 3-Year Period

A detailed preliminary workplan of the BMA is attached under Annex j). After establishing the BMA it will be one of the first tasks of the MD to review it and to submit the revised version to the Supervisory Board and the MoIA for final approval. In the attached preliminary workplan several dates or periods are indicative and require precise and actual dates.

13. Risks and Preventive Measures

Overall the main risk is that the BMA is repeating the same mistakes that lead to the failure of the Fibremark society. This Business Plan is designed such that this can be avoided. However, it depends very much on the stakeholders' support for the implementation to avoid that the Certification Marks concepts gets diluted and the BMA will survive or just vanish like its predecessor.

13.1 Strategic

The main strategic risk is a general lack of interest of the Mongolian companies of the sectors to invest time and resources to grow, to develop their quality and to go international. Complacency is very evident. During the 18 months of the project the AMBDP team experienced that many companies in both the fibre and the leather sector are quite satisfied with their present situation and are not very ambitious. The BMA could run the risk that there are not enough client companies for a substantial amount of time which would reduce its chances to survive as an institution.

Preventive measure: Heavy institutional marketing to companies and organisations in all sectors about the BMA services and building credibility through success stories with pilot companies.

13.2 Institutional

The main institutional risk is that there is no internationally accredited testing lab to cooperate with the BMA if the MTI did not get sufficient support both in terms of equipment and skill development to qualify for accreditation and if the use of a foreign accredited testing lab is not desired.

Preventive measure: Support from MoIA for the MTI to gain the accreditation within a year after establishing the BMA.

13.3 Personnel

The main risk here is that the staffing of the BMA is not done according to objective selection criteria but based on personal relationships. Selected staff will then be neither qualified nor motivated to develop the organisation into the necessary direction. As the BMA will only be a very small organisation each wrong hire will have a negative impact on its performance.

Preventive measure: Recruitment needs to be based on a competitive scheme following best practice international models. The Supervisory Board needs to supervise the process to ensure that any kind of nepotism is avoided and that staff selection is based on skills (including excellent language skills), experience and past performance. At least 3 different interviewers have to see the candidates. Candidates have to reveal any relationship to decision makers and stakeholders.

13.4 Operational

Apart from the misuse of BMA funds the main operational risk is non-compliance with standards and procedures of the BMA's most important activity: the certification process. With a growing value of the Certification Marks the risk of corruption will also increase. Selling certificates to non-qualified companies will dilute the brands and sooner or later destroy the reputation and right of existence of the BMA.

Preventive measure: Close supervision of BMA operations by the BMA Supervisory Board and regular audits. The Supervisory Board has to take immediate actions as reaction to complaints. The BMA has to ensure absolute transparency of the certification process and of its decisions.

13.5 Financial

Insufficient funding support from the Government right from the beginning of the BMA's existence in combination with insufficient activities by the BMA staff to generate a certain amount of income from consulting, training and others would mean that the BMA cannot become (fully) operational and perform its tasks. Eventually this will lead to an early death of the organisation.

Preventive measure: A 3-year support budget for the BMA is necessary as a precondition to establish the organisation. Otherwise it would not make sense to set up the BMA.



ANNEXES

Annex 1 : ToR of BMA staff (fixed staff and national experts)

Managing Director (MD) of the BMA

Overall Responsibility

- Develop/review/update and implement the BMA Business Plan
- Implement the service contract between BMA and the MoIA
- Manage the BMA resources and lead the BMA team to achieve its objectives as defined in the BMA Business Plan
- Manage allocated project resources according to Government of Mongolia rules and ensure that cost-sharing is agreed with companies wherever appropriate.
- Ensure sector-wide approaches of the TA through activities related to groups of companies.
- Respond in a systematic and rational manner to changes in the project environment not envisioned in the regular planning.
- Analyse sector issues/problems and propose to the Government sector-wide agricultural support programs
- Enhance the BMA's abilities to perform its defined specific activities and fulfil its mission through continuously reviewing its initial conceptual framework, business plan and institution strategy including a PR/communication strategy
- Implement/improve all components necessary to make the institution fully operational in particular as regards website development, PR strategy, systems support, recruitment and training of personnel etc.
- Identify and acquire possible external financial and other support, in particular during the first 2 – 3 years of its existence.
- Develop and update a detailed BMA Organisational Manual specifying all processes, responsibilities etc.
- Define a fee model for BMA services to reduce MoIA subsidies from service contract

Accounting

- Provide monthly and annual account statements according to Mongolian law
- Reporting
- Ensure timely submission of all reports (including supporting documents as attachments)
- Provide reports to the Supervisory Board that include reports on achievements and a detailed work plan with a clear division of work among all the BMA experts as well as an Annual Report
- Give semi-annually (and upon request) presentations to the BMA Supervisory Board about work status, achievements and plans
- Issue a monthly brief on BMA progress, achievements and issues to the Supervisory Board
- Present to and discuss with the MoIA a Quarterly Report and an Annual Report on implementation of the service contract
- Report to the Supervisory Board Chairman on any irregularities and unforeseen changes possibly affecting the achievement of BMA objectives and the compliance with BMA rules and the service contract

Planning

- Conduct annual review of BMA concept and 3-year Business Plan
- Provide an Annual Plan of BMA activities and targeted achievements to the Supervisory Board for approval
- Provide updated detailed work plans for each quarter, semi-detailed work plans for the following 12 months and a rough plan for the whole remaining time of the 3-year planning period with clear division of work among all the experts and consultants
- Develop together with PR & Marketing Expert an annual PR strategy of the BMA
- Develop TOR and detailed work plans for external short-term consultants, trainers etc.
- Review and approve MoU between project and companies concerning collaboration with the project and ensure systematic and relevant support activities

Coordinating stakeholders and relationship management

- Implement together with PR & Marketing Expert the annual PR strategy of the BMA
- Lead regular discussions with responsible MoIA staff
- Coordinate and regularly meet with other key stakeholders (e.g., MoF, participating enterprises, Associations, the Chamber, Government Agencies, regulators, donor agencies and donor-funded projects, academic institutes, international organisations and others) to inform of the BMA work status and discuss issues to continuously review and refine the scope of the BMA services.
- Work together with the 3 Sector Experts (and short-term International Experts) on establishing and managing relations with relevant international organisations and partners.
- Establish and lead regular roundtable meetings with all interested companies on management, marketing and quality issues together with the respective Sector Experts and the respective associations as a platform to share experience between the companies.
- Manage relationship with testing labs.

Training and Coaching

- Coach the BMA experts in issue identification problem solving.
- Lead negotiations with companies and international industry organisations and testing laboratories.

- Set up a pool of national and international experts for provision of sector specific consulting services and to be paid by the companies. Define minimum qualification criteria for national and international consultants for being included in the pool of experts. Develop standard consulting contracts and agree on standard fee rates for specific activities.
- Identify the need for International Short-term Experts, prepare ToR and submit request.
- Review proposed objective criteria for selecting companies receiving TA from the BMA and participate in an objective process for company selection to be approved by the Supervisory Board.
- Develop together with Sector Experts and the PR & Marketing Expert programs (including training) for company support on quality management, efficiency improvement, export marketing and others as standard tools for the BMA.
- Ensure effective capacity building through training of Mongolian enterprises and relevant business associations for sustainable brand management.
- Regularly review the implementation of action plans based on MoU's with companies and initiate corrective actions in case of deviations. Ensure feedback in writing from the companies on planned versus achieved results and explanations of deviations. Use analysis of company feedback to redirect project plans and activities and to initiate sector activities.
- Identify common issues/problems and suggest sector-wide support programs to the Government

Support Sector Experts (Fibre, Leather and F&B) in their matchmaking activities

- Support Sector Experts in identifying and arranging contacts with possible matchmaking partners.

Developing Guidelines and Manuals for systematic knowledge transfer and knowledge database

- Develop and implement concept for extended system support of the BMA
- Ensure BMA knowledge management
- Establish and update BMA databases on companies, potential customers and other relevant projects. Establish cooperation with relevant sources of information
- Support the International PR & Marketing Expert in conducting regular company surveys in cooperation with the associations and other stakeholders
- Develop the BMA library/database(s) on BMA training materials, relevant publications on markets, research and quality issues

Sector Experts for Fibre (Cashmere/Yak/Camel/Wool), Leather and Food & Beverage

Overall Responsibility

- Assume responsibility for all activities related to “brandability” of Mongolian products and support Mongolian companies to achieve “brandability”.
- Review/refine/develop quality criteria and standards for certification marks in accordance with international premium quality standards.
- Conduct matchmaking activities with international customers
- Contribute to building the capacity of the Brand Management Agency

- Support the BMA in establishing and defending the quality criteria and standards for the Certification Marks

Reporting

- Provide input to Monthly Reports, Quarterly Reports, Annual Reports, and other reports (ad hoc reports upon demand)
- Present situation analysis, results and sector-related work plans together with the MD and the experts to the Supervisory Board and other stakeholders

Planning

- Plan and regularly update together with the MD utilisation of project resources on a monthly basis. and for a 12-month period
- Suggest quarterly and annual workplans for approval

Coordinating and relationship management

- Participate in managing the relationship with relevant Mongolian takeholders (MoIA, MOF, Associations etc.) through regular meetings and presentations
- Lead or participate with the MD in all discussions relevant to the sector and prepare the necessary discussion papers
- Contribute to establishing and managing the relationship with international industry organisations and testing institutions
- Participate in activities related to institution building of the Agency and its establishment in the international network of premium quality producers and industry organisations
- Advise the MD of on all relevant national and international industry trends

Training

- Provide support to BMA skill building
- Tailor and deliver training programs to enterprises; organize workshops and develop training materials.
- Develop guidelines for quality requirements, analyse typical quality problems and provide training on these topics to groups of companies in consultation with relevant enterprises and business associations. Develop training material and conduct workshops on topics related to product quality and marketability on international markets.
- Together with the other Sector Experts identify common business management issues of the Cashmere/Wool, Leather and Food & Beverage sectors to be addressed by the BMA.
- Together with MD conduct regular roundtable meetings with all interested companies on management and quality issues and in close cooperation with the respective associations as a platform to share experience between the companies.

Providing practical advice and coaching to companies on quality and efficiency

- Develop together with the Managing Director standard programs (including training) for company support on quality management, efficiency improvement, export marketing and others as tools for the BMA.
- Develop and propose objective selection criteria for companies receiving TA from the BMA (to be approved by Supervisory Board) and participate in the objective process of company selection.
- Contribute to the selection of client enterprises as TA recipients

- Prepare/review MoUs (with support from the Legal Expert) including attached action plans with selected companies to achieve agreed brandability objectives through sustainable efficiency and quality improvement
- Conduct company diagnosis and identify constraints and issues that each model enterprise needs to overcome in view of business management and manufacturing for achieving necessary sustainable quality of branded products in target markets.
- Work with companies on implementation of agreed action plans and provide capacity building support/advice on quality management (including advice on equipment selection and utilisation) in line with the collaborative brand requirements.
- Provide guidance to export plan development

Value Chain Management

- Support Quality Expert in all quality-related issues as regards value chains optimization.
- Initiate quality improvement activities to be conducted by national Quality and Value Chain Management Specialist along the value chains.

Conduct matchmaking activities and provide support to the PR & Marketing Expert

- Cooperate with the PR & Marketing Expert in preparing companies for international trade fairs and accompany the companies to the fairs
- Conduct matchmaking activities of selected Mongolian companies with leading international potential customers through targeted B2B marketing activities
- Cooperate with the PR & Marketing Expert in building the reputation of and establishing the Certification Marks (raw material, semi-finished and finished) on national and international markets
- Cooperate with the PR & Marketing Expert in identifying/introducing existing/potential premium value exportable products for branding/certification.
- Cooperate with the PR & Marketing Expert in designing and conducting domestic and international company surveys.
- Cooperate with the PR & Marketing Expert in designing (ToR) and conducting domestic and international market research studies
- Cooperate with the PR & Marketing Expert in identifying international brands and assist selected enterprises in establishing collaborative branding partnerships with the international brands.
- Initiate PR & Marketing Expert's support to selected companies in their marketing activities.
- Cooperate with the PR & Marketing Expert in developing (export) marketing concepts/plans for selected products

Developing Guidelines and Manuals for systematic knowledge transfer and knowledge database

- Develop Guidelines on quality management (including typical defects and the respective remedies or preventive measures)
- Provide input to the BMA's database on national companies and potential foreign customers as well as on topics related to the brandability of products
- Provide input to database on training materials

PR & Marketing Expert

Overall Responsibility

- Develop and implement together with the MD institutional marketing including PR and communication strategy for the BMA
- Implement together with the MD and the Sector Experts and in consultation with key stakeholders the brand framework developed by the AMBDP for (a) collaborative branding with international premium brands and (b) original branding of Mongolian products
- Develop marketing concepts/plans and implement measures to support the introduction and positioning of Certification Marks for premium quality Mongolian agricultural products on national and international target markets.
- Build the reputation and enhance the value of the Mongolian Certification Marks for premium quality agricultural products on international target markets.
- Support the successful establishment of original brands for selected Mongolian companies/products on international markets.
- Act as Branding Expert and cooperate with designers and marketing agencies on further developing the identification systems for BMA Certification Marks (brand collaterals)
- Support client enterprises in their marketing activities through practical advice, training/coaching and market intelligence.
- Prepare/organize or conduct market intelligence activities

Reporting

- Provide input to Monthly Reports, Quarterly Reports, Annual Reports, and other reports (ad hoc reports upon demand)
- Present situation analysis, results and sector-related work plans together with the MD and the experts to the Supervisory Board and other stakeholders

Planning

- Plan and regularly update together with the MD utilisation of project resources on a monthly basis and for a 12-month period
- Suggest quarterly and annual workplans for approval

Coordinating and relationship management

- Prepare and lead press conferences together with Head of the BMA
- Launch articles on the premium brands and the BMA in international trade magazines
- Participate in managing the relationship with MoIA, and other relevant stakeholders (MOF, other Ministries/Agencies, Mongolian business organisations and others) through regular meetings and presentations
- Lead or participate together with the MD in all discussions relevant to the sector and prepare the necessary discussion papers
- Support the BMA in managing the relationship with international industry organisations
- Participate in activities related to institution building of the Agency and its establishment in the international network of premium quality producers and industry organisations
- Advise the MD on all relevant national and international industry trends relevant for the BMA
- Develop regular newsletter to companies on Mongolian premium agricultural products

Training

- Train and coach the Sector Experts in marketing issues through training on the job
- Conduct regular marketing needs analysis among companies
- Design and conduct a brand training program for Mongolian enterprises with interests in developing/utilizing the original brand in cooperation with Sector Experts.
- Upon demand (documented through an attachment to MoUs signed by the BMA and the company) provide training on marketing-related issues for companies
- Conduct regular workshops on marketing topics with groups of interested companies together with the respective associations on topics such as “How to develop an Export Marketing Plan”, “How to do market research and how to use market research” , “How to approach foreign potential customers” and others
- Providing practical advice and coaching to companies on marketing activities related to brandable premium quality products
- Further refine guidelines (developed by AMBDP) for collaborative branding that will include brand partnership proposals and a generic brand partnership agreement in cooperation with Sector Experts
- Advise Mongolian companies on selection of and preparation for international trade fairs.

BMA institutional marketing

- Provide advice to the MD in all marketing related issues
- Develop/revise the BMA website in a modern design and train the National Marketing Specialist to act as the BMA’s webmaster
- Develop regular input to the BMA’s website on international fashion trends and similar
- Run market intelligence systems enabling the BMA to systematically monitor the global industry in order to identify cases of certification mark abuse or copies
- Develop market intelligence system enabling the BMA to systematically monitor the global and national sectors to identify cases of certification mark abuse or copies

Provide practical support to companies

- Organize or conduct domestic and international market studies for existing/potential premium value exportable products
- Develop the ToR for comprehensive Market Research activities on key target markets (results to be made available to all companies and the associations).
- Assist selected model enterprises in introducing original brands to target market(s) in cooperation with Sector Experts;
- Facilitate implementation of brand partnerships in cooperation with Sector Experts;
- Coach selected companies in their (export) marketing plan development and implementation.
- Provide guidance/advice to companies on their marketing strategy development (including improving marketing material and use of media
- Conduct national and international brand/certification awareness activities
- Provide support to matchmaking activities of the Sector Experts and for the use of branding guidelines

- Provide input concerning the application of branding guidelines for brand partnership agreements between selected Mongolian enterprises and international premium brands, in particular concerning recommended/forbidden marketing messages and use of the media in order to protect/enhance the value of the Certification Marks
- Coach companies for trade fair participation
- Provide input on lessons learned to the BMA website

Developing Guidelines and Manuals for systematic knowledge transfer and knowledge database

- Review/update branding guidelines (develop sector-specific chapters if necessary)
- Review/update/complete “how to” manual on branding (in both English and Mongolian) and presentation materials
- Provide input to database on marketing-related training materials
- Develop market intelligence database

Quality Expert

Overall Responsibility

- Work with the Sector Experts in mapping and analysing the value chains of the sectors, their various sub-sectors and relevant companies and organisations in order to identify opportunities and constraints
- Together with the Sector Experts design and implement concepts for optimization of the value chains so that companies are provided with a reliable and sustainable supply of required inputs to produce brandable premium products
- Together with the Sector Experts manage working groups composed of participating companies, cooperatives and associations,
- Together with Sector Experts work on identification of quality issues at companies, identify causes and develop and implement company specific remedial quality improvement programs, including quality management systems
- Perform the role of Quality Inspection Expert as long as the function cannot be justified/introduced due to lack of demand for BMA services
- Manage cooperation with Mongolian and international testing labs.

Reporting

- Provide input to Monthly Reports, Quarterly Reports, Annual Reports, and other reports (ad hoc reports upon demand)
- Present situation analysis, results and sector-related work plans together with the MD and the experts to the Supervisory Board and other stakeholders

Planning

- Plan and regularly update together with the MD utilisation of project resources on a monthly basis. and for a 12-month period
- Suggest quarterly and annual workplans for approval

Coordinating and relationship management

- Act as liaison person to all participants along the value chains (herders, farmers, processors, testing laboratories and other relevant institutions) supporting the Sector Experts in performing their particular tasks and duties according to ToR
- Liaise with other projects to ensure cooperation and most effective use of project resources
- Identify potential risks to tasks execution due specific national conditions or changed context which the Sector Experts are not aware of and suggest solutions to identified issues and problems.
- Ensure continuous feedback process in both directions from the raw material stage to the finished products manufacturers about improvement needs.

Training

- Develop training material and conduct training sessions and workshops for all participants of the value chains with the objective to overcome constraints to reliable and sustainable supply of inputs to the subsequent processing stages required to produce brandable premium quality products.
- Conduct training to companies on modern Quality Management methods and on ISO certification requirements
- Provide training to herders/farmers, cooperatives, processors and relevant institutions on environmental issues and eco-labelling.
- Provide feedback from training sessions to the Sector Experts/specialist

Providing practical advice and coaching to companies, on quality and efficiency

- Cooperate with the Sector Experts in assessing the quality of companies' products and production processes
- Cooperate with the Sector Experts and specialists in identifying constraints and issues that each client enterprise needs to overcome to achieve sustainably brandable product quality and tailor a remedial program for the respective enterprises and ensure program implementation through Action Plan as part of MoUs.
- Advice companies on the introduction of modern Quality Management methods processes and support implementation.
- Monitor the implementation of agreed remedial quality management related activities by the selected companies
- Perform other detailed tasks and duties to be decided jointly by the Sector Experts

Value Chain Management

- Identify the value chains relevant to brandable products of client companies or groups of client companies
- Cooperate with the Sector Experts in identifying constraints and issues that value chain participants need to overcome to provide input in consistently and sustainably high quality to the next processing stage
- Develop concepts to ensure a continuous and sustainable flow of inputs through all stages of the value chain to achieve brandable premium quality products. Establish long-term contractual supply/procurement relationship between processors and herders.
- Initiate MoUs and Action Plans – taking into account harvesting seasons – with participants in the value chains on each processing stage to ensure implementation of systematic action plans for sustainable performance improvement

- Act as value chain coordinator for an initial period
- Cooperate with the Sector Experts and specialists in providing capacity building to the concerned herders/farmers, cooperatives, primary processors and secondary processors and business associations on quality management in line with the Certification Mark requirements and according to the identified needs of final processors.
- Develop an incentive concept for herders (respectively farmers for food processing input) to ensure quality orientation and eco-friendliness.
- Regularly track flow of raw material from herders/farmers through the various stages to the final processors to identify weaknesses in the value chains and suggest remedial actions to the participants.
- Ensure cooperation and provide regular feedback to all participants of the value chain through workshops involving also the Sector Experts and representatives from other relevant projects.
- Provide input on value chain management issues (lessons learned) to the BMA website

Developing Guidelines and Manuals for systematic knowledge transfer and knowledge database

- Cooperate with the Sector Experts and specialists in developing guidelines for meeting the quality requirements of the Certification Marks
- Together with the Sector Experts develop Certification Mark standards
- Develop manuals/guidelines on value chain management for all 3 sectors
- Provide input for a training material database

Quality Inspection Expert

(This role needs to be performed by the Quality Expert as long as there is not sufficient demand for respective BMA services which would justify a separate function).

