

CBI MARKET SURVEY

THE OUTERWEAR MARKET IN FINLAND

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Finland. The information is complementary to the information provided in the CBI market survey 'The outerwear market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>.

1. Market description: consumption and production

Consumption

- In recent years, the strength of the Finnish economy has driven up consumers' disposable income and spending. In the three years to 2005, the clothing market grew by 12.8% to € 2,917 million, of which 90% concerned outerwear. Clothing share of all consumption is around 4.0%.
- Finland ranked 15th in outerwear consumption in the EU behind Poland, Denmark and Ireland (resp 12,13 and 14).
- The size and age structure of the population is one of the basic determinants of how much will be spent on clothing. The Finnish population is increasing at a steady pace from 5.24 million in 2005 to 5.31 million in 2010. The population is projected to increase to 5.37 million by 2040, an increase of 2.5%. Just like in other major EU countries, the category below 15 years has decreased in Finland; 18% in 2000; 17% in 2005 and 16% in 2010. Following the trend in other European countries of an ageing population, in 2005 15.9% of the Finnish population was 65 or over.

Table 1 Consumer expenditure on outerwear in Finland in value (€ million), 2002-2007

	2002	2003	2004	2005 e	2006 f	2007 f
Women's outerwear	985	1,026	1,091	1,158	1,198	1,218
Men's outerwear	646	641	648	672	652	639
Knitwear	543	556	577	597	601	592
Clothing accessories	189	197	206	216	223	225
Total outerwear	2,363	2,420	2,522	2,643	2,674	2,674
Total clothing	2,586	2,659	2,780	2,917	2,957	2,966
Yearly change in %	3.6	2.8	4.6	4.9	1.4	0.3

e= estimated f= forecasted

Source: Euromonitor

- Forecasts for the period 2005-2008 indicate a much lower growth. Additional spending will go mainly to areas such as new technology and services. The clothing market's value growth will also be hampered by intense pressure on apparel prices.

Production

- The Finnish clothing industry is one of the smaller ones in the EU. The industry is specialised in leisure wear, especially designed for the cold North European climate.
- The gross value in 2004 (the latest available yearly figure) amounted to € 457 million against € 465 million in 2003. The number of manufacturing companies was 1,250 employing 4,645 people, which is less than 1% of the labour force in Finland.
- The volume index of manufacturing wearing apparel was : 2000=100 ; 2002=98; 2003:83 and 2004:60, and based on 9-month figures for 2005: 48.

- Leading manufacturers in Finland can be found at the site of the trade association <http://www.finatex.fi> as members, as well as exhibitors at the Helsinki Fashion Fair.

Trends

- Experts forecast a much lower growth in clothing expenditure in the period 2006-2009 in Finland.
- Companies' manufacturing strategies include further intensification of outsourcing.
- Consumers in Finland have become more price conscious in recent years. Clothing sold through discounters, variety stores and hypermarkets have won ground in the period under review.
- The clothing sector has been boosted by the arrival of a number of foreign retailers. Many Finnish shoppers still tend to be more price- and quality-conscious than fashion- or brand-driven in their clothing purchases. However, new entrants targeting the fashion-conscious and happier-to-spend young generation have found growth potential in this generally subdued market.

Opportunities and threats

- Factors offering possibilities for clothing exporters in developing countries are:
 - strong fall in output of Finnish clothing manufacturers;
 - growth in sales of wholesalers following three years of decline;
 - lower growth rate in consumer expenditure on clothing based on higher volumes but against lower prices.
- It should be noted that the exporters in developing countries will be faced with demands for high quality and environmentally friendly products.
- Companies intending to export clothes to Finland must be aware of the temperate climate. Winter, which can be extremely cold and wet (snow), requires casual garments that are comfortable, robust and preferably wind- and waterproof

Useful sources

- Year Book 2005 of the Finnish trade association published at <http://www.finatex.fi>
- Euratex Bulletins (<http://www.euratex.org>); Clothing Retailing Europe and European Retail Handbook 2005/6, Retail Intelligence/Mintel (<http://www.mintel.com>); Euromonitor publications (<http://www.euromonitor.com>); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Imports

- In 2004, Finland imported 33,000 tonnes outerwear valued € 776 million, consisting of € 450 million of woven outerwear, € 312 million of knitted outerwear and € 13 million of leather garments. Total imports showed a growth of 4.7% compared to 2002.
- Imports of knitted outwear consisted of jerseys, pullovers etc. (35%); T-shirts (31%); trousers, shorts etc. (8%); sportswear (7%); blouses and shirts (7%).
- Imports of woven outerwear consisted of trousers, shorts etc (35%); coats and outdoor jackets (19%); blouses and shirts (11%); indoor jackets (9%); sportswear (9%); skirts (4%).
- Neighbouring country Sweden remained by far the leading outerwear supplier to Finland in 2004, with an import share of 21 percent in terms of value, followed by Denmark (import share of 14%) and Germany (import share of 14%). Imports from China, the 4th supplier to Finland grew 24.6% to an import share of 10%. Other countries with more than averagely increasing exports to Finland were: France, Hong Kong, Spain, Belgium, India, Pakistan, Thailand and Vietnam.
- Total Finnish imports from developing countries increased in terms of volume (+ 16.7%) and value (+ 15.2%) in the period 2003-2004. This growth can be ascribed mainly to the growing imports from China and the developing countries mentioned above. Imports from Bangladesh grew slightly (+1.5%), while imports from Turkey decreased sharply (- 8.2%).