Overall Responsibility

- Develop objective inspection methodologies and processes in close cooperation with international organisations, Mongolian testing institutes, institutions issuing certificates of origin, and relevant Government institutions according to international standards practiced by leading institutions issuing quality certification marks for agricultural premium products
- Implement the inspection methods and processes in cooperation with testing institutes as part of the certification
- Manage the inspection process for orders that companies want to have certified
- Take any precaution to ensure objectivity of the process and integrity of the involved institutions
- Support the MD and the Legal Specialists in case of abuse or falsification in providing evidence for taking legal actions against companies copying or abusing certificates

Reporting

- Provide input to Monthly Reports, Quarterly Reports, Annual Reports, and other reports (ad hoc reports upon demand)
- Present situation analysis, results and sector-related work plans together with the MD and the experts to the Supervisory Board and other stakeholders

- Report on inspection results to the MD to start the process, to grant certificates, to withdraw/cancel certificates and to take legal action in case of fake or abuse

Planning

- Plan and regularly update together with the MD utilisation of project resources on a monthly basis. and for a 12-month period
- Suggest quarterly and annual workplans for approval

Coordinating and relationship management

- Cooperate with Mongolian associations and organisations issuing certifications (on origin, Eco label etc.)
- Support the MD in managing the relationship with international industry organisations, certification institutions and the network of testing laboratories
- Cooperate with international organisations dealing with intellectual property and Trade/Certification Mark protection
- Advise the MD on all relevant national and international industry trends relevant for certification

Training

- Coach and train the Sector Specialists on the job to effectively prepare companies for product certification
- Coach Mongolian testing labs to maintain international accreditation
- Work with national institutions conducting laboratory tests on new testing technologies
- Provide training to associations and interested companies on product quality requirements for certification and certification process
- Participate in workshops and roundtables organized by the Sector Experts/specialists with companies, associations and other institutions and discuss quality inspection results (without disclosure of any names)

Conduct inspections, analyse testing results and initiate actions

- Develop a national and international inspection strategy for the BMA
- Undertake sampling of raw material, semi-finished and finished products of companies applying for certification of orders according to plan or at random.
- Conduct the inspection process of certification owners: Collect random samples of certified raw material, semi-finished and finished products on the market, on company visits or request sample delivery, send samples to testing laboratories and request analysis on compliance with defined standards (including origin of raw materials). Analyse results, provide reports and enter data into database.
- Based on testing results recommend to the Head of the BMA to take decision: a) Granting of certificates, b) confirmation of certificates, c) withdrawal of certificates, d) recommendation to take legal actions because of fake or abuse

Develop Guidelines and Manuals for systematic knowledge transfer and databases

- Develop quality inspection guidelines for certification process
- Develop manual for BMA on inspection and testing methods and processes
- Provide input to BMA library of training materials

- Provide input to company database (certifications awarded/rejected and testing results)
- Provide input to database on discovered cases of fake and abuse

Legal Expert – Corporate Law/Patent Law

Overall Responsibility

- Assist the MD and the experts in providing information on the Mongolian legal and regulatory environment.
- Undertake all necessary steps for national and international registration of Certification Marks
- Undertake all legal steps – including law suits - to defend the ownership of the certification marks and trademarks and protect the newly-developed brands on both domestic and international markets;
- Advise the MD on all legal issues concerning the work of the BMA
- Develop all necessary contracts and agreements with legal implications for the BMA
- Ensure that project legal activities continue to a schedule agreed with the various International Experts during periods when they are not in Mongolia.

Reporting

- Provide legal chapter to regular reports and to ad hoc reports upon demand

Planning

- Provide input to regular plans of the BMA in particular concerning costs of external legal support

Coordinating and relationship management

- Act as liaison to relevant legal institutions such as Intellectual Property Office
- Closely cooperate with the Quality Inspection Expert and Specialist.

Training

- Use the experience gained while working with the project to further develop own professional and personal skills with the objective of being able to continue providing relevant legal support to the BMA, associations, enterprises and other stakeholders with branding related and legal activities on completion of the project.
- Develop training material and provide training on legal issues related to brand management, license agreements etc. to companies, associations and government bodies
- Providing practical advice and coaching to the BMA on legal issues

Provide legal advice and manage the legal issues concerning the certification marks

- Draft certification mark license agreements with national and international companies
- Support the MD of the BMA in all negotiations with licensees, national and international business organisations and other stakeholders

- Advise the BMA on how to manage the intellectual property of certification marks
- Advise the MD of the BMA on legal implications of his decisions
- Act as contract manager for BMA
- Together with the Quality Inspection Expert/Specialist, the Sector Experts/Specialist and the PR& Marketing Expert/Specialist analyse identified cases of certification mark fake or abuse and propose actions to defend the BMA's intellectual property rights
- Act as Compliance Manager concerning internal control guidelines
- Providing practical advice and coaching to companies on legal issues related to certification marks
- Perform other detailed tasks and duties to be decided by the MD of the BMA

Support the PR & Marketing Expert and National PR & Marketing Specialist

- Ensure that brands are developed/supported in line with Mongolian and international/ foreign laws and regulations

Developing Guidelines and Manuals for systematic knowledge transfer and knowledge database

- Refine the legal framework that defines how ownership of intellectual property will be managed
- Provide input on the BMA database on law cases
- Contribute to BMA library all relevant publications on legal topics
- Develop internal control guidelines

Annex 2 : Quality Standards for MNF and MNF Premium

'Mongolian Noble Fibre'

Certification Mark

Quality Certification and Technical Specification



Specification Code..00000.....

The quality certification and technical specification should be approved by the Mongolian Agency for Standardization and Metrology.

NB.Please note that the defining difference between MNF Premium and MNF is in the technical specifications, the provenance and in the fact that the MNF Premium Fibres are all natural.

Valid date.....

1. Framework:

1.1. The quality certification and technical specification will refer to the following:

A/ Dehaired cashmere

B/ Cashmere yarn

C/ Cashmere knitwear products

1.2. The Mongolian Noble Fibre Certification refers EXCLUSIVELY to 100% **natural, unbleached** fibers (with regard to dyed fibres these must dyed by internationally approved dyes and chemicals, which are non-toxic and non-hazardous).

1.2.1. MNF certification refers to dehaired cashmere, spun yarn and finished knitted and woven products from the fine down fibre from the undercoat of the Mongolian Cashmere goat (*Capra hircus laniger*).

1.2.2. The fineness range within which the MNF qualities qualify is between 15.51-16.8mkm.

1.2.3. In the case of blends the certification applies to the cashmere component only. Should a processor or buyer wish to use MNF as a component in any natural fibre blend then they must seek the approval of the BMA first.

The BMA will require technical information on any other natural fibre components that processors or buyers wish to use in their respective products to ensure that the standard quality requirements of MNF are matched by the natural fibres to be utilised in their blends.

MNF fibres must constitute at least 5% of any product containing BMA approved and certified natural fibres.

2. Key terminology

2.1. Dehaired cashmere- washed, combed, and dehaired cashmere with a coarse hair content of less than 0.5%

2.2. Cashmere yarn- 100% unbleached natural cashmere yarn

2.3. Cashmere knitwear-Garments made from 100% unbleached natural cashmere yarn

3. Classification

3.1. Dehaired cashmere will be classified as follows;

3.1.1. By color:

- a) White
- b) Light grey
- c) Grey
- d) Brown

4. Technical requirement

4.1. Dehaired cashmere

The quality and technical specification of 'Mongolian Noble Fibre' should follow the dehaired cashmere's First grade of Mongolian National Standard (MNS) 3683:2007.

4.1.1. The requirement of dehaired cashmere should meet the criteria listed in Table 1.

No	Color	Description
1	Region (GI)	Mongolia
2	Type	All Natural, Untainted
3	White	White
4	Light grey	Light grey with beige overtones including red
5	Grey	Grey with bluish overtones including blue
6	Brown	Brown

4.1.2. The quality specification of dehaired cashmere should meet the criteria listed in Table 2.

No	Quality specification	Mean Fiber Diameter (mkm)	Mean Fiber Length (mm)	Hair content (%)	Oil content (%)	Moisture content (%)	Composition (%)
1	Mongolian Noble Fiber	15.51-16.8 (First grade of current MNS 15.51-16.8)	MNF 38,0	0,5	0,5	0,8	100%

4.2 Cashmere yarn and knitwear products

The quality and technical specification of cashmere yarn for Mongolian Noble Fibre should comply with the standard for cashmere woolen yarn as specified in Mongolian National Standard (MNS) 5820:2007.

The quality and technical specification of cashmere knitwear for Mongolian Noble Fibre should comply with the standard for knitted cashmere as specified in Mongolian National Standard (MNS) 5307:2003.

'Mongolian Noble Fibre Premium'**Certification Mark****Quality Certification and Technical specification**

Specification Code..00000.....

The quality certification and technical specification should be approved by the Mongolian Agency for Standardization and Metrology

NB.Please note that the defining difference between MNF Premium and MNF is in the technical specifications, the provenance and in the fact that the MNF Premium Fibres are all natural.

Valid date.....

5. Framework:

5.1. The quality certification and technical specification will refer to the following;

A/ Dehaired cashmere,

B/ Cashmere yarn

C/ Knitwear products.

5.2. 'The Mongolian Noble Fibre Premium' Certification refers **EXCLUSIVELY** to **100% natural, unbleached and undyed** fibers.

5.3. 'MNF Premium' certification refers to dehaired cashmere, spun yarn and finished knitted and woven products from the fine down fibre from the undercoat of the Mongolian Cashmere goat (*Capra hircus laniger*).

5.4. In addition to the technical specification of the Superior cashmere quality this will also be certified in accordance with the goat breed type and region (Geographical indication)

A/ Bayandelger ulaan

B/ Zavkhan buural

C/ Erchimiin khar

D/ Ulgiin ulaan

E/ Zalaajinstiin tsagaan

F/ Altain ulaan

5.5. The fineness range within, which the 'MNF Premium' qualities qualify is between 13.0-15.5mkm.

5.6. In the case of blends the certification applies to the cashmere component only. Should a processor or buyer wish to use 'MNF Premium' as a component in any natural fibre blend then they must seek the approval of the BMA first.

The BMA will require technical information on any other natural fibre components that processors or buyers wish to use in their respective products to ensure that the

standard quality requirements of MNF Premium are matched by the natural fibres to be utilised in their blends.

MNF Premium fibres must constitute at least 5% of any product containing BMA approved and certified natural fibres.

6. Key terminology

6.1. Dehaired cashmere- washed, combed, and dehaired cashmere with a coarse hair content of less than 0.5%

6.2. Cashmere yarn- 100% undyed and unbleached natural cashmere yarn

6.3. Cashmere knitwear-Garments made from 100% undyed and unbleached natural cashmere yarn

7. Classification

7.1. Dehaired cashmere will be classified as follows;

7.1.1.By color:

- e) White
- f) Light grey
- g) Grey
- h) Brown
- i) See 1.4

7.1.2. By geographical indication

- a) Pure Mongolian breed (See 1.4)

8. Technical specification

8.1. Dehaired cashmere

The quality and technical specification of Mongolian Noble Fibre Premium should follow the dehaired cashmere's Super grade of Mongolian National Standard (MNS) 3683:2007.

8.1.1. The requirement of dehaired cashmere should meet the criteria listed in Table 1.

No	Color	Description
1	Region (GI)	Mongolia, region specific and goat breed types
2	Type	All Natural, Undyed and Untainted
3	White	White
4	Light grey	Light grey with beige overtones including red
5	Grey	Grey with bluish overtones including blue
6	Brown	Brown

- 8.1.2. The quality specification of dehaired cashmere should meet the criteria listed in Table 2.

No	Quality specification	Mean Fiber Diameter (mkm)	Mean Fiber Length (mm)	Hair content (%)	Oil content (%)	Moisture content (%)	Composition (%)
1	Mongolian Noble Fibre Premium	13.0-15.5 (Superior class of current MNS 13,0-15,5)	MNF 38,0	0,5	0,5	0,8	100%

4.2 Cashmere yarn and knitwear products

The quality and technical specification of cashmere yarn for Mongolian Noble Fibre Premium should comply with the standard for cashmere woolen yarn as specified in Mongolian National Standard (MNS) 5820:2007.

The quality and technical specification of cashmere knitwear for Mongolian Noble Fibre Premium should comply with the standard for knitted cashmere as specified in Mongolian National Standard (MNS) 5307:2003.

Annex 3 : Brand Guidelines for Mongolian Noble Fibre

MONGOLIAN NOBLE FIBRE: BRAND GUIDELINES

Updated: 18 January 2013

The Mongolian Noble Fibre identity system is designed to be very simple to use. In order to be simple, it has very few rules – but those rules are very rigid.

BASIC ELEMENTS

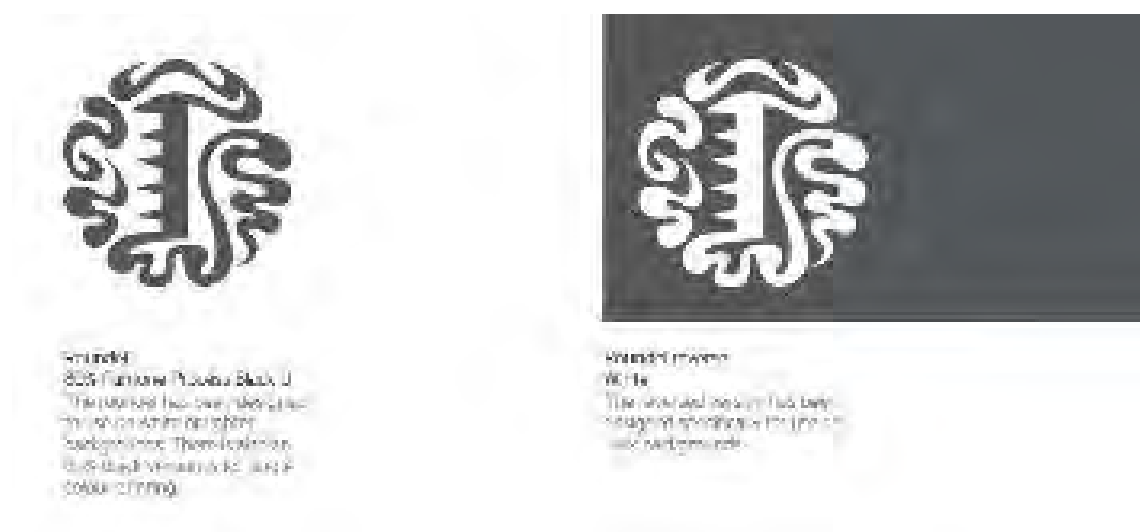
The basic identity element is a lockup involving two parts: the Mongolian Noble Fibre roundel symbol and the words “Certified Mongolian Noble Fibre.” It looks like this:



The rules for using this in two-colour printing are as follows:



The roundel is also permitted to appear by itself, as follows:



The brand's primary and secondary colour palettes are as follows:

Primary colours
 Monochrome Roundel Brand's three brand colours

Black



Pantone Process Black U
 CMYK 100/100/100/100
 RGB 0/0/0

Orange Red



Pantone 1995 U
 CMYK 10/90/10/10
 RGB 255/0/0

White



Pantone White U
 CMYK 0/0/0/0
 RGB 255/255/255

Secondary colours
 Used as background or highlight colours



Pantone Process Black U
 CMYK 100/100/100/100
 RGB 0/0/0



Pantone Cool Gray 9 U
 CMYK 10/10/10/10
 RGB 128/128/128



Pantone 807 U
 Special after compinting

The brand's typeface is Helvetica Neue (and Arial where that is not available):



The template for external communications is described later in these guidelines.

SEW-IN LABELLING

The standards and criteria for which garments qualify for the Mongolian Noble Fibre designation are written elsewhere. Assuming a garment qualifies, labeling it is straightforward.

There are three options for sew-in labels, and you can use one, two, or all three of them at the same time.

There is a "neck label," and there are two seam labels.



There are those three, and only those three, options available under the current identity guidelines.

By default, sew-in labels should be printed in black on white labels.

DEBOSSSED LEATHER FOB

Leather fobs debossed with the Mongolian Noble Fibre roundel may be hung from qualifying garments, as appropriate. They were designed to work particularly well with the hang tag, but they can also be used on their own without the hang tag.

The fob should hang from a silk cord or ribbon that is the Mongolian Noble Fibre blue colour, or if blue is not available, then a natural brown or beige may be substituted.



HANG TAG (SWING TICKET)

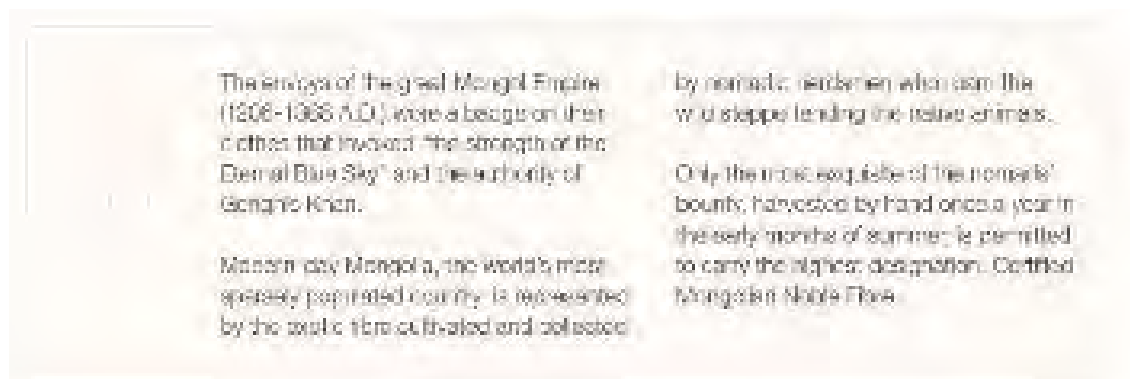
The hang tag can be used with or without the leather fob.



The hang tag should be printed on high-quality uncoated natural-coloured card stock; the lockup is on one side, the copy is on the other. The edge should be coloured Mongolian Noble Fibre blue, as shown below:



The copy on one side of the hang tag reads:



(And please remember: black is 80% black.)

POSTCARDS ("BROCHURE")

Often a brand will have a brochure version, especially for use in retail environments – something a clerk can toss into the bag along with the customer's purchase, or which can be handed out to interested parties at fashion or trade shows. Instead of a brochure, the Mongolian Noble Fibre brand has a set of five postcards.

The postcards can be used in any combination or multiple, one at a time or all five at once.

The front:



Close-up of the copy:

The "Paiza" medallion was the badge of official representatives of the Mongol Empire and were worn around the neck or attached to clothing. The inscription in Phagspa decrees: By the strength of Eternal Blue Sky, an edict of the Emperor Khan, He who has no respect shall be guilty.

Source: The Metropolitan Museum of Art, New York

EXTERNAL COMMUNICATION

A template has been created for all external communications for use by, or under the close supervision of, the branding agency.

The first page should look like this, with the headline short enough to fit on a single line.



With its alluring landscapes and nomadic culture, Mongolia is the epitome of the faraway, exotic place. This exoticism is embodied in any garment, yarn or fibre bearing the Mongolian Noble Fibre insignia.

“Mongolia’s lost treasure.”

Damascus steel. Sea Island cotton. Chinese silk. Mongolian Noble Fibre.

Modern-day Mongolia, once historically referred to in the West as “Outer Mongolia” to distinguish it from the mainland Chinese province of Inner Mongolia, is the most sparsely populated country in the world.

With wild steppes populated by nomadic herders, it remains the epitome of the faraway exotic place. Mongolia’s environment, culture and history are all the stuff of legend—and for good reason.

The Mongol Empire (1206 –1368) is the second-largest empire of all time (after the British) as well as *the* largest contiguous land empire in history, sprawling from the Danube to the Sea of Japan, and from the Arctic to Cambodia.

Yet far from being the barbarians history portrays, Genghis Khan and his successors (like Kublai Khan, immortalised by the poet Coleridge) were responsible for connecting Asia and Europe as never before, and spreading religious tolerance, science and technology amongst diverse civilisations.

Mongolian Noble Fibre: a lost treasure.

Long a major source for cashmere, yak and camel, Mongolia is reviving an ensemble of six natural shades of its most exotic fibres:

The creamy Shinejinst white, a greyish beige Durvuljin “natural brown,” the Tsagaan Ovoo light grey (a creamy beige that is arguably Mongolia’s signature colour), the legendary Baatsagaan “blue” and Bayandelger “red” which are exclusive to Mongolia, and the Khangai platinum yak (a superpremium fibre one hundred times rarer than cashmere).

Page two should look like this:



Californian luxury brand QuitMadStop created their fanciful "Mongolian beach towel"—a sheet of flat-woven cashmere intended for use as a shawl or scarf—out of Mongolian Noble Fibre. The "towel" is produced in Mongolia to the company's specifications on niche Japanese-made midcentury looms which impart a noticeably unique combination of loft and delicacy to the finished textile.



The authority of Mongol ambassadors invoked "the strength of the Eternal Blue Sky." Their badge was worn on a cord or, like the Mongolian Noble Fibre insignia, attached to clothing.



No accurate portrait of Genghis Khan exists. All images of him are artistic interpretations.

Rare and luxurious—and available only in its natural pigmentation

Mongolian Noble Fibre comes exclusively in the colours the animals themselves come in. All yarns bearing the MNF certification are unbleached, undyed and untainted.

Both the cashmere fibre and the yak down are hand-combed off the animals' underbellies in the early summer by Mongolian nomads. These herdsmen, in unbroken lineage with their ancestors, voluntarily follow a 3,000-year old free-roaming, pastoral lifestyle assiduously attuned to natural environment as spectacular as it is severe.

The premiere bounty of these Mongolian nomads, these wizards of the wide-open steppe, is some of the world's most exotic natural animal hair. The rarest and most precious of their yield receives the coveted Mongolian Noble Fibre designation.

To inquire about MNF or the Asian Development Bank-funded initiative responsible for it, write to Mr Erdenebileg, deputy project director, at erdenebileg.b@ardp.mn.



Certified
Mongolian Noble Fibre



It can take as many as three goats to provide enough cashmere to make one sweater.



The Mongol Empire was the second-largest in world history (after the British). Stretching from the Danube to the Sea of Japan, it spread ideas and innovations between East and West.

Annex 4 : Questionnaire for survey among fibre companies

Survey among Cashmere/Yak/Camel /Wool companies

Please use the following scoring

1= unimportant/not relevant

2

3

4

5= most important/absolutely relevant

1. COMPANY BASIC DATA

1.1 Company name:

1.2 When was the company
founded?: _____ (year)_

Is the company registered?

☐ Yes ☐ No ☐ Registration in process

1.3 Address:

Phone number: _____

eMail: _____

Website: _____

1.4 Ownership

- ☐ 100% Mongolian
- ☐% owned by foreign partner

Name(s) of owner(s):

1.5. Company is managed by (years of industry experience)

- ☐ Owner(s) (.....years of industry experience)
- ☐ Employed manager(s) (.....years of industry experience)

- ☐ Mix of both (..... +years of industry experience)

1.6 Memberships

Member of the Wool & Cashmere Association?

☐ No

☐ Yes, since _____ (year)

Member of the Cashmere Council?

☐ No

☐ Yes, since _____ (year)

1.7. Support received from donor programs

Did you ever get any support from any donor program?

Which donor? _____

When? _____ (year)

What kind of support (e.g. training?)

1.8. Did you ever work with private consultants

- ☐ No
- ☐ Yes,

If yes, What kind of service did they offer
render for you:

2. FACILITIES/SPACE

2.1 Number of plants/ locations: _____

2.2 Estimated space available for:

Office: _____ sqm

Production: _____ sqm

Warehousing: _____ sqm

2.3. Buildings are

- ☐ Owned
- ☐ Rented
- ☐ Partly owned, partly rented

3. PRODUCTS

3.1 What do you produce (please circle material)?

- Dehaired Cashmere/ Camel / Yak /wool
_____ % of total production
- Yarn (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Fabric (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Sweaters (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Jackets (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Skirts (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Coats, ponchos (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Shawls (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Scarves (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Blankets (Cashmere, Yak, Camel, Wool)
_____ % of total production
- Caps, gloves, socks (Cashmere, Yak, Camel, Wool) or other accessories
_____ % of total production
- Felt products
_____ % of total production
- Carpets
_____ % of total production
- Other:

3.2 Final consumers. Products are made for

- Female: _____ %
- Male: _____ %
- Unisex: _____ %
- Kids: _____ %

3.2 Product composition

- _____ % of sales are from products made pure material (Cashm., Yak, Camel, Wool)

- _____ % of sales are from blended material

4. STAFF

4.1 What is the present average number of staff? Full-time: _____ Part-time: _____

What was the average staff number in 2011?

Full-time: _____ Part-time: _____

4.2 Do you reduce/lay-off staff outside the seasons?

- Yes
- No

4.3 Average age of staff: _____ years

4.4 Salaries

What is the average salary of your production workers? _____ USD per month

Salary components. The workers get

- only fixed salary
- variable salary
- mix of fixed and variable salary

Variable salary is based on

- Pieces produced
- Defect rates
- Other: _____

4.4 Staff qualification

How many % of your staff are

- Untrained: _____ %,
- Trained by the company: _____ %
- With experience from other companies _____ %
- Specialists in their fields, graduates: _____ %
- Other: _____ %

4.5. Specialists: Do you have ...?

- an own designer
- an own sales person
- an own marketing person
- an own accountant
- quality management specialist or quality inspection specialist

4.6. Language skills of owner and/or staff in the company

How many people in the company speak (for effective business communication)

- ☐ English (.....people)
- ☐ Chinese (.....people)
- ☐ Korean (.....people)
- ☐ Japanese (.....people)
- ☐ Russian (.....people)
- ☐ French (.....people)
- ☐ Italian (.....people)
- ☐ German (.....people)
- ☐ Other: _____(.....people)

5. PLANNING AND VISION

5.1 Formalized planning: Do you have the following plans (in written) for your company?

- ☐ a long-term strategy (at least 5 years)
- ☐ a business plan
- ☐ an investment plan
- ☐ an annual financial plan
- ☐ an annual sales plan
- ☐ annual marketing plan
- ☐ an export strategy/plan

5.2 Where do you see your company in 5 years?

- ☐ More or less same as now (no expansion)
- ☐ Moderately grown (5-year growth in total: +%)
- ☐ Heavily grown (5-year growth in total: +%)
- ☐ Smaller, but more profitable

5.3. Where do you want to grow?

- ☐ Mostly on domestic Mongolian Market
- ☐ Mostly on international Markets
- ☐ On both markets

5.4. How do you want to grow?

- ☐ Higher prices
- ☐ More pieces sold in present markets
- ☐ More pieces sold to our present export markets

- ☐ Finding new customers in present market
- ☐ Selling to new markets
- ☐ Adding new products
- ☐ Other: _____

5.5 Which regions or countries would you target for exports?

- ☐ Whole EU
- ☐ Northern European countries
- ☐ Southern European countries
- ☐ North America (US, Canada)
- ☐ Japan
- ☐ Russia
- ☐ Korea
- ☐ Other: _____

5.6. Do you think your company is already sufficiently prepared for these export markets?

- ☐ Yes
- ☐ No, because....
 - a) _____
 - b) _____
 - c) _____

5.7. How do you want to expand your business capacity?

- ☐ New equipment for spinning, weaving, knitting, dyeing
- ☐ Hiring more staff
- ☐ Introducing another shift
- ☐ Replacing staff by machines
- ☐ Hiring specialists
- ☐ Training existing staff in technical skills
- ☐ Training staff in language skills
- ☐ Training staff in quality management
- ☐ Training staff in sales and marketing
- ☐ Other: _____

5.8 . What do you see as the biggest problem for your company to achieve your goals to grow

(Please rank by importance)

Ranking

1 = Most important

2 = second most important

3 =

- ☐ Lack of qualified staff
 - ☐ Lack of knowledge about markets and their requirements
 - ☐ Lack of marketing know-how
 - ☐ Lack of financial resources for investments in new equipment
 - ☐ Lack of financial resources for working capital
 - ☐ Lack of supply of yarn in our colours and quantities in Mongolia
 - ☐ Lack of an own brand name
 - ☐ Lack of buyer information to access foreign markets
 - ☐ Dependence on few customers
 - ☐ Low quality of own products
 - ☐ Competition with cheaper Chinese manufacturers
 - ☐ Lack of manufacturing skills
 - ☐ Lack of language skills
 - ☐ Lack of design skills
 - ☐ Lack of production know-how
 - ☐ No guaranteed/stable supply of raw material
- Others: _____
- ☐ _____
 - ☐ _____
 - ☐ _____
 - ☐ _____

6. FINANCE**6.1. Do your work with normal bank loans?**

- ☐ Yes
- ☐ No

6.2. Did you recently apply for a loan from

- ☐ Government,
- ☐ ADB
- ☐ other international organisations. Please specify _____
- ☐ Commercial banks

6.3 Company recently got a loan from:

Interest rate p.a.: ____%

6.4. Applied for loan (but did not receive)

from: _____

Interest rate p.a.: ____%

Application officially rejected because of (reasons): _____

7. PRODUCTION**7.1 What is your maximum capacity?**

_____ (number of pieces or tons of material)

in _____ shifts per day

7.2. Total production in 2011

Number: _____ (pieces)

Weight (wool). _____ (kg)

or alternatively

- ☐ Below 3000 pieces
- ☐ 3000-5000
- ☐ 5000-10 000
- ☐ 10 000-30 000
- ☐ More than 30 000

Other: _____ (specify kg or tons)

7.3. Do you outsource (sub-contract) production from other companies?

- ☐ No, never
- ☐ Yes, regularly
- ☐ Yes, sometimes

7.4 Production planning

- ☐ Production is only order-based
- ☐ Production on stock for own direct sales
- ☐ Mix of both
- ☐ Other: _____

7.5. Do you use any IT-system for production planning and steering?

- ☐ Yes

- No

7.6. Do you plan to invest into your production

What kind of investment?

- Buildings (renovation, new)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)
- Equipment (replace, additional)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)
- Systems (new, updating)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)
- Eco-related (certification)
 - a) _____ (USD)
 - b) _____ (USD)
 - c) _____ (USD)

8. EQUIPMENT

8.1 Average age of equipment: _____ years

8.2 What type of equipment?

- Spinning: No, machine manufacturer
 - _____
 - _____
 - _____
- Weaving: No, machine manufacturer:
 - _____
 - _____
 - _____
- Knitting (Please circle: computer-programmable, normal, hand-driven)
 - No., machine manufacturer:
 - _____
 - _____
 - _____
- Washing
 - _____
- Sewing
 - _____
- Other: _____
 - _____

9. PURCHASING

9.1 Do you import raw material, Yarn or finished products (e.g. from China) to sell them unprocessed on the domestic market?

- No
- If Yes, what kind of and from where:
 - a) Product: _____
 - imported from: _____
 - b) Product: _____
 - imported from: _____
 - c) Product: _____
 - imported from: _____
 - d) Product: _____
 - imported from: _____

If yes, do you do this

- Regularly or
- Occasionally?

9.2 %age of domestic and foreign suppliers (each group adds up to 100%)

- Wool:
 - a) Domestic suppliers: _____%
 - b) Imports: _____%
- Yarn:
 - a) Domestic suppliers: _____%
 - b) Imports: _____%
- Finished products
 - a) Domestic suppliers: _____%
 - b) Imports: _____%
- Other (zippers, buttons etc.)
 - a) Domestic suppliers: _____%
 - b) Imports: _____%

9.3. Do you outsource finished products from other Mongolian manufacturers?

- Yes, regularly
- Yes, sometimes
- Never

9.4 Why do you outsource?

- Sometimes we do have not enough capacity
- Buyer wants to buy too small quantities that are too costly to produce

- We need certain products that we cannot produce ourselves to complement our own collection
- Other: _____

6.6 Do you import finished products from other countries?

- Yes, from (country): _____

- No

10. SALES & EXPORT EXPERIENCE

10.1. Total sales (turnover) in USD (year):

2011: _____ USD

Thereof% .export

2010: _____ USD

Thereof% .export

2009: : _____ USD

Thereof% .export

10.2. How much did your sales volume

increase (in pieces or kg) in the last three years compared to the previous year?

- 2009: %
- 2010:%
- 2011:%

10.3 Where did you mostly achieve this growth?

- Mostly on domestic Mongolian Market
- Mostly on international Markets. Which Countries: _____

10.4. How much of your production (pieces) is sold

- to Mongolian customers: _____% of total sales
- to Tourists in Mongolia: _____% of total sales
- to Mongolian trading houses exporting these goods: _____% of total sales

- to Export markets: _____% of total sales

10.5 Customer structure (vulnerability; dependence on few customers)) (please add number of customers)

- We make 80% of our total sales with customers (number of customers)
- We make 80% of our domestic sales with customers (number of customers respectively final consumers))
- We make 80% of our export sales with customers (number of customers)

10.6. How much of last year's (2011) production is still on stock (unsold):%

Why is it unsold?

- Orders were cancelled
- Our sales projection were too optimistic
- We got many rejects due to quality problems
- Our design was not liked by consumers, retailers gave our merchandise back
- We started our production too late
- We do not sell unsold products for cheaper prices anywhere
- Other: _____

10.7. If you export, what are your company's export sales channels?

- Foreign Distributors/importers
- Mongolian trading houses as exporters
- Own shop in another country
- Direct foreign customers (Department store, retail outlets _____)
- Direct sales to customers via internet _____
- Direct final consumers
- Foreign customers pick up goods from our factory
- Others _____

10.8. Are you planning to do web-based sales

- Yes
- No

10.9 What would you do if a serious foreign buyer would place an order that would use more than 60% of your capacity or go beyond your capacity :

- We would accept the order and find an internal solution to fulfil it (e.g. extra shifts etc.)
- We would reject it because we don't want to depend on one customer and one big order.
- We would reject it because we would feel overcharged and do not want to cover the risk
- We would ask other companies to cooperate with us to fulfil this order
- We would outsource from other companies without giving details to the customer or the other companies.
- Other: _____

10.10. In case contacts with potential foreign buyers did not results in export sales? What do you think were the reasons?

- We have never been in touch with a foreign buyer
- We had contacts with potential foreign buyers .but did not close a deal because:.....
- Our price was too high
 - Our quality was not sufficient
 - We were not able to provide required certification
 - Potential buyer did not like our samples
 - We could not guarantee the quantity required by the potential buyer
 - Buyers required product features we were not able to produce
 - Buyers required quantities that were too low for us
 - We could not agree on terms of payment and delivery
 - We were not able/willing to provide samples for free
 - We were not in a position to provide marketing support/material to the buyers
 - We could not comply with buyers eco demands

- Potential buyers were not really serious or not trustworthy
- Other: _____
- We don't know why we did not get an order (Unknown reasons)

10.11. What do you think does an export market require from you to be successful there?

Please score

1 = Very important for export markets

2 = important

3 = Don't know

4 = Not very important

5 = Absolutely unimportant for export markets

- Reliable delivery (time, quantity, quality, destination)
1 2 3 4 5
- Flexibility
1 2 3 4 5
- Certified product quality
1 2 3 4 5
- Competitive prices
1 2 3 4 5
- A certified Mongolian origin
1 2 3 4 5
- Certified Eco-friendliness of products and production processes
1 2 3 4 5
- Own design matching fashion trends
1 2 3 4 5
- Attractive financial terms for buyer
1 2 3 4 5
- Other: _____
1 2 3 4 5
- Other: _____
1 2 3 4 5

11. QUALITY

11.1 Is your company certified within any standard quality management system (e.g. ISO 9001, ISO 14001)?

- ☐ No
- ☐ Yes,
for: _____

11.2. Are you interested in getting a premium quality certificate for your products

- ☐ No, we don't need it
- ☐ Yes

11.3 Would you allow an outside certification inspector to regularly check the quality of your products and see whether they comply with defined criteria and standards of the certificate (fibre diameter, fibre length, Mongolian origin)?

- ☐ No
- ☐ Yes

11.4. Would you pay for this certification?

- ☐ No
- ☐ Yes

11.5. Do you have a system (e.g. checklists) for separate quality auditing of shipments before release?

- ☐ No
- ☐ Yes

11.6. Do you use fabric testing labs

- ☐ No, never
- ☐ Yes, upon own initiative
- ☐ Yes, when the customer requires it

11.7. What was your average defect rate on finished products at the final inspection (2011): _____ % of all products at final inspection had a defect and were not delivered.

11.8. How do you do to ensure quality before delivering to customers (can cross-mark several)

- ☐ 4-eye principle
- ☐ All items are checked
- ☐ Random check
- ☐ Analysis/certification by laboratory (lab name: _____)
- ☐ Our products are checked by customers' inspectors coming to Mongolia
- ☐ Other: _____

11.9. What was your 2011 average rate of rejects from your customers (pieces sent back) as % of all pieces delivered to customers)?

- Mongolian customers: _____ % of total no. of pieces delivered were rejected
- Foreign customers: _____ % of total pieces delivered

11.10. Do you think that a normal/average consumer in Western markets can see the difference between top quality and low/medium quality of.....?

- Cashmere garments? ☐ Yes ☐ No
- Camel garments? ☐ Yes ☐ No
- Yak garment ☐ Yes ☐ No
- Wool garments ☐ Yes ☐ No

If no, why would he then pay a premium price?

- ☐ He thinks; What expensive is, must be good.
- ☐ He trusts that the shop what not overprice goods
- ☐ He trusts the brand
- ☐ He thinks that Cashmere must be expensive
- ☐ He doesn't care
- ☐ Other: _____

11.11. How would you rate the overall quality of your products?

Our product quality is sufficient for

Use the following scoring
 1 = for low-end domestic market
 2 = for normal domestic market
 3 = for low end Western market

4 = for medium Western market
5 = for top-quality Western brands

- Dehaired Cashm./ Camel / Yak /wool:_____
- Yarn (Cashmere, Yak, Camel, Wool):_____
- Fabric (Cashmere, Yak, Camel, Wool):_____
- Sweaters (Cashm., Yak, Camel, Wool):_____
- Jackets (Cashmere, Yak, Camel, Wool):_____
- Skirts (Cashmere, Yak, Camel, Wool):_____
- Coats/ponchos (Cashmere, Yak, Camel, Wool):_____
- Shawls (Cashmere, Yak, Camel, Wool):_____
- Scarves (Cashmere, Yak, Camel, Wool):_____
- Blankets (Cashmere, Yak, Camel, Wool)_____
- Caps, gloves, socks (Cashmere, Yak, Camel, Wool)_____
- other accessories (_____):_____
- Felt products:_____
- Carpets:_____
- Other:_____

11.12. In case....why do you think your quality is sufficient for Western markets?

- ☐ We are already regularly exporting
- ☐ We are certified
- ☐ We got positive feedbacks on trade fairs
- ☐ We were visited by Western buyers
- ☐ We send samples to Western buyers
- ☐ We were/are in negotiations with western buyers
- ☐ Our products are bought by Western tourists in Mongolia
- ☐ Other:_____

11.13. In case..... why do you think your quality is not sufficient for Western markets?

- ☐ We have no experience with these markets
- ☐ We don't know what the markets require
- ☐ Our attempts to export failed
- ☐ Western buyers were telling us that the quality is not sufficient
- ☐ We have difficulties to ensure consistent quality (equipment, raw material)
- ☐ We can't to upgrade our production equipment and processes
- ☐ Our workers are not skilled enough
- ☐ Other:_____

12. MARKETING

12.1. Who is in charge of marketing?

- ☐ (function)_____
- ☐ Nobody

12.2. Does the company regularly collect information on export markets?

- ☐ Yes
- ☐ No

12.3 What do you think? How important are for an average Western customer the following criteria for their decision to buy a specific Cashmere product.....?

Scoring:

1= not important at all

..

5 = absolutely important

- Brand name
1 2 3 4 5
- Price
1 2 3 4 5
- Origin (Mongolia)
1 2 3 4 5
- Eco-label
1 2 3 4 5
- The shop where the buy
1 2 3 4 5
- The product story
1 2 3 4 5
- Other:_____

12.4. How do/did you find your customers

- We did not look for the customer but the customers found us through his own research:
_____ % of our customers
- We did some research and were actively approaching customers (cold calls):
_____ %
- We met customers on trade fairs:_____ & of customers

- We were recommended by other customers:_____%
- Our suppliers recommended us:_____% of customers
- The Wool & Cashmere Association recommended us:_____%
- Other:_____ = _____% of customers

12.5. Company's knowledge about consumers. Do you have an idea about your final customers (consumers)

Mongolian market

- o Age group :_____
- o Gender:_____ % Female _____ % Male
- o Income group (H-M-L)._____
- o Fashion-oriented or conservative (circle)
- o Price-sensitivity: _____
- o Other: _____

Foreign market

- o Age group:_____
- o Gender: _____ % Female _____ % Male
- o Income group (H-M-L)._____
- o Fashion-oriented or conservative (circle)
- o Price-sensitivity: _____
- o Other: _____

12.6. How do you define your targeted final customers (consumers)

Scoring

H= High, M=Medium, L=Low

People who use our products are mostly:

- Nationality:_____
- Gender (male/female/both)._____
- Age group:_____
- Income group (H/M/L):_____
- Fashion-oriented (H/M/L):_____
- Stylish (H/M/L):_____
- Quality-oriented (H/M/L):_____
- Price-sensitive:_____
- Modern/conservative:_____
- Heavy/low spending on clothes:_____
- Urban/small cities/rural._____

12.7. Are you sure that your products match your target customers definition?

o Yes

o No

Why not?

12.8. Why do customers buy your products?

Please rank:

1= least relevant 5 = most relevant

Mongolian customers:

- o Brand name
1 2 3 4 5
- o Quality
1 2 3 4 5
- o Price
1 2 3 4 5
- o Design
1 2 3 4 5
- o Mongolian origin
1 2 3 4 5
- o Availability
1 2 3 4 5
- o Other: _____

Foreign customers:

- o Foreign Brand
1 2 3 4 5
- o Quality
1 2 3 4 5
- o Price
1 2 3 4 5
- o Design
1 2 3 4 5
- o Mongolian
1 2 3 4 5
- o Other: _____

12.9. Present Brand

Do you have an own registered brand name:

- o Yes. Name: _____
- o Yes, but not yet registered:
Name:; _____
- o No

12.10. Do you think that your brand is known to consumers?

- In Mongolia ☐ Yes ☐ No
- In foreign markets: ☐ Yes ☐ No

12.11. Does your brand name play an important role to decide your fashion style?

- ☐ Yes
- ☐ No

12.12. What kind of marketing activities are you undertaking?

Scoring

1 = Never

2 = almost never

3 = seldom

4 = sometimes, irregular

5 = Always

- Searching for new customers (internet etc) and making cold calls_____
- Trying to meet potential customers on trade fairs:_____
- Sending unrequested samples to potent. buyers:_____
- Asking suppliers (yarn) for support:_____
- Develop own product catalogue and send it to potential buyers_____
- Cooperate with other companies to jointly look for new buyers_____
- Ask existing buyers for help to look for buyers (reference):_____
- Participate in fashion shows:_____
- Ask Mongolians living abroad for help to arrange contacts with buyers:_____
- Placing ads in local newspapers, magazines _____
- Placing ads in foreign newspapers, magazines _____
- Bill board advertising:_____
- Participating in joint advertising organized by the Association;_____
- Radio, TV spots:_____
- Having own company brochure_____
- Having/updating own website:_____
- Other:_____

12.13. Where do you look for market information?

- ☐ Attending national trade fairs, fashion shows
- ☐ Visiting international trade fairs (Which ones? _____)
- ☐ Reading industry magazines
- ☐ Doing internet research
- ☐ Discussing with other companies
- ☐ Talking with suppliers (yarn etc.)
- ☐ Talking with customers
- ☐ Other (please specify):_____

12. 14.Did somebody from your company participate in marketing training?

- ☐ No
 - ☐ Yes. Who (function)?_____
- Topic of training:_____

Who organized the training?

Who gave the training?