- In total, 19% of Finnish imports came from developing countries, which is far below the EU average of 46%. Product groups with a higher import share from developing countries than the Finnish average were: jerseys, pullovers etc.; woven and knitted sportswear; knitted trousers and impregnated coats and jackets.

Exports

- Finland exported outerwear valued € 174 million in 2004, consisting of € 113 million of woven outerwear, € 57 million of knitted outerwear and € 4 million of leather garments.
- Total outerwear exports decreased by 3.9% during the period 2002-2004.
- In terms of value, 59% of Finnish exports went to other EU countries, like Sweden, Estonia, Latvia, Poland, United Kingdom and Germany. However, Russia in 2003 became the leading destination of Finnish export, 21% of total exports went to this country in 2004.

Opportunities and threats

- The low share of imports from developing countries (far below the EU average) offers possibilities for exporters from these countries;
- For starting and/or SME exporters, selling to wholesalers and importers has the most advantages. Disadvantages are the missing of direct contacts with retail organisations and lower margins.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
- Euratex Bulletins (<http://www.euratex.org>)

3. Trade structure

- The Finnish market can be entered in several ways, of which most interesting for exporters in developing countries are: exports to manufacturing companies, wholesalers or retail organisations (especially central buying groups, chains and hypermarkets). Choice of strategy depends on the resources available and the priority given to the Finnish market.
- Specialist clothing retailers account for 55% of the clothing market, of which 15% independent retailers and 40% clothing multiples in 2005, however they face increasing competition from other channels.
- Many independent retailers joined central buying groups, of which the Texmoda Fashion Group (<http://www.modakaupat.com>) is the biggest one, including 93 outlets, of which 59 Moda (fashion for men and women) and 34 Jim & Jil (young fashion). However, this group has lost share in recent years, struggling to match the stronger brand images and faster response times of more fashionable retail/wholesale groups.
- Sweden's H&M (27 outlets; <http://www.hm.com>) leads the specialist sector, followed by Seppälä (125 outlets in Finland and 25 in the Baltic states; <http://www.stockmann.fi>) and buying group Texmoda. Other chains are: Lindex from Sweden women's and children's wear in 46 outlets (<http://www.lindex.com>); KappAhl from Sweden, general clothing in 31 outlets (<http://www.kappahl.com>); Varner Gruppen from Norway, including the men's wear chain Dressman 54 outlets (<http://www.dressmann.com>). Other chains are Marimekko (25 outlets; <http://www.marimekko.fi>), the Danish Bestseller (Vero Moda and Jack & Jones; <http://www.bestseller.dk>) and IC Companys (Inwear and Jackpot/Cottonfield; <http://www.iccompanys.com>) and the Italian Benetton (<http://www.benetton.com>) and the Marzotto Group (<http://www.marzotto.it>)
- Non-specialists accounted for 45% of the clothing market in 2005, of which 22% department/variety stores, 12% hyper- and supermarkets, 7% sports specialists shops, and 4% other channels, including street markets and home shopping companies.
- There are few department store chains in Finland, but clothing accounts for a considerable part of the business for the main players Stockmann (7 stores in Finland; <http://www.stockmann.fi>) and Sokos (20 stores; <http://www.sokos.fi>). The Stockmann

department store chain is the largest clothing retailer in Finland by turnover. The Stockmann group also owns the specialist clothing chain Seppälä and holds the Zara franchise in Finland.

- Sports speciality organisations are: Kesport/Intersport (85 outlets; <http://www.intersport.com>), Elmo Sport (<http://www.elmo-sport.fi>), Aleksi 13 (26 outlets, owned by Luhta, <http://www.luhta.fi>) and Sportia (49 stores; <http://www.sportia.fi>).
- While hypermarkets and variety stores historically hold a considerable share of the clothing market, they have less authority in terms of fashionability than grocers such as Tesco and Asda in the UK.
- The low population density and considerable distances between towns have led many clothing specialists to limit their presence to the larger population centres. Despite these factors, home shopping has not become a particularly important channel for purchasing clothing. Finland is one of the few countries where H&M operates the Rowells home shopping division however.
- Most of the Finnish wholesaler/importers are member of the Association of Textile and Footwear Importers and Wholesalers. They can be reached via the website of this association: <http://www.teja.fi>.

4. Prices

- Finnish consumers were very positive towards clothing products very rapidly increasing their spending: retail sales increased 13.6% during the period 2000-2004.
Analysis of clothing prices in 2004 relative to 2000:
Consumer prices 0.0%
Import prices - 7.1%
- The Finnish market can be characterised by a stabilisation of consumer prices while import prices decreased.
- The Rowells home shopping division of H&M provides a possibility to get an idea of consumer prices in Finland. (<http://shop.hm.com>).

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>.

6. Business practices

- The Finns value conscientious work, initiative and enterprise. They are very quality conscious and expect punctual delivery. English is the first business language of Finland, but for technical documents it is advisable to have them translated into Finnish.
- Usual terms of payment are 30 days open account.
- More information on business practices in the outerwear trade in Finland can be found at <http://www.finatex.fi> the website of Tekstiili (the Finnish Textile & Clothing Association). The organiser, and more information about the trade fair Helsinki Fashion Fair, can also be found at this site. This major fair takes place in January and August.
- The main trade magazine is Modin, published by the Association of Fashion Retailers in Finland, website <http://www.muotikaupanliitto.fi/en>.

This survey was compiled for CBI by Fashion Research & Trends.

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