12.15. How does the company make price decision?

- ☐ Best guess
- ☐ Detailed calculation (full costs +profit margin)
- ☐ We try to match customer's expectations
- ☐ We use competitors' prices
- ☐ We use purchase price of raw material x weight of finished product x factor x for production costs and profit margin (standard costing)
- ☐ Other:_____

12.16. Where do you see your product prices?**On Mongolian market**

- ☐ Higher end
- ☐ Medium
- ☐ Lower end

On export markets

- ☐ Higher end
- ☐ Medium
- ☐ Lower end
- ☐ We don't know

12.17. Whom do you see as your main competitors?

- **On the domestic Mongolian market our main competitors are:**

Our domestic competitors compete mostly on

- ☐ Brand image
- ☐ Marketing, promotional activities
- ☐ Price
- ☐ Quality
- ☐ Design
- ☐ Market presence, availability (Shop space, merchandising)
- ☐ Distributor's margin and terms of payment
- ☐ Other: _____

- On international markets or main competitors (incl. Mongolian companies) are:

Our competitors on international markets compete with us mostly on

- ☐ Brand image
- ☐ Marketing, promotional activities
- ☐ Price

- ☐ Quality
- ☐ Design
- ☐ Availability (Shop space, merchandising)
- ☐ Distributor's margin and terms of payment
- ☐ Other: _____

12.18 What kind of marketing media do you use?

- ☐ Company image brochure
- ☐ Product catalogue
- ☐ Media ads
- ☐ Internet ads
- ☐ Give-aways
- ☐ Free samples
- ☐ Other: _____

13. PRODUCT IDEAS AND DESIGN**13.1. Do you use computer-aided design technology?**

- ☐ Yes
- ☐ No

**13.2. Origin of of designs :
Of the total production**

- Designs provided by its **local** customers : _____ % of total production
- Designs provided by its **foreign** customers : _____ % of total production
- Company's own designs _____ % of total production

13.2 In case of new design how long does it take you from the drawboard/computer to producing a product sample

Average: _____ days

**13.3. Which sources are you using to develop own ideas for new product and design?
Where do you get your ideas from?**

1 = No, never used
2 =
3 = Sometimes used
4 =
5 = always used, very relevant

- | | | | | | |
|------------------------------|---|---|---|---|---|
| ○ Internet research | 1 | 2 | 3 | 4 | 5 |
| ○ From buyers | 1 | 2 | 3 | 4 | 5 |
| ○ From suppliers (yarn etc.) | | | | | |
| ○ Association | 1 | 2 | 3 | 4 | 5 |
| ○ Trade magazines | 1 | 2 | 3 | 4 | 5 |
| ○ Fashion magazines | 1 | 2 | 3 | 4 | 5 |
| ○ Domestic market | 1 | 2 | 3 | 4 | 5 |
| ○ Import products | 1 | 2 | 3 | 4 | 5 |
| ○ Local competitors | 1 | 2 | 3 | 4 | 5 |
| ○ Fashion shoes | 1 | 2 | 3 | 4 | 5 |
| ○ Foreign producers | 1 | 2 | 3 | 4 | 5 |
| ○ Trade fairs | 1 | 2 | 3 | 4 | 5 |
| ○ Other: _____ | | | | | |
| | 1 | 2 | 3 | 4 | 5 |

13.4. What kind of design do your products have?

(please provide % of total production)

- Classic Mongolian design_____%
- Modern Mongolian design._____%
- Fashionable Western design._____%
- Classic Western design_____%
- Other:_____ %

13.5. Does your company regularly introduce new collections to the market?

- ☐ No
- ☐ Yes

If yes, which ones:

- Autumn/Winter
- Spring/ Summer
- Cruise collection
- Other:

13.6. Which 3 foreign markets do you see as most important to your company and for

which kind of products (type, material) for these markets?

- Country: _____
Products: _____

- Country: _____
Products: _____

- Country: _____
Products: _____

14. INTEREST IN BRANDING

14.1 Do you have an own brand name for your products?

- Yes: _____(brand)
- No, but we use our company name
- No, not at all

14.2. If you have a brand name: Is it officially registered in Mongolian IPO?

- ☐ Yes
- ☐ No

14.3. Do you know what a registration means respectively why it is necessary?

- ☐ Yes
- ☐ No

14.4. If you don't have a brand name, why didn't you develop it?

- No idea, no time
- We don't need it because we can sell without a brand name
- Other reasons:

14.5 How much of your total products were sold (in 2011) unbranded/branded? Total = 100%

- Unbranded/no name _____%
- Branded (same label for all markets) _____%
- Brand only for Mongolian market: _____%
- Company's own brand only for Export: _____%
- Foreign customers' brand(s)/label: _____%
- Others: _____%

14.6. How much do you agree with the following statements?

Please score:

- 1 = fully **dis**agree
- 2 = More or less agree
- 3 = Don't know, no opinion
- 4 = More or less disagree
- 5 = Fully agree

- A new international brand for high quality products from Mongolia should be introduced to help fibre companies export
1 2 3 4 5
- We don't need for ourselves a new international brand that other companies can also use
1 2 3 4 5
- We can develop our export ourselves without any support
1 2 3 4 5
- Only certified products should get the new premium quality label
1 2 3 4 5
- We export without a label and are satisfied with this
1 2 3 4 5
- A license fee should be paid by any company for using this brand (e.g. 0.02 cents per label)
1 2 3 4 5
- The certification should be done by the Wool and Cashmere Association
1 2 3 4 5
- Entering a foreign market under own brand is too expensive for us
1 2 3 4 5
- The certification should be done by an independent institution
1 2 3 4 5

14.6. Do you think an own brand would help your company to sell more?

On Mongolian market

- ☐ Yes
- ☐ No

On foreign markets

- ☐ Yes
- ☐ No

14.6 Would you spend money on developing an own brand for your company (costs for developing a label, tags, etc.)?

- ☐ Yes
- ☐ No

15. ENVIRONMENTAL ASPECTS

Eco-Questions; How environment-friendly are the company's products and production processes.

Scoring:

1= not important at all

..

5 = absolutely important

15.1 What do you think? How important is for the average Western customer's product selection the eco-friendliness of the product or production process?

Importance: 1 2 3 4 5

15.2 Did any foreign company ever ask you to fill in a questionnaire about eco-related issue as a precondition to buy from you?

(e.g. treatment of your waste water, energy consumption, chemicals used etc)?

- ☐ Yes
- ☐ No

15.2 Do you know what international buyers require from Mongolian companies in terms of eco-friendly production and products

- ☐ Yes
- ☐ No

15.3 Do you think you fully comply with international eco standards?

- ☐ Yes
- ☐ No

Where do you see deviations?

15.4 Do you think your company fully complies with Mongolian environmental regulations?

- ☐ Yes
- ☐ No

Where do you see deviations?

15.5 Are you going to solve the present problems within the next 2 years?

- ☐ Yes
- ☐ No

16. COMPANY STRENGTHS AND WEAKNESSES

Please rank

- 1 = most important strength
- 2 = second most important strength
- 3 = third most important strength
-

16.1. What do you see as particular strengths of your company?

- ☐ Production capacity
- ☐ Modern equipment
- ☐ Skills of the workforce
- ☐ Flexibility
- ☐ Quality
- ☐ Brand

- ☐ Design
- ☐ Certified eco-friendliness
- ☐ Secured raw material supply
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

16.2. What do you see as particular weaknesses of your company?

- ☐ Lack of funds for investment
- ☐ Lack of funds for working capital
- ☐ Lack of secure raw material supply in right quantity and quality)
- ☐ Lack of space
- ☐ Lack of good design
- ☐ Lack access to foreign markets
- ☐ Lack of experience in foreign markets
- ☐ Lack of marketing know-how
- ☐ Lack of modern equipment
- ☐ Lack of skilled workers
- ☐ Lack of language skills
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

17. PERCEIVED NEEDED SUPPORT

Please rank by order of importance in each group

- 1 = most important
- 2 = second most important
- 3 = third most important
-

17.1 Technical support

Note: This does not mean any financial/material support from the project!

(Please rank by order of importance)

We think that our company urgently needs

- ☐ Advice on product finishing

- ☐ Advice on selection of right equipment
- ☐ Specific technical advice , e.g. on dying
- ☐ Advice on design
- ☐ Advice on sizing
- ☐ Advice Raw material selection and processing
- ☐ Ad-hoc advice on all kinds of quality problems (call center approach)
- ☐ Training on use of specific equipment
- ☐ Training on General management
- ☐ Training on quality management
- ☐ Training on production planning
- ☐ Training on logistics
- ☐ Training on improving production efficiency
- ☐ Workshops with other companies on quality
- ☐ Manuals on most common quality defects
- ☐ Other: _____
- ☐ _____
- ☐ _____
- ☐ _____

17.2 Marketing support

Note: This does **not** mean any financial/material support from the project!

(Please rank by order of importance)

- ☐ Developing an own brand (incl. brand collaterals)
- ☐ Improving existing own brand (incl. brand collaterals)
- ☐ Develop own website
- ☐ Improve own website
- ☐ Training on basics of marketing (what is marketing and how to do it)?
- ☐ Information on foreign markets
- ☐ Training on how to do market research
- ☐ Contacts with foreign buyers (matchmaking)
- ☐ Information on fashion trends
- ☐ Better pricing strategy
- ☐ Export strategy
- ☐ Use of media
- ☐ Use of samples
- ☐ How to prepare for trade fairs
- ☐ Merchandising in Mongolian shops
- ☐ Installing a factory outlet
- ☐ Doing internet-based market research

- ☐ Developing company brochures and product catalogues
- ☐ Support for trade fair visits
- ☐ Other: _____
- ☐ _____
- ☐ _____
- ☐ _____

18. FINAL QUESTIONS:

Please spontaneously express your opinion on the following statements

Scoring:

1= Fully agree

2 = Agree more or less

3 = Don't know, cannot answer, no opinion

4 = Disagree more or less

5 = Fully disagree

- We are seriously interested in exporting
1 2 3 4 5
- We would spend money for entering an export market (costs for marketing, travel, trade fairs, samples etc.)
1 2 3 4 5
- We know what we need to grow (higher sales, higher profits)
1 2 3 4 5
- We don't need a new brand for our products
1 2 3 4 5
- It would be a good idea to have a joint brand for premium quality Mongolian products that all eligible companies can use for export markets
1 2 3 4 5
- Products should be officially certified to use the brand
1 2 3 4 5
- If the brand is successful we would pay money for certification of our products to be allowed to use the brand
1 2 3 4 5
- To enter a foreign market we don't need a Mongolian premium brand
1 2 3 4 5
- We don't want to have our products certified by an institution

- 1 2 3 4 5
- We are willing to cooperate with other Mongolian producers
1 2 3 4 5
 - We know all our markets and our customers quite well and don't need additional information
1 2 3 4 5
 - We would allow an independent Institute to inspect our products in order to get a quality certification
1 2 3 4 5
 - We are interested in sharing our experience with other Mongolian producers
1 2 3 4 5
 - We want individual support to our company and are do not cooperate with other companies
1 2 3 4 5
 - Every company should find its own way to foreign markets
1 2 3 4 5
 - We are interested in a diagnosis of our company to find improvement potential
1 2 3 4 5
 - We want to become premium quality exporter
1 2 3 4 5
 - We are worried that competitors/outside could get information on our business if we cooperate too closely
1 2 3 4 5
 - We think Mongolia has a good chance to become a premium quality exporter to developed Western markets
1 2 3 4 5
 - Having all quality producers under one brand is a good idea
1 2 3 4 5
 - Branding is not really an issue for our company
1 2 3 4 5
 - The concept of having one brand for all companies producing top quality is confusing
1 2 3 4 5
 - We would rather have better financial conditions than marketing and branding support
1 2 3 4 5
 - Only big companies would benefit from a joint premium brand for quality products
1 2 3 4 5
 - We want to concentrate on the Mongolian market
1 2 3 4 5
 - A premium brand for all companies producing premium quality should not require certification of products
1 2 3 4 5
 - Establishing an independent certification institute for product quality certification is not really needed
1 2 3 4 5

Annex 5 : Model ToR Market Research for Fibre Companies

Market Research on one Target Region

For Mongolian Exotic Fibre Products Manufacturers

Description of Services

Due to the relatively small market segment of products made from exotic fibre (Cashmere, Yak and Camel) compared to the overall textile market public market data on this segment are not available or not sufficiently detailed to allow for developing strategic conclusions for smaller or medium-sized companies. Therefore this research requires mostly primary data sourcing and analysis which can only be done through direct contacts with potential business partners. This exercise is very arduous but unavoidable. The market research (scope, reasoning for selecting markets etc.) is described in details in the attached ToR.

Objective of the assignment

- To identify export market potential for qualified Mongolian fibre companies
- To gain insight into a target market as basis for developing individual and collective export marketing strategies for small and medium-sized Mongolian fibre companies
- To identify gaps between the Mongolian companies' capabilities and target market requirements and develop programs to overcome these gaps
- "Segmentation of the fibre segment" to determine the characteristics of buying companies offering the highest potential
- To identify applicable rules of engagement to acquire export customers in the target region
- To gain replicable experience in conducting market research in a very small textile market segment in a target region

Expected outputs

- About 400 potential matchmaking partners are identified with their basic data (incl. business potential), their requirements and contact data
- Confirmed replicable market research methodology
- Basis for individual company strategies

Date: Preferably – February-April 2013

Proposed budget: Max. 70,000 USD

Agricultural Marketing and Brand Development Project

Terms of Reference

**Market Research Study
on Export Opportunities of
Premium Quality Exotic Fibres
from Mongolia to Europe**

10 January 2012

Prepared by:

Juergen Mendritzki, Marketing Expert/TL

Agricultural Marketing and Brand Development Project (AMBDP)

Terms of Reference

Market Research Study on Export Opportunities of Premium Quality Exotic Fibre Products from Mongolia to selected European countries

The Study

A market research study shall be undertaken in one selected target region to start or to increase the export of premium quality products made from Mongolian fibre (Cashmere, Yak and Camel) to Western niche markets.

Background

Mongolian Cashmere

The Mongolian agro-processing sector is in a position to take advantage of the rich and unique resources of the country; however, the sector has not been able to do so. The sector currently produces only a fraction of what it used to before the transition period and experiences worsening raw material quality due to supply chain deficiencies. Although cashmere, wool and leather, and meat products are partly exported, they are recognized as primary, low-value processed commodities, which are further processed into high-value products by others. The sectors face stiff competition from Chinese manufacturers that have significant advantages over Mongolian manufacturers in terms of production capacity, access to finance, and government support. While outdated technical capacity and an introverted business attitude of the Mongolian processing enterprises are to be changed, an unfavourable business environment has eroded the competitive edge of the sectors. These include limited access to finance, underdeveloped logistics, insufficient support for export promotion and lack of policies and regulations associated with product quality standards.

Mongolia's raw cashmere output increased significantly over the period 2000–2009 (the peak year since 2000), mainly due to rapid increases in goat population which, in turn, had a negative impact on cashmere quality and the environment due to overgrazing. The government has exerted efforts to check the rapid increase in goat population and implemented measures to prevent further pasture degradation. The demand for cashmere garments remains high in the luxury segments of European, American, and Japanese markets which Mongolia, the second largest producer of raw cashmere in the world, has capitalized on. In 2011, Mongolia produced 4,420 tons (t) of raw cashmere, accounting for 25% of world production compared with that of China at 60%. Of the total Mongolian raw cashmere output, 64% were exported while about 36% were consumed in the domestic market.

Mongolia produced a total of 18,990 t of wool from sheep (17,650 t), yak (300 t), and camel (1,040 t) in 2011. Yak wool is fast establishing a place in the international market, particularly in Germany and France, for unique knitted goods which are perceived as luxurious, novel, and durable. Camel wool remains a favourite among Mongolian consumers, especially for winter clothing.¹ Camel hair product used to be very popular in particular in Germany and in Italy in the past.

The AMBDP

The Agricultural Marketing and Brand Development Project (AMBDP) aims at a reliable supply of premium-value agricultural products (fibres and leather) to niche markets (high-end markets) by selected enterprises, which induces agricultural and rural economic growth. The focus is on Cashmere, Yak and Camel fibres.

The initial concept of the AMBDP was to develop brand partnerships between Mongolian brands and established Western brands in order to promote the export business of the Mongolian companies to high-price niche markets. This idea proved to be unrealistic. Western brands see no advantages for their own businesses through brand partnerships with unknown Mongolian brands. Therefore, brand partnerships in the original sense did not have a chance. The concept

¹ ADB Sector Assessment (Summary): Agro-Processing Sector, September 2012

was then turned into developing a Mongolian ingredient brand for Mongolian top-quality raw material or finished products. The idea of Mongolian Noble Fibre (MNF) as a certification mark was born. MNF will be used for all products that comply with its high quality standards in terms of raw material (Cashmere, Yak or Camel) and product design and finishing. Of course, any company using Mongolian top quality fibre – including foreign ones – would be eligible for this brand/certification mark if they comply with the defined standards and get certified.

The AMDP consists of 3 components a) Branding (developing an ingredient brand “Mongolian Noble Fibre” (MNF) as certification mark, b) “Brandability” (quality improvement), c) establishing a Brand Management Agency as certification and marketing institute for MNF. In the original project design the present quality of Mongolian products was widely overestimated. The AMBDP team was therefore forced to put more stress on supporting Mongolian companies to develop the required quality to comply with international premium quality standards. This work on “brandability” is conducted in the exotic fibre sector (Cashmere, Yak, Camel) with a few selected companies in the range of 25 to several hundreds of staff.

The Potential

Mongolian companies could start or further develop exports to foreign niche markets by conducting targeted export marketing specifically addressing premium segment buyer companies which are active or gained experience in the cashmere sector or those which are dealing with related products from other materials (e.g. cotton, silk) on a higher retail price level.

An on-going survey showed that among the identified 240+ registered Mongolian exotic fibre companies (Cashmere, Yak, Camel) there is a group of medium-sized companies with a potential to start exporting or to expand its present export business. The project wants to support these companies through provision of relevant market information together with training on how to develop export strategies/marketing. Due to limited resources and in order to test the approach only one region can be covered.

Some Mongolian companies have already established business relations with Western companies. They are producing under these companies’ labels (private label production) and according to their partners’ designs and quality specifications. These Mongolian companies have pursued different approaches to promote their export business

- Almost exclusive order production for a small number of customers (PCY in Cashmere for German brands and Sanjaaz in Yak for German mail order companies, Eermel for Edinburgh Woollen Mill)
- Own import and distribution companies abroad (Altai Cashmere in Japan)
- Own outlets abroad (Gobi in Japan, Altai in Denmark)
- Acquisition of an established national brand (Eermel in London)
- Brand license agreements (Altai for Royal BershirePolo Club, Eermel for..., Gobi for)
- Close business relationships with retail outlets run by Mongolians abroad (Tsast sogoot with a shop in Geneva, Seseg Ltd with a shop in London)
- Selling directly to foreign (in particular Russian) customers who pick up their goods in small quantities in UB (Bayalag Ulzii “Bodio” with Russian retailers)
- Selling a minority stake to an international private equity fund which commits itself to provide sales and marketing support in developed countries (Nans cashmere).
- Establishing a brand abroad and outsourcing from various Mongolian manufacturers (Oryuna in London)
- Design and brand partnerships with established designers in target markets (Altai with Simone..... in Italy.)

These strategies are partly successful and demonstrate the interesting market potential of exotic fibre products made by Mongolian companies abroad once a business partnership is established. However, they also demonstrate that Mongolian companies have difficulties in addressing the

taste of Western customers without design input from these markets. Entering a foreign market with an own collection requires therefore either contracting western designers or producing for a Western company under their established brands and according to their specifications. However, this volume business is already taken mostly by Chinese manufacturers whose long relationships with Western brands are based on reliable production, good quality and acceptable prices. Mongolian companies are not really suited for a cut-throat competition with their Chinese competitors due their smaller sizes which imply cost disadvantages in economies of scale and due to their struggle to achieve and maintain consistent high quality for prices acceptable for Western consumers in combination with a lack of understanding of Western markets. Most small and medium-sized Mongolian companies could not cope with volumes higher than 500 pieces of one type and are therefore limited to buyers requiring smaller orders but willing to accept higher prices.

The interesting marketing story of Mongolia where natural fibres are produced under ecologically friendly conditions cannot compensate for these disadvantages. In addition to capitalizing on the Mongolian image of healthy nature Mongolian producers should develop other elements of USPs

- Direct access to raw material that is produced in an eco-friendly environment with very unique features
- Production flexibility in terms of very small to medium quantities (products, colours)
- Ability to quickly turn design into finished products
- Ability to source very unique raw material (material itself, colours and fineness)
- Cluster approach due to the high concentration of all supply chain participants in the Ulaanbaatar area)
- The image of producing high quality individual products in a manufactory (instead of a factory)
- Ability to support sourcing companies to create additional demand due to new materials

Of course this sector USP calls for exclusive trade channels in premium quality niche target markets and not necessarily for those covered by volume brands sourcing from large Chinese producers.

An example of a high-potential medium-sized Mongolian producer owned and managed by an ambitious quality-driven couple is the company “Bodio” (Bayalag ulzii) which is specialized in Yak products. The owners who speak fluently English are striving for exporting to Western markets. The AMBDP team is providing technical support to achieve a stable production of high quality garments as well as branding and marketing/matchmaking support. This company should have a clear potential to sell possibly to high-end companies in the target region that are associated with Alpine or country lifestyle, classic or timeless design and a flavour of nature and eco-friendliness such as Lodenfrey or Bogner in Munich/Germany (produced under these companies’ labels) or to sell to high-price exclusive retail chains (such as in Germany Frankonia Jagd, a hunting outfitter) whose clientele tends to rely more on the shop’s reputation than on brand images.

Most Mongolian exotic fibre companies, even the larger ones, are not able or will face substantial difficulties to achieve a sustainable market entry in larger quantities under their own label. They are often not yet prepared and do not have the financial means to conduct own market research to

- Understand the characteristics and preferences of B2B customers and consumers in target markets
- Understand the profile of consumer segments (location, age, gender, income level, taste, quality expectation, acceptable prices etc.)
- Understand the taste of foreign consumers (fashion trends by segments) and to use this information to adapt their production practice and, design and quality standards.
- Identify main buyers by product type (raw material, semi-finished, finished)
- Create effective B2B marketing activities

- Identify opportunities to increase sales and grow the business
- Offer products or services that consumers desire
- Produce according to target prices
- Establish appropriate inventory, price and staff levels based upon the business outlook
- Monitor the level of competition in target markets and obtain information on how competitors operate
- Find ways how to cope with competition
- Learn how customers view Mongolian product offerings and service levels compared to those of competitors
- Mitigate risk in export business decisions
- Use information to drive business decisions, not just intuition

Those companies which are already or used to sell to foreign buyers were in most cases found by the buyer companies and are producing under the buyers' labels such as Nans or PCY. There was hardly any active approach to find Western buyers undertaken by Mongolian companies. The purpose of this study is to help Mongolian companies to actively look for and find Western customers.

Scope of the study

Target Region

The study will focus on two European groups of countries.

Group 1 consists of Germany (81.3m), Austria (8.2m), Switzerland (7.7) and the Scandinavian countries Denmark (5.5m), Sweden (9.1m), Norway (4.7m) and Finland (5.3m) combining about 122 million consumers (a population similar in size to Japan's) with a an above-average amount of purchasing power per capita. **The population of these selected countries, although different in many aspects and attitudes, represents interesting target markets for Mongolian fibre companies due to cooler climates and similar attitude towards nature and ecological aspects.**

Group 2 consists of Italy (60.9m), France (65.6 m), UK (63.2 m) and the Netherlands (16.8m) with 206.5m inhabitants in total. **These countries have significant fashion industries and famous brands such as Hermès, Louis Vuiton in France, Loro Piana and Gucci in Italy. These large fashion houses are trendsetters and dominate the high-end markets.** Developing business with some of them would mean a breakthrough for the internationalisation of the Mongolian fibre companies and for entering the international high-end markets.

With few exceptions (in particular Italy) these countries do not have a significant own textile industry (anymore) and, therefore, depend mostly on imports of knitted and woven garments. However, there are a number of high-class fashion houses that still produce to a certain extent garments or just develop design and outsource production often from Asian countries, in particular China. Furthermore retail chains have their own house labels and source products from Asian producers. There are also a large number of design houses that develop at least two collections per year und an established brand, investment large amounts into marketing but fully outsource from manufacturers abroad. As the AMBDP found out, these companies are relatively conservative and are not easy to convince to take on additional suppliers for exotic fibre products or even replace traditional suppliers by new ones.

Due to the relatively small size of the segments of premium quality exotic fibres (Cashmere, Camel and Yak) as part of the textile market, specific market information is hardly available. As there are no evident dominant manufacturer or importer/distributor but many different types of buyers to be addressed in these countries a survey to determine an entry strategy requires mostly data collection from primary sources through direct contact with potential customers or other sources. Primary research demands direct, personal involvement through interviews and

consultations. State your company's objectives at the outset and present your questions clearly. For example:

Target segments

The target market sectors need to be clearly identified as cashmere has grown in prominence and popularity over the last 10 years. It is no longer only the preserve of the upper middle class, it is now trendy and has wide spread appeal for the younger generation but conversely cheap garments made in Bangladesh, Madagascar and Sri Lanka has marginally downgraded the image of cashmere. Consequently the research work must be focused on the market that Mongolian cashmere companies can satisfactorily service. This is not the equivalent Knightsbridge, Königsallee or Rodeo Drive and the survey has to provide clarity concerning the ultimate target market

The research should cover importers of finished products (such as wholesalers, department stores, independent specialized retail outlets who source directly abroad or use foreign agents, including On-line shops without own design) as well as branded companies that outsource production, provide design and product specifications and conduct quality control of the goods.

A very first tentative attempt to make a first simple segmentation² of the exotic fibre buyer groups (which need to be reviewed and revised through the research) could look like the following:

Size of buyers	Large	Segment I <ul style="list-style-type: none"> • Medium-price department store chains, especially flagship stores (e.g. KaDeWe, Alsterhaus) • Textile chains • General mail-order companies (e.g. manufactum) 	Segment II <ul style="list-style-type: none"> • General designer labels (e.g. Boss) • Specialized finished products importers/distributors
	Small	Segment III <ul style="list-style-type: none"> • General independent fashion boutiques • Haute Couture producers • General designer labels (e.g. http://www.mongrelsincommon.com/go.php) • Specialized retail chains (private labels) 	Segment IV <ul style="list-style-type: none"> • Specialized Boutiques • Shops run by Mongolian diaspora • Manufactories • Specialized Designer labels • Specialized internet shops (e.g. http://www.halsschmeichler.de)
		Low	High
		(Potential) Importance of exotic fibres for buyers' businesses	

A third strategic segmentation dimension would be the retail price levels of each segment. The survey shall review this and come up with a more operational segmentation (including buying criteria, target process and Key Factors for Success in dealing with the recommended segments). The segmentation should be reviewed as part of the research.

Characteristics of the segments could be roughly described as follows (subject to review):

Segment I:

- Professional procurement departments

² This segmentation is only meant to be illustrative and simplified as starting point. It does presumably not sufficiently reflect the complex distribution channels and retail structures (e.g. Segment II companies selling through Segment I etc.) in most countries of the target region, in particular Germany.

- Good overview over markets
- High volumes; smaller volumes only for exceptional items for special promotional sales
- Require very good logistics
- No own design; buy only finished products (supplier expected to develop design that sells)
- Prefer products with well-known brands
- Unknown brands sometimes listed for promotional sales
- They dictate the conditions (terms of payment etc.)
- Participation in marketing costs expected
- Hard to get in, easy to get delisted
- Requires a well-connected importer/distributor respectively connection with presumably Hong Kong based buying operation
- Not very much suitable for small Mongolian manufacturers (volumes, price level, logistics)

Segment II

- In-house procurement specialists
- Exotic fibre as complementary products to main collection
- Mostly accessories (shawls, scarfs etc.)
- Own designers
- Contract production according to own designs, specifications and target prices.
- However, also expect design and product suggestions from contracted manufacturers
- Tough quality control
- Several collections per year
- Contracted companies need to be very flexible and quick in transforming design into products
- Small quantities
- Mongolian Noble Fibre as Co-brand has a good chance
- Challenge for small and medium Mongolian manufacturers with a good understanding of Western fashion trends

Segment III

- Very exclusive brands
- Designers often making outsourcing decisions
- Interested in exclusive suppliers able to cope with haute-couture fashion requirements
- Provide own design and specification
- Small – medium volumes
- Price-insensitive buyers,
- Quality and design are most important criteria
- Very challenging for top-quality Mongolian manufacturers

Segment IV

- Owners often making contracting decision

- Very much trust-based business
- often relying on design proposals from manufacturer, sometimes own designs
- Often trying to keep exclusive business relationship with manufacturers (manufacturers)
- If first orders successful good basis for long-term relationship
- Very high quality requirements
- Consumers less price-sensitive but high orientation towards quality, origin, eco-friendliness
- Small – medium volumes
- Mongolian Noble Fibre as Co-brand has a good chance
- Would allow Mongolian manufacturer to use its own label and/or own (shop) label
- Suitable for smaller Mongolian producers with consistent very high quality and good own design

Some examples of small/medium-sized companies in the target region selling Cashmere products under their own label and partly sourcing from Mongolian companies:

- Finland: arelalizza (<http://arelalizza.fi/myymala/helsinki?lang=en>) (Segment IV)
- Germany: Iris von Armin (<http://www.irisvonarnim.com>) (Segment III)
- Germany: Miramirage (<http://www.miravelverfeldt.com/>) (Segment III)
- Germany: Strenesse (www.strenesse.com) (Segment II)
- Germany: Karstadt (www.karstadt.com) (Segment I)
- Germany: Halsschmeichler (www.halsschmeichler.de) (Segment IV)
- Germany: HessNatur (www.hessnatur.de) (Segment IV)
- Germany: Edelziege (www.edelziege.de) (Segment III)
- Austria: Habsburg (<http://www.habsburg.co.at/index.php?lang=en>) (Segment III)

Purpose of the survey

Market research is the key to understanding business opportunities for Mongolian companies. It can confirm that more opportunities actually exist, helps discover what is important to potential customers in the target markets and gives insight into how a new market can be developed. The market for exotic fibre products is relatively small and not sufficiently well covered by available market research publications.

The purpose of the study is to enable Mongolian medium-sized companies with identified export potential to either start or increase export sales to the target region preferably with high value added products either under their own brand or under customer labels. The use of the collaborative Mongolian Noble Fibre brand shall be promoted as much as possible.

Therefore, through the study, qualified small and medium-sized Mongolian companies shall be enabled:

- to prepare themselves to fulfil export requirements for the target region
- to develop and implement their own effective export strategies in order to enter the respective markets or to expand their existing businesses there.
- to participate in collective marketing campaigns for groups of suitable companies possibly but necessarily under the Mongolian Noble Fibre brand (certification mark) to be conducted by the AMBDP, the future Brand Management Agency (BMA) or the Association(s).
- to conduct own market research later on based on the methods and sources of this study

Or simpler, providing the answer to the questions: Who are/could become potential buyers in the target region, what are their requirements and what is necessary to establish business relations with them?

Objectives of the survey

The general objective of the study is to provide practical information to small- and medium-sized Mongolian exotic fibre companies on target market potential, relevant target segments in the respective markets, potential buyer companies in the target segments and their specific requirements and on how to establish business relationships with the potential buyers. The study has to be tailored to the needs and capabilities of such kind of smaller and medium-sized companies (30 – 80 staff) who do not employ marketing staff.

The information shall also enable the Brand Management Agency possibly in cooperation with the Mongolian Wool & Cashmere Association to run collective marketing campaigns under the name of “Mongolian Noble Fibre” as well as to provide information to individual Mongolian producers to approach potential customers in countries of the target region by themselves. Therefore, the study necessarily has to have a particular focus on generating primary information primarily through contacts with buying companies, their consultants, suppliers and associations. A list of potential buying companies to be compiled needs to contain all relevant data including identification of purchasing and design decision makers and so on.

The objective of the study is **not** to compile generally publicly available statistical secondary source data (such as import statistics) through desk research but to identify concrete names of potentially most interesting target companies (independent of their size) as buyers, intermediaries or distributors and analyze their specific requirements, their outsourcing strategies and the ways how to address them. The objective of the study is **not** to provide general consumer textile statistics but to provide information on exotic fibre markets (Cashmere, Yak and Camel). Classic general statistical market information will **not** be helpful.

This means the study requires a high focus on primary data collection in a very specific market for exotic fibre products through interviews, telephone surveys, questionnaires or other means.

Specific objectives of the survey are to provide information on the target region by country and by buyer segment.

The survey shall answer the following questions:

1. What is the potential for Mongolian premium quality producers of raw material and finished products from Cashmere, Yak or Camel in the respective countries?
2. What distinguishes the countries in their exotic fibre products markets as regards distribution channels, consumer types, price levels, taste and fashion trends?
3. What do Mongolia companies need to consider (preconditions to fulfil) in order to export to these countries, such as import regulations, restrictions, customs etc.
4. Which are the most promising buyer company segments in each national market and what are their requirements and main buying decision criteria?
5. Who are the competitors by segment/buyer group and what are their strategies?
6. How can the national buyer markets be segmented and in which segments (by country) do Mongolian producers have the highest chances for export?
7. Whom (which buyer companies) specifically should Mongolian producers address with their products (profile of potential matchmaking partners)?
8. Where and how do these companies source/buy products for their collection/assortments (direct, Agents abroad, importers etc.)

9. What will be the requirements of these potential partners (e.g. target prices, flexibility, minimum volume, logistics) and how do they make their procurement/sourcing decisions?
10. What will these buyers motivate to a) add exotic fibre products to their collection or b) change from present (presumably Chinese) suppliers to Mongolian ones or c) increase the export from present Mongolian suppliers.
11. Would interested buyers accept a) the use of the Mongolian company's label on their products or b) the use of the Mongolian Noble Fibre label and what would they expect in exchange for this?
12. How can Mongolian companies address and contact potential customers (individually, collectively)?
13. What are the sources of information (fashion trends, fairs, players in the industry) to be used by Mongolian companies to review and update their market information?

Questions 6 to 9 have the highest priority.

The information will be provided to a group of identified companies through the AMBDP (later the Brand Management Agency) and possibly the Mongolian Wool and Cashmere Association (MWCA). The information will be accompanied/ followed by training on export marketing for groups of companies.

The survey shall provide information on market requirements, distribution channels and price levels, consumer trends and image building needs.

Methodology

The researcher shall determine his own methods how to generate and compile the information requested. However, it seems to be clear that he has to directly contact the potential target companies to get information on requirements and interest in sourcing from Mongolian companies. These contacts must not be restricted to some few sample companies.

For this purpose the consultant need to:

- determine the right target segments in the different countries of the target region through general analysis of distribution channels for products made from Cashmere, Yak and camel fibres (sweaters, shawls, scarfs, plaids, cardigans, gloves, socks, blankets etc.)
- identify export opportunities for premium quality finished products made from Cashmere, Yak or Camel through secondary and primary research (interviews, questionnaires etc.)
- identify potential buyers (B2B), find out about their interest in sourcing from Mongolian companies and to provide profiles of these potential buyers including relevant data on their requirements (in particular target prices, quality, logistics and information on how to approach these companies. (The researcher has to keep in mind that the Mongolian companies have volume limits (about 500 pieces up to maximum 1000 pieces of one type) which excludes certain sales channels.
- develop model market entry strategies (including also the identification of most relevant national/international fairs/fashion shows or other ways how to arrange matchmaking)

The research shall also provide sources of information to enable Mongolian companies or institutions to conduct own research later on (e.g. to find out about fashion trends, determine target prices, identify potential partners, get information on relevant national and international fashion shows). An example of such a source of information is the German Fashion Institute (<http://www.deutschesmodeinstitut.de/>).

The research shall provide information to determine target prices (including wholesalers/retailers usual mark-ups leading to retail-prices) and find out about quality expectations that Mongolian companies have to meet in order to be competitive against their mostly Chinese producers. For

this purpose two kinds of standard products are defined that – if applicable – could be used to make consumer (retail) prices in the various segments and channels more or less comparable:

- a) Knitwear: A classic men's V-neck 100% cashmere sweater in 12 gauge³
- b) Woven product: A men's woven cashmere scarf 150 cms x 30 cms⁴

The technical specifications would be a constant in both products for like comparison and the only variable would be in the composition of the yarn and of course the strength of the brand.

The research shall provide information on usual trade terms and price calculations for the different buyer segments so that Mongolian companies can find out whether they are able to meet buyers' usual ex-factory target prices and make respective offers.

The identified sources of information shall enable anybody working with the report to extend the list of identified potential target buyer companies later on.

Output of the survey

Market survey report and presentation in English in electronic version containing

- The size and characteristics of the relevant market segments in each target country.
- Practical information and key factors for successful market entries relevant to small and medium-sized Mongolian companies to establish business relationships with potential buyers in the target regions.
- The 400 most important potential customers (importers, distributors, brands, private labels) for premium quality exotic fibre products including companies in the premium segment to whom high quality cashmere could be potentially interesting to complement existing product lines.

The focus is on concrete information on potential buyers of Mongolian finished products. For each buyer company the report has to contain those data necessary to specifically address companies e.g. through individual or collective mailings, matchmaking events at trade fairs etc.

The report shall contain the profile of at least 400 buying companies either already importing products made from Cashmere, Yak or Camel fibres or with a very good potential to use products made from Cashmere, Yak and Camel as additions to their existing product line

Per company the following information is required:

- Name and address of the company
- Website
- Brand(s) of the company
- Annual turnover
- Position of the brand (lower, middle or upper segment)
- Type of clothes produced or imported

³ Just for comparison: In the UK this type of sweater is available everywhere from the low end of the market at Costco for 35 GBP generally made from a blend of Chinese/Mongolian and Afghan fibres to achieve price points (the highest percentage being Afghan) through the high street stores like Marks and Spencers at 60-70 GBP, generally made from a blend of predominantly Mongolian cashmere with a modicum of Chinese fibre for fineness to Loro Piana at 250GBP (using the best of Chinese fibres from the young goats with the finest fleeces).

⁴ Just for comparison: In the UK such a scarf ranges from 25 GBP at Edinburgh Woolen Mills made from Mongolian and Afghan blends (even using the lowest quality Mongolian brown for bleaching) to the likes of Ermenegildo Zegna at 222GBP using only the finest of Chinese white cashmere fibres.

- Price level (H-M-L) , identified by determining lowest and highest price of two sample products as described above a) Knitwear b) woven product.
- Turnover % of Cashmere, % Camel, %Yak (rough estimates)
- Procurement criteria
- Direct importer or importing through distributor, agent or other
- Source country of Cashmere/Camel/Yak fibre
- Person(s) in charge of making procurement decision
 - Name
 - Personal (!) email address
 - Direct phone number

The consultant shall disclose all his sources used and describe the methodology used (e.g. questionnaire) to generate the data which shall be replicable so that the Mongolian Wool and Cashmere Association, the Brand Management Agency or individual companies will be enabled to do their own research based on this later on.

Profile of the Consultant

- Professional market researcher and marketing expert (or professional market research firm)
- Successful track record of at least 10 years of conducting market research studies for international client companies with clear emphasis on information gained from primary sources
- Affiliation with and experience in European fashion industry
- Strategic thinker with experience in market segmentation and export strategy development
- Fluent in English and in German, both written and spoken, due to the relative importance of the German speaking part of the target region.

Timing & Reporting

The market research shall be conducted in the beginning of 2013.

Timing is important because Cashmere/Yak/Camel products are mostly part of the Winter collection and during this period the outlets are still carrying these products.

- Latest two weeks after the beginning of the assignment the research expert should come up with a brief inception report containing an assessment of realistic output, proposed methods and steps. The researcher should be available for a discussion with AMBDP over the phone.
- After six weeks the consultant shall prepare a brief intermediary report about results achieved and outcome to be expected
- One week after the end of the 3-month project period the consultant shall submit his report in electronic version containing all requested information.

Main Contacts for Researcher

The main contacts in the AMBDP are the project's International Marketing Expert/TL and the International Cashmere Expert.

Proposed Budget:

Max. 70,000 USD

Annex 6 : Draft Charter of BMA

Unfinished working document for discussion

CHARTER OF THE BRAND MANAGEMENT AGENCY

Article One. GENERAL PROVISIONS

- 1.1. The Mongolian Brand Management Agency is a neutral and quality-focused non-profit organization (hereinafter referred to as BMA) providing technical services in the form of an independent Non-government organisation (NGO) without any kind of membership scheme that works in compliance with the Mongolian Constitution, Law on NGOs, and other relevant laws and regulations.
- 1.2. The BMA is governed by its Supervisory Board
- 1.3. Official address of the BMA is
- 1.4. BMA shall be registered at the Ministry of Justice of Mongolia in compliance with the State Registration of Legal Entities law of Mongolia, and exercise the rights of the legal entity.
- 1.5. BMA shall have its own logo, letterhead.
- 1.6. The date of approval of the Charter of the BMA shall be date of its foundation.
- 1.7. BMA shall provide its reports its annual plans and activities and financial reports to its Supervisory Board, its main funding institution, and relevant authorities and organizations within the legal term.

Article Two. GOAL AND APPLICATION OF THE BMA

2. Mission of the BMA

The mission of the BMA is to promote Mongolian high-quality agricultural products (raw material and finished products) on international markets by building and protecting the reputation of both quality raw material and finished products, implementing supporting marketing activities and to develop the domestic industry's competitiveness along the sectors' value chains on all processing stages ("brandability").

- 2.1. The prime goal of the BMA is to contribute through technical assistance to the international competitiveness of agricultural sectors which are processing or using Mongolian quality agricultural raw material, namely leather and exotic fibres. The scope of the work can be expanded to other sectors such as food and beverages. Establishing the BMA is not intended to constitute any kind of competition to existing private sector institutions or Government institution. It will serve the whole sectors and its focus is purely technical.
- 2.2. The BMA will help Mongolian exotic fibre processors and garment manufacturers to gain a foothold in the international markets and increase export (volumes and price), mainly but not only through managing premium quality brands capitalizing on Mongolia's potential competitive advantages in the high-end segment of the international apparel industry and all necessary support measures. This task implies that the BMA will support Mongolian

companies to produce brandable products (raw material and finished products). The right to use ingredient brands (certification marks) is not just reserved for Mongolian companies but can also be given to foreign companies that are using Mongolian quality raw material in compliance with the registered standards of the certification marks..

- 2.3. The BMA will help companies in the leather sector (in the beginning mainly tanneries) as well as companies in the food & beverage sector to catch up with stage of development that fibre companies already achieved.

Article Three. ACTIVITIES AND SERVICES of the BMA

- 3.1. The purposes of the services are to raise the international reputation of Mongolian agricultural products and to help companies to capitalize on this through improving their international competitiveness documented in their ability to earn the certification marks. BMA shall run the following activities and services in order to fulfil the goal stated in Article 2.1. of this Charter:

- 3.1.1. Act as a certification institution for the registered Mongolian premium brands respectively certification marks (Mongolian Noble Fibre and others to be developed for leather and food & beverage);
- 3.1.2. Provide a range of services that fall under the category of “agricultural marketing”;
- 3.1.3. Provide technical training and advice on quality;
- 3.1.4. Cooperate in close liaison with state, non-governmental organizations and private sectors to promote export of agricultural products ;
- 3.1.5. Establish cooperation and working procedures with the internationally accredited testing labs;
- 3.1.6. Implement specific agricultural marketing programs on behalf of the Government;
- 3.1.7. Conduct the international promotion of the brands/certification marks;
- 3.1.8. Provide technical support to companies to become brandable (gaining certification)
- 3.1.9. Support the cooperation with international and local strategic partners;
- 3.1.10.
- 3.1.11. International registration of the certification marks;
- 3.1.12. Provide training for the internationalisation of the companies;
- 3.1.13. Support matchmaking between Mongolian and foreign companies through trade fairs and other measures.

3.2. Certification Marks

All Certification Marks will be registered under the name of the Ministry of Industry and Agriculture (MoIA) which can task the BMA with the execution of its ownership rights based on a legal service contract. The BMA can decide to cancel the rights under certain conditions as stipulated in the service contract.

3.3. Service Contract

A formal contract between the MoIA and the BMA shall form the basis for services the BMA provides and the funding it receives from the Government. The contract would include that MoIA reserves the right to terminate any financial support to BMA in case of non-performance.

Article Four. BMA ORGANIZATION and MANAGEMENT

- 4.1. The BMA will work closely with the Ministry of Agriculture on the basis of a service contract.

- 4.2. The BMA shall have following organizational structure:

- 4.2.1. Supervisory Board
- 4.2.2. Executive Director

- 4.2.3. National Experts (contract basis)
- 4.2.4. International short-term experts
- 4.2.5. Administrative unit

Article Five. Governance of the BMA

5.1. The Supervisory Board:

5.1.1. Structure of the Supervisory Board:

- 5.1.1.1 The Supervisory Board Consists of 15 members representing the Government, private sector organizations

and private companies both Mongolian and foreign;

- 5.1.1.2 In view of international recognition and reputation of the BMA it is suggested that 4 members are foreign nationals representing prestigious international sector organisations and renowned companies.

5.1.2. 5.1.1.3 The Chairperson of the Supervisory Board shall be elected from among the Board members for a term of 4 years...

5.2. Power and responsibilities of the Supervisory Board:

- 5.2.1. Set the BMA's strategic direction and control the activities of the BMA;

- 5.2.2. Approve annual report on activities and proposed workplan;

- 5.2.3. Approve annual operating budget;

- 5.2.4. Appoint and release the Managing Director;

- 5.2.5. Establish appropriate control structure and processes

- 5.2.6. Ensure a strong regime of disclosure and transparency of financial statements;

- 5.2.7. Adopt a policy on selection of auditors and order audits;

- 5.2.8. Adopt a "Code of ethics" for Board members and staff.

- 5.2.9 Interfere in any case of the BMA's noncompliance with plans, laws and regulation and decide on corrective actions.

- 5.2.10 Support the BMA in identifying and securing additional funding possibilities in compliance with its mission, Charter and the Mongolian law that shall not constitute any risk for corruption or bribery.

- 5.2.11 The Supervisory Board might decide together with main funding institution to tender a management contract running the Agency.

5.3. Meetings of the Supervisory Board:

- 5.3.1. Annual Meeting: The first meeting of each calendar year shall be deemed the annual meeting.

- 5.3.2. Regular meetings: Regular meeting of the Board shall be held twice a year (every six months)/semi-annual

- 5.3.3. Special meetings: The Chairperson of the Board may, when he deems necessary, and shall, upon written request from three members of the Board call a special meeting.

- 5.3.4. Quorum: A quorum is given when at least 8 members are present.

- 5.3.5 Decisions will be taken with the vote of the majority.

5.4. Managing Director:

- 5.4.1. The Managing Director shall be proposed by the Chairman and appointed by the Supervisory Board;
- 5.4.2. Develops the strategy and the annual workplan and budget.
- 5.4.3. Shall manage and administer everyday's works of the BMA within the power allocated by the Supervisory Board.
- 5.4.4. Shall perform all tasks according to the job description approved by the Supervisory Board.

5.5. Professional staff of the BMA:

- 5.5.1. The fixed staff of the BMA shall consist of 4 national staff;
- 5.5.2. National experts shall be recruited on a temporary basis.
- 5.5.3. Foreign experts on a short-term basis may be employed.

Article Six. FUNDING of the BMA

- 6.1. The BMA will not be financially self-sustainable in the foreseeable future but will always require Government funding to a large extent. The BMA is established as a non-profit organisation serving the whole sectors not just members. The BMA will not be in position to generate sufficient income from its services to be financially self-sustainable. Companies will only pay for the BMA services once their value is proven to them. The BMA is mostly performing public services which as a common practice is (co-)financed by the Government. Therefore, the BMA will require almost 100% funding from the Government during its first two years. Thereafter the funding needs will be in the range of 400 – 500,000 USD (depending on the need to involve foreign experts) per annum.
- 6.2. The BMA will be mostly funded from Government as main funding institution based on a service contract.
- 6.3. The BMA shall try from the beginning to ask for co-financing from client companies for specific services not offered by other institutions. Starting from Year 3 the percentage of Government funding shall gradually be reduced.
- 6.4. The BMA has the right to approach foreign donors to apply for funding support in agreement with its main funding institution.

6.5. Financial accountability and transparency:

- 6.5.1. Financial information concerning the BMA should be prepared in accordance with the respective Mongolian laws and generally accepted accounting principles. The information will be only available for the Board, the main funding institution and Mongolian authorities according to Mongolian law..

6.5.2. Auditing.**6.4.2.1 Regular**

During the first two years of its existence a formal audit shall be made by the entrusted auditors twice a year and an audit report shall be presented along with recommendations for further improvement or action to the Supervisory Board and the main funding institution. Starting from year 3 an annual formal audit will be undertaken. The BMA budget will contain a provision for the necessary financial means.

6.4.2.2 Upon request

The Chairman of the Supervisory Board in the period between Board meetings or a majority of the Supervisory Board on regular meetings can decide to task the auditors

with special audits in particular in cases of suspected non-compliance with Mongolian law or BMA regulation.

The BMA compliance officer (the legal expert) is entitled to directly suggest such audits to the Chairman of the Board.

Article Seven. AMENDMENTS

7.1. Any amendments to this Charter shall be made only with the approval of at least a majority of the all Board members of the MBA.

Article Eight. Dissolvent of the BMA

8.1. Cancellation or non-continuation of service contract

8.2 Bankruptcy situation of the the Agency

Need to be elaborated according to Mongolian bankruptcy law.

Annex 7 : Draft Code of Conduct for the Brand Management Agency

Code of Conduct for the Brand Management Agency

This Code of Conduct sets out the expectations and priorities that the BMA Supervisory Board and the Ministry of Industry and Agriculture have of the BMA staff. In addition, it goes without saying that the BMA is expected to apply standard elements of international good business practice.

The Statement focuses on expectations that are particularly relevant to the BMA and is intended to reach and be applied by all members of the staff.

The BMA is expected to:

- 1) **Improve Value for Money** – demonstrate and continually strive to improve value for money in all that they do. This means:
 - Actively seeking to demonstrate and maximise results, and reduce costs through the life of any engagement or program
 - Pricing appropriately and honestly to reflect programme requirements and risks.
 - Proactively pursuing continuous efficiency improvement
 - across its organisation and the supply chains.
 - Earning fair but not excessive rewards.
- 2) **Act with Professionalism and Integrity** – operate and behave responsibly in conducting its operation. This means:
 - Being honest and realistic about capacity and capability.
 - Engaging external experts in a way that is consistent with BMA's treatment of its own staff
 - Applying a zero tolerance approach to corruption and fraud, with top-quality risk management.
 - Working collaboratively to build professional business relationships
 - Acting in a manner which supports the development of a mature relationship with the MoIA and other stakeholders.
 - Demonstrating clear, active commitment to Corporate Social Responsibility.
- 3) **Deliver Transparency** – implement an open book approach, allowing and using scrutiny to learn and drive improvement. This means:
 - Being transparent about costs to enable better decision making on value for money choices.
 - Publishing information to show how and where MoIA funding is being used and the results achieved.

4) **Be Accountable** – take responsibility for ensuring the consistent delivery of high performance. This means:

- Applying pricing structures that align payments to results and reflect a more balanced sharing of performance risk.
- Expecting to be held to account for delivery and accepting responsibility for their role,
- including being honest when things go wrong so that lessons can be learned.

5) **Align with MoIA** – recognise MoIA priorities and proactively reflect and support these in the BMA work. This means:

- Applying a strong emphasis on building local capacity by proactively seeking ways to develop local markets and institutions and avoiding the use of restrictive exclusivity agreements.
- Being able to operate widely across MoIA priority areas,
- Openly sharing and transferring innovation and knowledge of what works to maximise overall development impact.
- Accepting that the BMA work in challenging environments and acting to manage uncertainty and change in a way which protects value for money.
- Reflecting MoIA's development goals and tangibly demonstrating BMA's commitment to poverty reduction.

Proactively supporting and implementing wider Government policy initiatives e.g. SME

Annex 8 : Model Confidentiality and Conflict of Interest Statement

BMA CONFIDENTIALITY & CONFLICT OF INTEREST STATEMENT

I, the undersigned _____ recognize that the Mongolian Brand Management Agency (BMA) is engaged in highly competitive industries in Mongolia, and that it is important for BMA to protect its clients' trade secrets, confidential information and other proprietary information. Therefore, I agree to be bound by the following Terms and Conditions which are so described below.

1. Definition of Confidential Information

I understand, that in this statement, "Confidential Information" includes confidential and proprietary information and trade secrets owned or marketed by BMA clients or other Mongolian companies BMA is dealing with including scientific, engineering and technical know-how, processes, computer software and related documentation, product specifications and designs, sources of raw material and semi-finished products, names of staff, marketing strategies, customer requirements, customer names/lists, terms of trade, company financial statement, project technical and financial proposals, methods of doing business, the financial affairs and other confidential business information which belongs to BMA clients or companies that the BMA is closely dealing with, in particular information gained through company surveys. .

2. Non-Disclosure of Confidential Information

I undertake to maintain full and absolute confidentiality with no time limit for all documents and information received or brought to my attention in connection with the BMA activities. Except with prior written consent from Supervisory Board Chairman, I will not at any time make public any information mentioned above.

3. Conflict of interest

I will refrain from any relationship which would compromise my independence as BMA staff (international expert, national specialist, administrative staff and translators).

I am aware that a BMA staff member cannot use his/her purchasing power to contract or purchase services, products or equipment from a firm that is owned by or associated with the staff member (international expert, national expert, administrative staff and translators) or a relative of the staff member without prior consent of the Supervisory Board Chairman.

A BMA staff member must not accept gifts, goods or services that fall outside of normal BMA practices and were received with the intent of influencing the purchase or sale of goods or services. Outside his/her contractual obligations a BMA Staff member must not provide any kind of services to BMA clients against personal payment in cash or in kind to him/her.

4. Confidentiality obligations

a. I agree to retain all Confidential Information in the strictest confidence. I will not disclose any Confidential Information to any person other than for purposes of the BMA and with prior explicit approval and I will not use for my own purposes or for purposes other than those of BMA, any Confidential Information which I have acquired in relation to the activities of BMA or the clients or other companies BMA is dealing with. I acknowledge that the obligation to disclose to others or use the Confidential Information continues in effect following the termination of my employment

with BMA, for whatever reason, unless I obtain the prior written consent of the Chairman of the Supervisory Board.

b. I agree that upon the request of the Managing Director of the BMA, and in any event upon the termination of employment with the BMA, for whatever reason, I will immediately return to the BMA all of the materials, including all copies in whatever form, containing Confidential Information which are in my possession or under my control.

c. I understand my obligations under this statement, not to use or improperly disclose to others Confidential Information, shall remain in effect until the date upon which the Confidential Information has been publicly disclosed in a manner authorized by the Chairman of the Supervisory Board or otherwise has become known to competitors of BMA clients, without my breaching this statement.

d. I confirm that during office hours I fully dedicate my time and energy only to the BMA and in compliance with my contractual obligations and my Terms of Reference and will refrain from using my time for purposes other than I am contracted for by the BMA.

5. General

a. I agree that this statement shall be governed by the laws in force in Mongolia. If any provision of this statement is wholly or partially unenforceable for any reason, such unenforceable provision or part thereof shall be deemed to be omitted from this statement without in any way invalidating or impairing the other provisions of this statement.

I HAVE READ THIS STATEMENT, UNDERSTAND IT AND AGREE TO ITS TERMS.

I acknowledge having received a fully executed copy of this statement

SIGNED

(Signature)

(Position)

(Date)

Annex 9 : BMA Work Plan

(*) $\text{Tr}(\rho_{\text{red}}) = \text{Tr}(\rho_{\text{red}}^2) = 1$, where $\rho_{\text{red}} = \text{Tr}_B(\rho)$ is the reduced density matrix of ρ .

ABBREVIATIONS:

AGM: = Project Development Agency; Example:

Agromarketing and Brand Development Agency Limited

AGMSP: = Agricultural Marketing and Brand Development Agency; Example:

Agromarketing and Brand Development Agency

APU: = Project to be developed

BE: = Business Enterprise

BM: = Intellectual Property Management Company

LE: = Legal Expense

MA: = Marketing and Advertising Agency

MAF: = Marketing Fee

MD: = Marketing Development Fee

MT: = Marketing and Advertising Fee

MAF: = Marketing Fee

MAF: = Marketing Fee

MA: = Marketing Agency

MA: = Marketing Agency

MA: = Marketing Agency

Annex 10 : Draft BMA Financial Plan

Unit 6

Category	Page	Total Number of Pages	Page 1		Page 2		Page 3		Comments
			Page 1 (Left)	Page 1 (Right)	Page 2 (Left)	Page 2 (Right)	Page 3 (Left)	Page 3 (Right)	
Category A	Page 1	100	100	100	100	100	100	100	
Category B	Page 2	200	200	200	200	200	200	200	
Category C	Page 3	300	300	300	300	300	300	300	
Category D	Page 4	400	400	400	400	400	400	400	
Category E	Page 5	500	500	500	500	500	500	500	
Category F	Page 6	600	600	600	600	600	600	600	
Category G	Page 7	700	700	700	700	700	700	700	
Category H	Page 8	800	800	800	800	800	800	800	
Category I	Page 9	900	900	900	900	900	900	900	
Category J	Page 10	1000	1000	1000	1000	1000	1000	1000	
Category K	Page 11	1100	1100	1100	1100	1100	1100	1100	
Category L	Page 12	1200	1200	1200	1200	1200	1200	1200	
Category M	Page 13	1300	1300	1300	1300	1300	1300	1300	
Category N	Page 14	1400	1400	1400	1400	1400	1400	1400	
Category O	Page 15	1500	1500	1500	1500	1500	1500	1500	
Category P	Page 16	1600	1600	1600	1600	1600	1600	1600	
Category Q	Page 17	1700	1700	1700	1700	1700	1700	1700	
Category R	Page 18	1800	1800	1800	1800	1800	1800	1800	
Category S	Page 19	1900	1900	1900	1900	1900	1900	1900	
Category T	Page 20	2000	2000	2000	2000	2000	2000	2000	
Category U	Page 21	2100	2100	2100	2100	2100	2100	2100	
Category V	Page 22	2200	2200	2200	2200	2200	2200	2200	
Category W	Page 23	2300	2300	2300	2300	2300	2300	2300	
Category X	Page 24	2400	2400	2400	2400	2400	2400	2400	
Category Y	Page 25	2500	2500	2500	2500	2500	2500	2500	
Category Z	Page 26	2600	2600	2600	2600	2600	2600	2600	
Category AA	Page 27	2700	2700	2700	2700	2700	2700	2700	
Category AB	Page 28	2800	2800	2800	2800	2800	2800	2800	
Category AC	Page 29	2900	2900	2900	2900	2900	2900	2900	
Category AD	Page 30	3000	3000	3000	3000	3000	3000	3000	
Category AE	Page 31	3100	3100	3100	3100	3100	3100	3100	
Category AF	Page 32	3200	3200	3200	3200	3200	3200	3200	
Category AG	Page 33	3300	3300	3300	3300	3300	3300	3300	
Category AH	Page 34	3400	3400	3400	3400	3400	3400	3400	
Category AI	Page 35	3500	3500	3500	3500	3500	3500	3500	
Category AJ	Page 36	3600	3600	3600	3600	3600	3600	3600	
Category AK	Page 37	3700	3700	3700	3700	3700	3700	3700	
Category AL	Page 38	3800	3800	3800	3800	3800	3800	3800	
Category AM	Page 39	3900	3900	3900	3900	3900	3900	3900	
Category AN	Page 40	4000	4000	4000	4000	4000	4000	4000	
Category AO	Page 41	4100	4100	4100	4100	4100	4100	4100	
Category AP	Page 42	4200	4200	4200	4200	4200	4200	4200	
Category AQ	Page 43	4300	4300	4300	4300	4300	4300	4300	
Category AR	Page 44	4400	4400	4400	4400	4400	4400	4400	
Category AS	Page 45	4500	4500	4500	4500	4500	4500	4500	
Category AT	Page 46	4600	4600	4600	4600	4600	4600	4600	
Category AU	Page 47	4700	4700	4700	4700	4700	4700	4700	
Category AV	Page 48	4800	4800	4800	4800	4800	4800	4800	
Category AW	Page 49	4900	4900	4900	4900	4900	4900	4900	
Category AX	Page 50	5000	5000	5000	5000	5000	5000	5000	

BUDGETED COSTS	Costs in US\$	Year 1		Year 2		Year 3	
		Operating Costs	Interest	Operating Costs	Interest	Operating Costs	Interest
Marketing services for the marketing program	150	50	1,000	500	10,000	500	10,000
Personnel costs	100	50	1,000	500	10,000	500	10,000
Travel and accommodation costs for the marketing program	100	50	1,000	500	10,000	500	10,000
Utilities and other operating costs	100	50	1,000	500	10,000	500	10,000
Other expenses	100	50	1,000	500	10,000	500	10,000
TOTAL COSTS		1,000		1,000		1,000	

TOTAL COSTS (US\$)

TOTAL

TOTAL

TOTAL

Annex 11 : Application Noble Fibre with device certification mark

Монгол Улсын Засгийн Газрын Хэрэгжүүлэгч Агентлаг

Оюуны Өмчийн Газарт

ЗӨВХӨН АЛБАН ХЭРЭГЦЭЭНД

Санамж : Өргөдлийн маягтыг сайтар уншсаны
компьютерээр бөгөлнө үү

дараа

БАРААНЫ ТЭМДЭГ, ГАЗАР ЗҮЙН ЗААЛТ

БҮРТГҮҮЛЭХ ТУХАЙ ӨРГӨДӨЛ

(210) Мэдүүлгийн улсын

бүртгэлийн дугаар⁵:

(220) Хүлээж авсан огноо¹:

1. Бүртгүүлэх тухай хүсэлт

Энэхүү өргөдөлд дурдсан тэмдэг /газар зүйн заалт/-ийг мэдүүлэг гаргагчийн нэр дээр бүртгүүлэх тухай хүсэлтийг үүгээр гаргав.

2. Мэдүүлгийн төрөл⁶:

☒Бүртгэлийн ☐тусгаарлах ☐бараа, бүтээгдэхүүний анги, нэр нэмэх

3. Үндсэн мэдүүлгийн дугаар⁷:

⁵ Зөвхөн Оюуны Өмчийн Газарт бөгөлнө

⁶ Барааны тэмдэг бүртгүүлэх, мэдүүлгийг салгаж тусгаарлах, мэдүүлэгт бараа, үйлчилгээний анги, нэр нэмэхийн алинд уг мэдүүлэг хамаарч байгааг тэмдэглэнэ

⁷ Хэрэв мэдүүлэг нь тусгаарлах болон бараа, бүтээгдэхүүний анги, нэр нэмэх мэдүүлэг бол үндсэн мэдүүлгийн дугаарыг бичнэ.

4. Мэдүүлэг гаргагч

4.1. Нэр:⁸ Монгол Улсын Үйлдвэр, хөдөө аж ахуйн яам

4.2. Хаяг: 13381 Улаанбаатар хот, Баянзүрх дүүрэг, Энх тайваны өргөн чөлөө 16а,
Засгийн газрын IX байр

Утас: 262271

Факс: 453121

И-мэйл хаяг: mofa@mofa.gov.mn

4.3. Хэрэв мэдүүлэг гаргагч нь хувь хүн бол:

Өөрийн улсын нэр:

Оршин суудаг буюу үйл ажиллагаа явуулдаг Улсын нэр:

Хэрэв мэдүүлэг гаргагч нь хуулийн этгээд бол:

Үүсгэн байгуулагдсан Улсын нэр: Монгол улс

Үйл ажиллагаа явуулдаг Улсын нэр: Монгол улс

4.4. ☐ Нэгээс дээш мэдүүлэг гаргагч байгаа бол энд тэмдэглэж тэдгээрийг нэмэлт хуудсанд 4.1, 4.2. 4.3–т заасан өгөгдлүүдийн дагуу жагсааж бичнэ.

5. Итгэмжлэгдсэн төлөөлөгч:⁹

5.1. ☐ Мэдүүлэг гаргагч нь итгэмжлэгдсэн төлөөлөгчгүй.

5.2. ☒ Мэдүүлэг гаргагч нь итгэмжлэгдсэн төлөөлөгчтэй.

5.2.1. Итгэмжлэгдсэн төлөөлөгчийн

5.2.1.1. Нэр: А. Жаргалан

5.2.1.2. Хаяг: Сүхбаатар дүүрэг, Бага Тойруу, 37Б, Монреимпексийн байр,
103 тоот

Утас: 318658, 91919944

Факс: 318658

И-мэйл хаяг: jargalan_avkhia@yahoo.com

Регистрийн дугаар: ХБ 55021064

⁸ Хэрэв мэдүүлэг гаргагч нь хуулийн этгээд бол түүний оноосон нэр ба зохион байгуулалтын хэлбэр; хувь хүн бол түүний эцэг (эхийн) нэр ба өөрийн нэрийг энд бичнэ..

⁹ Хэрэв мэдүүлэг гаргагч нь мэдүүлгээ өөрийгөө төлөөлүүлэн Аж ахуйн үйл ажиллагааны тусгай зөвшөөрлийн тухай хуулийн дагуу Оюуны өмчийн газраас олгосон тусгай зөвшөөрөл бүхий итгэмжлэгдсэн төлөөлөгчөөр дамжуулан гаргаж байгаа бол энэ хэсгийг бөгөлнө

- 5.2.2. ☐ Итгэмжлэлийг хавсаргасан.
 5.2.3. ☒ Итгэмжлэлийг хуулийн хугацаанд жич ирүүлнэ.
 5.2.4. ☐ Итгэмжлэл нь ОӨГ-т хадгалагдаж байгаа.
 дугаар:¹⁰

6. Давамгайлах огноо:¹¹ ☐ Мэдүүлэг гаргагч үүгээр дараах давамгайлах огноог хүсч байна:

- 6.1. Эхний мэдүүлэг гаргасан Улсын нэр:
 6.2. Эхний мэдүүлгийн огноо:
 6.3. Эхний мэдүүлгийн дугаар:
 6.4. Мэдүүлгийн хуулбар эсхүл холбогдох нотлох баримт:
 6.4.1. ☐ хавсаргасан.
 6.4.2. ☐ хуулийн хугацаанд жич ирүүлнэ.

7. Үзэсгэлэнгийн давамгайлах огноо¹²:

- ☐ Мэдүүлэг гаргагч нь бараа ба/эсхүл үйлчилгээг үзэсгэлэнд дэлгэн тавьснаас үүсэх хамгаалалтын давуу эрхийг эдлэхийг хүсч байвал энд тэмдэглэж дэлгэрэнгүй зүйлсийг нэмэлт хуудсанд заана.

8. Тэмдгийн дүрслэл

- 8.1. Тэмдгийн дүрслэл:
 (10 см x 10 см)



MONGOLIAN NOBLE FIBRE®

/үгээр/

8.2. Тэмдгийн тодорхойлолт (тайлбар)

Монгол улсаас гарал үүсэлтэй амьтны гаралтай онцлог ширхэгт болох ямааны ноолуур, сарлагийн хөөвөр, тэмээний ноос, хонины ноос ба түүгээр хийгдсэн ээрмэл утас, бараа бүтээгдэхүүнийг тодорхойлох

- 8.3. ☒ Мэдүүлэг гаргагч нь тэмдгийг Оюуны Өмчийн Газарт хэрэглэгддэг стандарт тэмдэгтийн хэлбэрээр бүртгүүлэх болон хэвлүүлэх хүсэлтэй.¹³

- 8.4. ☐ Тэмдгийг өнгөтөөр бүртгүүлэх хүсэлтэй

- 8.4.1. Өнгө (өнгөнүүд) –ийн нэр:

¹⁰ Хэрэв итгэмжлэл нь энэхүү мэдүүлгээс өмнө тухайн мэдүүлэг гаргагчаас гаргасан мэдүүлэгт хавсаргагдсан бөгөөд түүнд мэдүүлэг гаргагчийн цаашид гаргах мэдүүлгүүдэд итгэмжлэл нь хамаарна гэж заасан бол энд тэмдэглэж өмнө гаргасан мэдүүлгийн дугаарыг заана.

¹¹ Энэхүү мэдүүлгийн анхдагч огнооноос өмнө Парисын Конвенцийн гишүүн буюу Дэлхийн худалдааны Байгууллагын гишүүн аль нэг Улсад уг тэмдгийг бүртгүүлэхээр мэдүүлсэн он, сар, өдөр

¹² Аж үйлдвэрийн өмчийг хамгаалах тухай Парисын Конвенцийн дагуу олон улсын үзэсгэлэнд тавигдсан өдрөөр давамгайлах эрх хүсч байгаа бол энэ хэсгийг бөгөөлнө.

¹³ Хэрэв тэмдэг нь ямар нэгэн график дүрслэл агуулаагүй энгийн шриффтээр бичигдсэн бол ийм хүсэлтийг гаргана.

8.5. ☐ Тэмдэг нь эзэлхүүнт тэмдэг.

8.5.1. ☐¹⁴ өөр байдлыг харуулсан дүрслэл хавсаргасан.

8.6. Тэмдгийн илэрхийлэгдэх хэлбэр:

8.6.1. ☐ дуу авиа

8.6.2. ☐ үнэр

8.6.3. ☐ голограмм тэмдэг

8.6.4. ☐ хөдөлгөөнт тэмдэг

8.6.5. ☐ өнгө.¹⁵

9. Тэмдгийн төрөл

9.1. ☐ Барааны тэмдэг

9.2. ☒ Гэрчлэх тэмдэг

9.3. ☐ Хамтын тэмдэг

9.4. ☐ Газар зүйн заалт

10. Тэмдгийн галиглал

Энэхүү тэмдэг эсхүл түүний бүрдэл хэсэг нь дараахь байдлаар галиглагдана:

11. Тэмдгийн орчуулга

12.

Энэхүү тэмдэг эсхүл түүний бүрдэл хэсэг нь дараахь байдлаар орчуулагдана:

МОНГОЛЫН ХААН ШИРХЭГТ

13. Бараа ба/ эсхүл үйлчилгээ

Бараа ба/эсхүл үйлчилгээний нэрсийн дэлгэрэнгүй жагсаалт:

Олон улсын ангилал:

Бараа:

22: Текстил /нэхмэл, сүлжмэл/-ийн ширхэгт материал, дүүргэгч болон чигжээсний материал; амьтны гаралтай онцлог ширхэгт; тэмээний ноос; аппаратын ээрэх системийн ноос; самнасан ноос; түүхий болон боловсруулсан ноос ноолуур.

23: Текстил /нэхмэл, сүлжмэл/-ийн зориулалттай ээрмэл ба утас

24: Бусад ангилалд ороогүй текстиль ба бэлэн бараа бүтээгдэхүүн; ноос ноолууран даавуу; ор ба ширээний бүтээлэг.

25. Сүлжмэл бүтээгдэхүүн.

¹⁴ Хэрэв тэмдгийн дүрслэл нь тухайн тэмдгийн хэд хэдэн өөр байдлын дүрслэл байвал энд тэмдэглэж, байдлын тоог заана.

¹⁵ Хэрэв аливаа нэг өнгө эсхүл өнгөний хослолыг тэмдгээр бүртгүүлэх бол энэхүү хүсэлтийг гаргана

Үйлчилгээ:

35: Зар сурталчилгаа, бизнесийн үйл ажиллагаа, бизнесийн удирдлага, байгууллагын үйл ажиллагаа, худалдааны үзэсгэлэн яармаг, бизнесийн мээдээллээр хангах, жижиглэн худалдаалагчдаас үзүүлдэг тодорхой хэмжээний тусгай үйлчилгээ.

☐ Дээрх зай хүрэлцэхгүй бол энд тэмдэглэж бараа ба/эсхүл үйлчилгээг нэмэлт хуудсанд заана.

14. Мэдүүлэг гаргагчийн гарын үсэг, тамга:¹⁶

..А. Жаргалан..... / /

15. Нэмэлт хуудас ба хавсралтууд

☐ Нэмэлт хуудас ба/эсхүл хавсралт байгаа бол энд тэмдэглэж, ийм хуудас ба/эсхүл хавсралтын хуудасны тоог заана:

¹⁶ Хэрэв мэдүүлэг гаргагч нь хуулийн этгээд бол энд эрх бүхий албан тушаалтны нэр, гарын үсэг, тамга; хувь хүн бол түүний нэр, гарын үсэг байна.

Annex 12: Branding Manual ‘How to drive a cool brand’



How to drive a cool

An introductory handbook for
understanding, creating and
managing

*Written especially for managers
of Mongolian businesses*

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A brand is your good name. That's it.

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Chapter 5

Do you understand the idea of a customers' brand experience?

Chapter 6

Which of the four quadrants and brand expression are most relevant to you?

Chapter 7

How good is your product?

Chapter 8

Are you as recognizable as you could be?

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How good is your packaging and labelling?

Chapter 11

Are you too boring?

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Provenance (place of origin).

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Mongolian Noble Fibre.

Chapter 14

On being Mongolian.

Chapter 15

Getting in the habit of being a brand owner.

Chapter 16

Change is easy.

Chapter 1

A brand is your good name. That's it.

Most books about branding start out with the technical definition of the word “brand.” And while none of these definitions is wrong, they are all likely to distract you from the main point, which is: a brand is your good name.

Your “good name,” meanwhile, is just another way of saying your reputation. If you have a good reputation, you have a good brand. If you have a bad reputation, you have a bad brand. If you have a mixed reputation, you have a mixed brand. Are you following along? There is one more on the list:

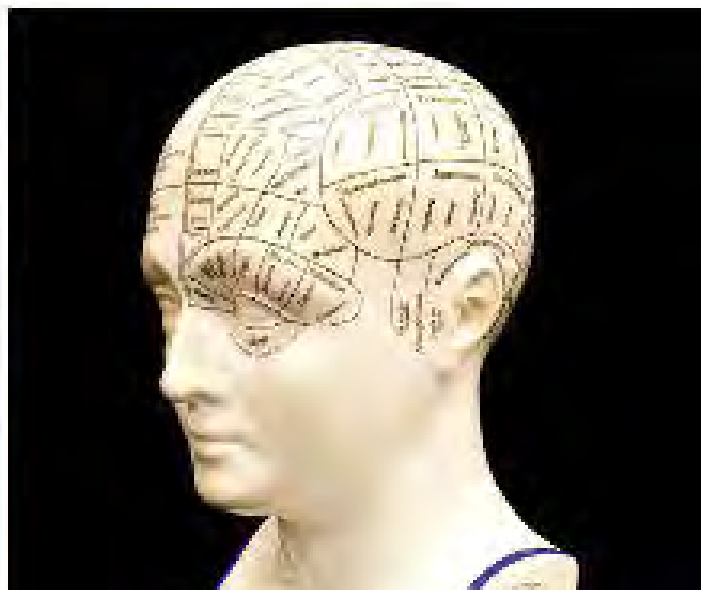
If you have no reputation, you have no brand. This, too, is very important to understand. Alas, a common view in Mongolia is that a brand is a logo, or a colour scheme, or a brand name, and that once these things exist, and especially when they are registered at

the trademark office, the branding work is finished. In fact, it has just begun.

Of course, a logo, colour scheme, and brand-name may be useful to a brand. They are elements which you as the brand owner can control relatively easily, and that they are things that the consumer can come to recognise and associate with your product, service, or company. You should do your best when it comes to developing these elements, and this handbook will provide some useful tips. But it is essential, if your brand is to be successful, that you realise these factors are merely the accoutrements of a brand. But they are no substitute for a reputation, and all the emphasis you want to put on them is useless unless those elements are used in support of a reputation.

In the old days, branding was literally marking your territory, as in putting your stamp on your livestock. Branding is now far less physical.

Branding still has an element of identifying some-thing as yours, but it is now is primarily mental: it is about earning and keeping your good name.



Chapter 2

Branding and marketing are similar, but not the same.

So, if you understand that a brand is a reputation, then you will understand that the action of branding means reputation building. And you will know, furthermore, that a lot of what you do in sales and marketing does not qualify as reputation building; it is merely promoting a product, service or company.

Generally, it is fair to say, the brand is the “thing” that is being marketed. Your marketing does far more to sell your brand than it does to create it. In fact, the brand is usually the context in which marketing occurs. People take what they know already,

or feel already or associate already with your brand — your reputation — and they view, interpret, and act upon (or fail to act upon) your marketing with your brand in mind

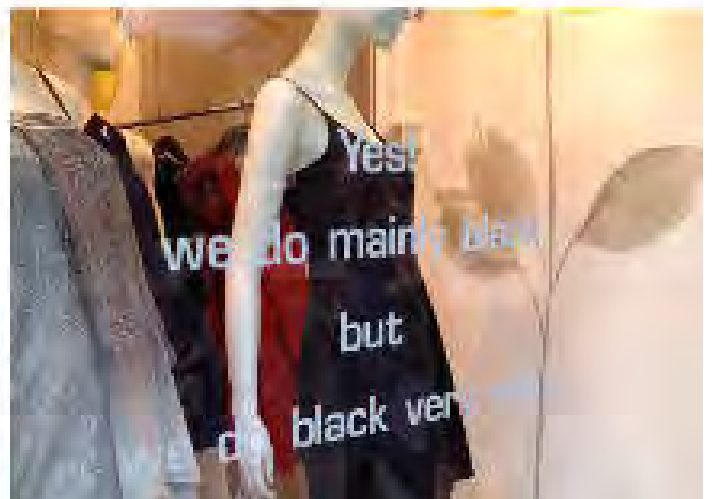
Fundamentally, it is not important to know the difference between branding and marketing. What is essential, however, is that you realise that a brand cannot really be built through advertising or sales promotion. The brand may be helped through these channels, and awareness of the brand may be increased, but your reputation is better earned through other ways of engaging with the customer.



Only when the point of marketing activity is the deliberate capture an accumulation of reputational value is also branding. Otherwise, it's just marketing.



This is not branding, it's just advertising. Why? Because there is not much in the way of reputation building happening here.



This sign in a dress shop window in London might be considered brand communications because they are telling you about their identity: “Yes, we do mainly black, but we do black very well!!”

Chapter 3

Are you high-end, low-end, or mid-range?

Some brands present themselves as though they are the best in the world, although they might be or they might not be. They try to put around themselves a sort of halo to make the customer believe that the brand, or branded product, is wonderful and exclusive and will make him or her a better person for purchasing it.

When a brand acts like this, it is trying to be a premium brand, or luxury brand. If it really is as good as it says it is, then this positioning is genuine, and the brand might succeed. In other words, it may honestly earn a good name, the reputation, as being a premium brand.

However, not all brands are high-end brands (as anyone who has purchased laundry soap knows) and it is a common mistake amongst new brand managers to try to make their brand(s) seem overly premium. But you usually cannot fake the customer into believing that your brand or product is better than it is, so as a brand manager, a key question to ask yourself about your brand is: are you high-end, low-end, or mid range?

Be-cause it is possible to be popular and profitable in any of these categories, but you must first be honest with yourself and with your customer about which category a given brand is in so that you can position your brand correctly and manage it appropriately. (If you have products that fall across multiple levels of premiumness, then see the chapter on how to manage a brand portfolio.)

Important note: as things stand, the Mongolian textile and exotic fibre sector has enormous trouble competing on price; that is, China and other countries can supply finished goods, and even sometimes raw materials, at a lower price point than Mongolian companies can. The best bet for Mongolian companies is to leverage their Mongolian provenance and make that a marketing asset — in other words, to make it part of their brand reputation. The challenge is how to make that relevant to customers who are in the habit of buying mainly based on price. This challenge will be dealt with in later chapters of this handbook.



Patagonia (US, left) sells cashmere sweaters for about \$200. Marks & Spencer (UK, right) sells them for about \$75. Loro Piana (Italy, not pictured) sells them for up to \$3,000. All are good, profitable brands.



Chapter 4

What is your brand structure and strategy?

Perhaps two thirds of the managers reading this text right now works for a company that tries to manage too many brands. Brands, and brand names, have a way of proliferating like rabbits over time. If you are a brand manager, or company executive in charge of brands, we suggest you look at your brand portfolio carefully and decide if there are ways to pare it down.

The operative rule is: you want as few brands as possible, and as many as necessary. The reason should be fairly obvious, but if you need an analogy, imagine if a movie actor or actress used three different names when performing in films. In one film he or she was called one name, in another a different name was used, and in yet another, a third name was given billing. Do you think the person would be as famous under those

circumstances as he or she is sticking to just a single name?

Most Mongolian companies will find the simplest brand structure and strategy is to use the name of the company (e.g., Goyo) followed by the name of a product range (e.g., Cashmere Kids). But even when it comes to the secondary names, you will want to err on the side of caution. Your life as a brand manager will be easier, and your customers will be less overwhelmed, if you have a clean, un-cluttered brand portfolio.

Armani is a huge fashion business, and it operates many brands. Sometimes this is necessary or advantageous, but mostly you want as few brands as possible.



MaxMara, a brand which has shown interest in manufacturing in Mongolia, uses the prefix “Max” on many of its sub-brands.

The MaxMara logo, featuring the brand name in a classic serif typeface.

The **Max Mara** collection is dedicated to glamour chic women who enjoy rediscovering a refined yet dynamic and practical look in everyday life. Sartorial tradition, luxury materials, experimentation, international feel, modernity and status: these are the distinctive traits of the Max Mara mood. <http://www.maxmara.com/en/Home-Page>

The SPORTMAX logo, with the brand name in a bold, uppercase, sans-serif font.

The **Sportmax** collection is a more practical and eclectic proposal compared to the company's stylistic tradition. Every season Sportmax anticipates and represents the main fashion themes with a collection characterised by an international feel for women who passionately follow the evolution of style and appreciate the search for new materials and shapes. <http://www.sportmax.com/it/pagina-iniziale>

The WEEKEND MaxMara logo, consisting of the word 'WEEKEND' in a bold, uppercase, sans-serif font above the 'MaxMara' brand name in a smaller serif font, all contained within a black rectangular box.

A collection dedicated to real, active and dynamic women who follow the fashion with personality and discretion satisfying their need for femininity and style.

The MAX&Co. logo, featuring the brand name in a bold, uppercase, serif font.

A dynamic, curious, eclectic, playful and conscious way of being, where sartorial tradition is combined with creative and technological experimentation of shapes, materials and colours: Made in Italy quality combined with style, glamour and intelligent design. <http://www.maxandco.com/en/Home-page>

Chapter 5

Do you understand the idea of a customer's “brand experience”?

At Cafe Ti-amò on Seoul Street in UB, coffee costs a small fortune.

But when you go in there, and buy a coffee, are you paying only for that coffee? Absolutely not. You are paying for the entire experience: a place to sit, a location to meet your friend, a spot where you might bump into people you know, a chance to order food if you also want to eat, the glass of water that comes with the coffee (unless they forget to give it to you), the choice of sitting upstairs or downstairs, the people watching, the friendly waitress, the aroma of cakes and coffee in the air, the strange “Italian” poetry on the walls, and even, maybe, the idea in your own mind that you have purchased possibly the best coffee available within many blocks.

Just as a cup of coffee at the Ti-amò is more than just a cup of coffee, your product also is more than just whatever it is. When seen in

That the takeaway paper cup is carefully wrapped in a napkin to keep your fingers from burning is part of the brand experience at Gaffe Ti-amò.

the complete context, the product is in fact maybe only 50% of what you're selling. Or, at least, it is 50% of what the customer is buying and experiencing!

All *great* brands involve:

- ▶ clarity & personality
- ▶ reliability & trust
- ▶ the promise of an experience & the consistent delivery of that experience

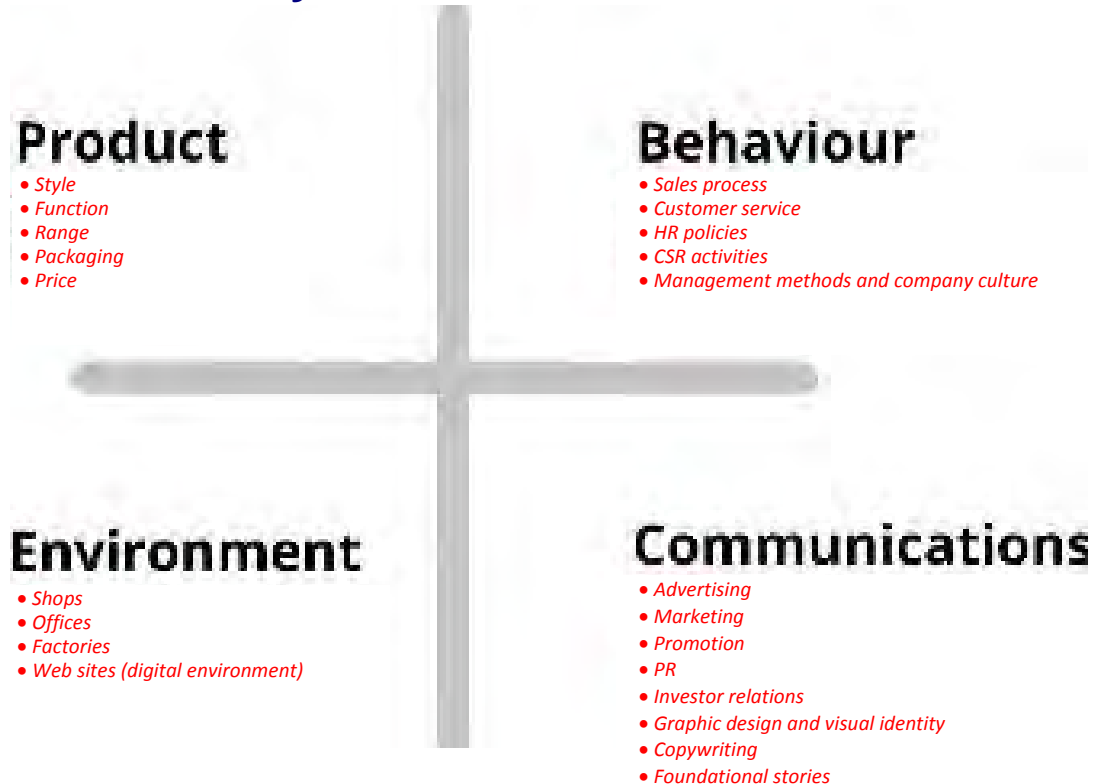
All **good** brands involve most of those things. And **bad** brands are weak in those things.

Nike's tick symbol isn't valuable because it's on file at the trademark office; it's valuable because it's a mark of trust between the maker and the consumer, it's a promise of a brand experience, an experience that Nike delivers on consistently enough that people continue to trust it.

A very nice vegetable tanned leather backpack... Except that the brand experience is ruined by the large insignia stamped too prominently on the bag.



Which of the four quadrants of brand expression are most relevant to you?



The last chapter spoke about brand experience. And as complicated and saddle as brand experience might seem, it is most often created through about four vectors or quadrants.

The four quadrants of brand expression are: product, behaviour, environment, and communications

Product:

- ▶ style
- ▶ function
- ▶ range
- ▶ packaging
- ▶ price

Behaviour:

- ▶ sales process
- ▶ customer service
- ▶ HR policies
- ▶ corporate social responsibility activities
- ▶ management methods and company culture

Environment:

- ▶ shops
- ▶ offices
- ▶ factories
- ▶ websites (digital environment)

Communications:

- ▶ advertising
- ▶ marketing
- ▶ promotion
- ▶ PR
- ▶ investor relations
- ▶ graphic design and visual identity
- ▶ copywriting
- ▶ foundational stories

We were recommended you go through this list. Study it carefully. Sleep on it. Discuss it with friends, relatives, and colleagues. If you want to change your brand — i.e., your reputation — your map for doing that is on this page.

Chapter 6: Which of the four quadrants of brand expression is most relevant to you?

This well-known venue just outside UB is a great example of an environment-led brand. There is no product here at all — other than the venue itself, which is quite a special place.



Chapter 7

How good is your product?

The first step in branding is to have a product that is brandable.

And a brandable product is — you guessed it — one that you can, somehow, build a reputation on. Mainly, this means that the product must be good enough in terms of its construction and quality of manufacture to satisfy the customer in that most basic respect, and on top of that it must have some style, or some feature, or some something, which makes it memorable enough that the customer comes to associate the product, and the good feelings he has for it, with your brand. This “memorability” can be built into the product, if there is something unusual about it, or it can be achieved with labelling and packaging. Or a bit of both.

There is a concept called a flagship product which you should be aware of. For example, the Burberry raincoat, or the Bally tassel loafer, to name two from the foreign luxury

sector. In Mongolia, perhaps you could regard Nomin the supermarket as the flagship for that overall company brand, as it is the most visible customer facing service that operates under that brand name.

Having a flagship product or service for which you become particularly well known to people can be very useful, but of course it means that you must be particularly excellent in this line, because that is what is leading your overall reputation.

A brand isn't something separate from your product -- it is an attribute of your product. And you know what? It is not the most important attribute. Quality is your most important attribute. Of course, quality does not mean you have to make the finest product on the market; it means the quality of your product must be at least as good as what customers expect it to be for the price you are charging them.

This machine is in the Mongolian Textile Institute. If it rubs a hole in one of your garments before the customer does, be grateful: it has saved you a brand problem.



Chapter 7: How good is your product?

These are felt slippers made in Mongolia. They are for sale on the sixth floor of the State Department Store for between \$15 and \$20. The quality is quite good, but a little variable.

Is this product quality good enough, given the price? That depends on what the customer wants, and how he perceives the value of the shoe.



These, too, are felt slippers, possibly made in Mon-golia, possibly not. Their quality of manufacture is about 30% better than the slippers in the above photograph. And yet they cost about three times as much (in a shop in London, where all prices are high-er). Supposedly, they are designed by Scandinavians.

Is this product quality good enough, given the price? That depends on what the customer wants, and how he perceives the value of the shoe.



These as well are felt shoes, definitely made in Mongolia. But they have a rubber sole, suitable for outdoor use, and are designed to European specifications and branded by an Italian fashion company. You don't really want to know how much they sell for!

Is this product quality good enough, given the price? That depends on what the customer wants, and how he perceives the value of the shoe.



Chapter 8

Are you as recognizable as you could be?

The previous chapter states that the brand is an attribute of a product and is not separate from the product. The reason we say that is because that is the most accurate and constructive way to think about brands when you are creating or managing them. But it is not an entirely true statement. In fact, a brand — or really, more accurately, a brand identity, which is to say the visible elements of a brand along with the emotional associations people have of a brand — can outlast the product or service or company to which it

originally belonged. Can American Airlines has been bankrupt for several decades, but you can still buy newly manufactured travel cases bearing the Pan Am logo because people like them. And in the centre of Ulaanbaatar there is a sign atop a building that features a dinosaur and a caveman representing a company that is no longer opera-tive, and yet the sign still means something to people who remember the old times.



What you should take from this is the idea that a strong brand has “recognisability.” Not all brands will have this in the same amount, and it is possible to run a very successful branded business without having anything as iconic as Pan Am one TAD. The point is that where possible, you should incorporate an identifying feature, a distinguishing characteristic, in your products or your behaviour or another point of interaction between the consumer and the brand. In the nearby photographs, two people are wearing sunglasses. One pair of sunglasses, on the side piece, has a distinctive curly cue which

is immediately recognisable by people who know it as belonging to the brand Prada. The other pair of sunglasses, as nice as they might be (depending on your taste), has nothing that stands out, they can be seen from a distance, to identify it as having been made by a certain brand.

If somebody covers up your logo, is it still clear they are looking at your brand?

Chapter 8: Are you as recognizable as you could be?



Sunglasses that have the tell-tale Prada design (for those who know it) on the side piece

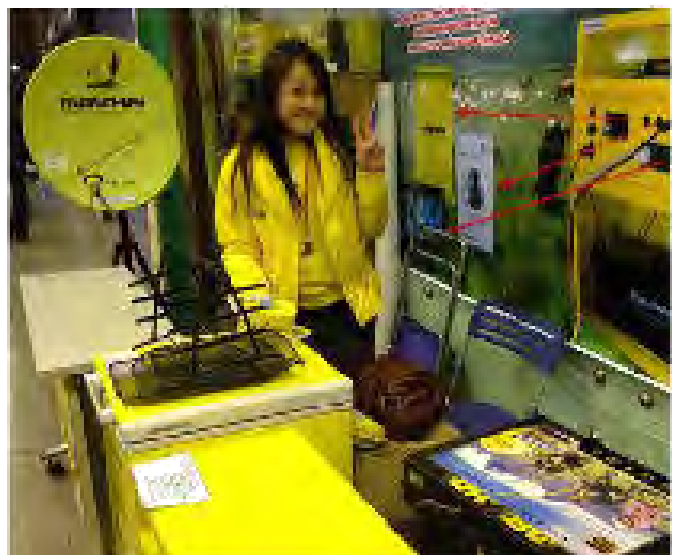


Sunglasses that have... no distinguishing brand characteristic.

Barbour jackets have a lining with a distinct plaid.



This Mongolian company sells communication equipment to nomads. They own yellow in this sector. From a mile away galloping on horseback, you can tell what brand of electronics your friends have in their ger.



Chapter 9

How good are your shops and your website?

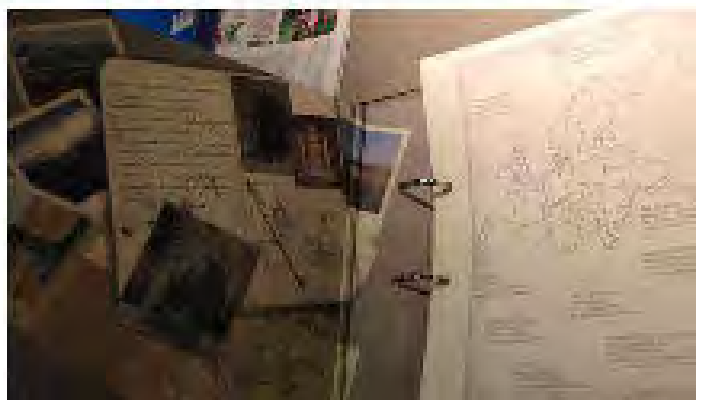
Most Mongolian shops, in Mongolia, are adequate for the Mongolian market. However, if you are exporting, or selling to foreigners who are visiting Mongolia, then you will find more success if the experience of shopping in your retail store is what foreigners expect.

The best advice here is: travel. Go to Shanghai, go to Seoul, go to Tokyo, go to Europe. Find stores that you like and copy them. What floorplans are they using? How do they use mannequins? (Do they use mannequins at all?) What shop fitting are they using? How do the salespeople behave? What music is playing?

Goyo's "store" at the Pitti Uomo trade show in Florence, Italy (January 2012) had a very Western aesthetic to it, with subtle Mongolian details.

When you are looking at other shops for inspiration, pay particular attention to what isn't there as well. In quality foreign shops, for instance, you will not see makeshift signs printed on computer paper stuck up in the front window. You will not see too many clothes overstuffed onto a rounder. You will not see salespeople sending text message on mobile phones.

A good store is legible. You can walk in and understand it relatively easily, and probably find what you're look-ing for, or enjoy browsing for nothing in particular, without asking someone for help. There is a reason why things are where they are, and price tags and other information are clearly visible.



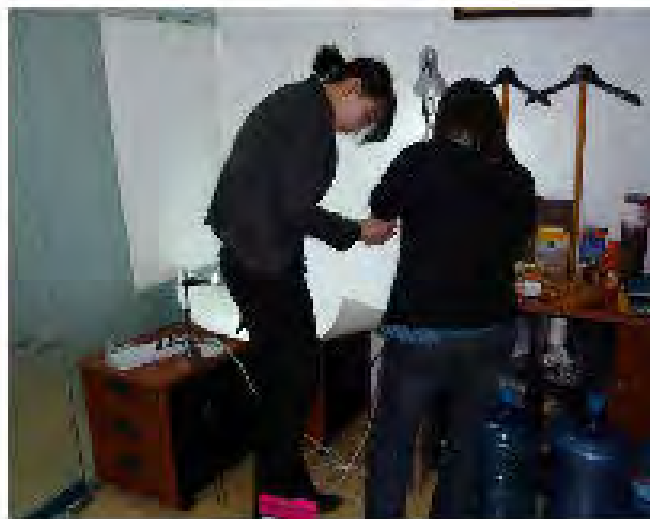
Chapter 9: How good are your shops and your websites?

A brand website has to do two things: it has to look good, and it has to function well. There is no point having a beautiful website that doesn't load correctly on the customer's computer, or malfunctions on the final page of the purchasing process. But at the same time, having an ugly site that works very well does not provide a good brand experience for the customer. However, your priority should

be functionality. In other words never sacrifice functionality in favour of aesthetics.

Product photography is also important to get right. What does "right" mean? This depends on your brand. Again, as with stores and websites, look at what other brands are doing for ideas and inspiration.

In the AMBDP project office, we set up a light stand using a curved piece of paper and two desk lamps at 90 degrees to each other. The curved paper gives the object placed on it an infinity background.



Chapter 10

How good is your packaging and labelling?

Packaging is the most visible surface of your brand. You might as well get it right.

This chapter is not about teaching you what perfect packaging is. Our purpose is simply to make you aware of the relative importance of packaging, and to urge you to think about getting it right. Here are a few very important questions to start your thought process. Answering these will get you 80% of the way to having good packaging and labelling:

Is the quality of the packaging materials appropriate to the level or premiumness or quality of the products you're selling and of the brand image you hope to create in customers' minds? Do you look too much like your competitors? Conversely, are you trying too hard to look different, either from your competitors, or from the category norms? Is the labelling clear?

The practical reasons for packaging knitted garments in plastic bags is clear — but it's terrible for your brand. Find a better way, if you possibly can.

This Peruvian vicuna sweater costs US\$2,000. It is therefore appropriate that it's packaged in a wooden box and comes with a signed and numbered card.



Including extras - even the raw material - as part of your labelling is often a good way of engaging the customer and communicating the product's story.



Chapter 10: How good is your packaging and labelling?

Scotch & Soda is a Dutch clothing brand. Their labels show a lot of personality (“Made to fit and please”) and information, as well as being interesting in them-selves, like the metal oval sewn into the bottom of the shirt. The brand doesn’t have an official logo, but sometimes uses an icon of an old sewing machine.



The British brand Barbour (in addition to their distinctive plaid linings) sews an embossed leather patch onto certain garments.



Chapter 11

Are you too boring?

In every opportunity you have to express your brand, you will have the option of being either more interesting or less interesting. For “low-involvement” purchases (like a quilt) it is defensible to be less interesting. But over the long-run, even then, you will not build customers’ excitement about your brand by being dull.

One habit brand owners should develop is to notice when they are doing things simply because everyone else is doing them that way, too.



It is not suggested that you turn yourself upside down — literally — to be like a competitor’s brand.

Chapter 11: Are you too boring?

Often you will need to decide whether to adopt or ignore a convention. For instance, it seems that most brands of sea buckthorn have chosen (like most fruit juice brands) to show the raw berries on the outside of the bottle. If you are a sea buckthorn maker, maybe you should break this rule entirely, or implement it differently. Use a label whose main distinctiveness is typographic (the way

the letters look); show a pretty girl (foreign? Mongolian?) drinking juice out of an elegant glass; show fields of sea buckthorn growing in an attractive natural setting. Note: the most attractive bottle, from our viewpoint, is the one in the lower left — and it is all because of packaging, as the plastic bottle shape is the same as that on the upper left, though the product colouration is different.



Chapter 12

Provenance (place of origin).

Italian olive oil. Chinese silk. Cuban cigars. Damascus steel.

For as long as human beings have been trading goods, place of origin has mattered to customers. Where a product is made, or where its component parts are from, is intrinsic to the product's story and to its final value in the marketplace.

Research has shown, for example, that consumers would pay more for a product

from Sweden than for the same product if it is from Finland, a neighbouring country.

Follow the words 'Made In' with a place of your choosing — Japan, California, Brazil, Indonesia, Guangzhou — and you have an innate sense of how this phenomenon works. Today, with fewer real differentiators between products, the ability for us to leverage place of origin is greater than ever, as is the size of the missed opportunity for failing to do so.

An American brand named J. Crew makes a big deal about this sweater being made of Italian cashmere. You probably know: there is no such thing as Italian cashmere. What probably is meant is that the cashmere was spun in Italy. We know it wasn't knit-ted there, because of the other label: Made in China. Above all, what J.Crew wants you to know is that they are a New York City brand. They think you'll like that — and they are correct.



Chapter 13

Mongolian Noble Fibre.

In 2012, the AMBDP's task was to reinvigorate Mongolia's reputation as a source of exotic fibre, particularly cashmere, of which it is the world's number two supplier (after China).

The original national cashmere label never caught on because it lacked Mongolian character — it might as well have said "Australian Cashmere." Worse, it had no reasoning or discipline, and was permitted to be put on all garments regardless of quality.

Our work, by contrast, is supported by a thorough strategy and is quintessentially

The former, failed "collective brand identity" for Mongolian cashmere:



For authenticity and differentiation, we collaborated with Mongolia's greatest living calligrapher D. Batbayar who drew the custom insignia based on the Mongol script for 'khan,' or king.



Mongolian, yet can be used by local and foreign clothiers as an "ingredient brand." So don't be surprised to find a scarf that is made in Mongolia — or in Scotland or China or Italy — out of Mongolian Noble Fibre.

Our work rekindled the interest of major retailers like MaxMara and Patagonia, who had once dismissed Mongolian-origin fibre. As one new customer wrote, "We love Mongolian cashmere. It feels so good, and there is a romantic essence in the history and source of it. The Mongolian Noble Fibre project is solid and has a future."

The Mongolian Noble Fibre certification mark developed by the AMBDP project:



A branded leather clothing tag (left) certifies the best Mongolian garments as the country's modern ambassadors. It derives from the diplomatic badge (right) Mongol envoys once wore.

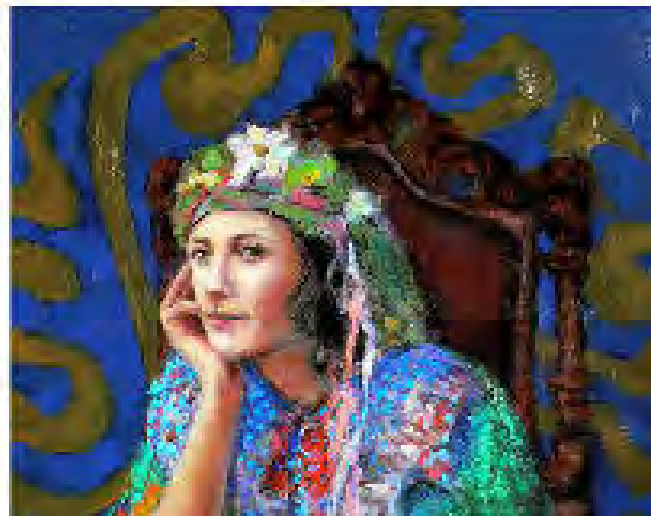


Chapter 13: Mongolian Noble Fibre.

To demonstrate potential product branding innovations to Mongolian stakeholders, we commissioned this yak down “Mongolian beach blanket” (below) and photographed it not in the Gobi Desert (right), but in Malibu.



The Mongolian Noble Fibre insignia has caught on. One imitation was purchased by a tourist at Naran-tuul market.



The undulating, evocative quality of the insignia has also captured the imagination of one artist, who used it as the backdrop to a non-Mongolian portrait.

Chapter 14

On being Mongolian.

If you are selling internationally, then having a “Mongolian flavour” to your branding can help you stand out. You might be surprised at how attractive Mongolia is to foreign consumers as a place of origin. But it is often

not enough to say “Made in Mongolia.” You’ve also got to teach the buyer what that means and give him or a feel for the country and its culture so that he or she can feel engaged with your brand and its provenance.

If appropriate, your product labels could adopt the shape and/or decoration of Mongolian designs.



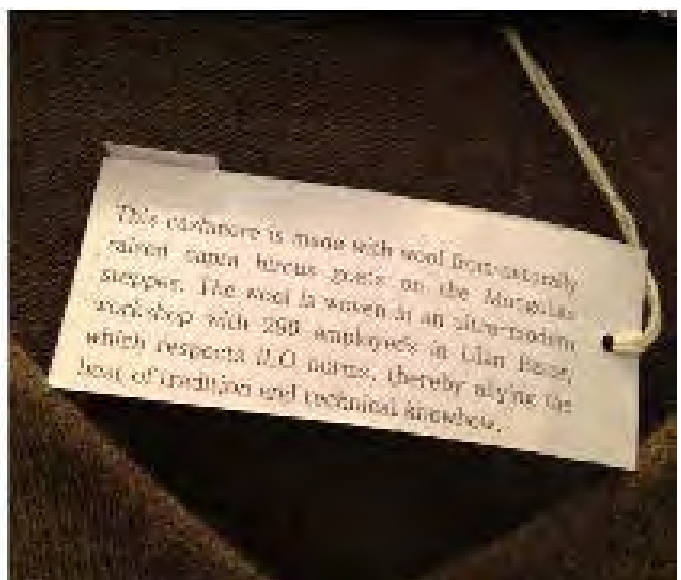
Soyombo brand vodka is an example of a brand using the most typical Mongolian symbol of all, but doing so in a [slightly] more contemporary/luxury adaptation.



This Mongolian sweater was spotted for sale in Hamburg, Germany - with a price tag of about US\$400.



The story the garment label tells is similar to its competitors in some ways, but interesting also for some of the details about the company that it conveys.



Chapter 15

Getting in the habit of being a brand owner.

Brand strategy and business strategy influence each other, respond to each other, and inform each other. Every business decision has a brand implication or expression (or rationale) and every branding decision has a business implication or expression (or rationale).

The costs of being a brand: It is easier to make mistakes (because you are trying to do things a certain way); brand ownership requires constant attention and limits your freedom (you cannot regularly behave in ways that “aren’t like you,” that are off-brand); you must often sacrifice near-term profits (say, by not selling a product that is off-brand) for uncertain long-range asset value; and you need to care more — about everything — which takes time and effort and can be stressful.

Not on the list is more money. Because managing a brand is something you do primarily while you are doing what you are doing anyway. Brand ownership is a mindset, a mental habit.

Branding helps you behave and look like you at all times and in all ways, so it is a helpful management tool.

Some of the benefits of being/owning a brand: It provides guidance for many organisational decisions; it aligns business strategy with all business activities; it enhances a meaning and recognition; it encourages creativity and innovation; it monetises your reputation so you can charge not only for what you do but also for who you are!



Do this to your whole entire brand, all the time.

Chapter 16

Change is easy.

It has only three components:

Things you start doing.

Things you keep doing.

Things you stop doing.

Experiment. Prototype. Try it. Good luck. You will find what work for you.



*Would people miss your brand if it disappeared?
Would a customer recommend you to somebody else?
Are you obsessed with those two questions?*

Annex 13: Branding – Four-Year Action Plan

MONGOLIA - MARKETING & BRANDING - BRANDING - 4 YEAR ACTION PLAN

Component/Activities (1)	Expert / Profile (2)	Stakeholders & Beneficiaries	Year 1												Year 2												Year 3												Year 4												long-term Int Exp
			1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	
Strengthening MNF	International Branding Expert	MoIA, BMO/BMA, IPO, MCCI, MWCA, Fibre companies																																					4,00												
	Local Branding Expert																																						10,00												
	Local Legal Expert																																						12,00												
Developing new brands	International Branding Expert	MoIA, BMO/BMA, MCCI, IPO, Professional Associations, Companies																																					13,00												
	Local Branding Expert																																						28,00												
	Local Legal Expert																																						20,00												
Establish and develop Brand Management Organisation	International Branding Expert	Ministries, MCCI, Professional Associations, Companies																																					15,00												
	Local Branding Expert																																						10,00												
	Local Legal Expert																																						10,00												
TOTAL	International																																																		32,00
	National																																																		90,00
	General																																																		122,00

(1) Awareness raising and exposure events (fairs, matchmaking) are already envisaged in the fibre and leather action plan and will involve the branding team

(2) Fibre, leather and quality experts (national and international) will be involved in all activities.