CBI MARKET SURVEY

THE OUTERWEAR MARKET IN SWEDEN

Publication date: April 2006

Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Sweden. The information is complementary to the information provided in the CBI market survey 'The outerwear market sector 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

- The high growth rate of Sweden's clothing market led to consumer expenditure of € 6.4 billion including sales tax in 2005, of which 85% outerwear.
- One explanation for the high growth rate is the way that some consumers have traded up in recent years to better quality garments. Another contributory factor has been the fast fashion trend that induces consumers to spend money more often on clothes.
- The size of the Swedish population limits the clothing market size, while the per capita expenditure on clothing is above the EU average. Sweden ranked 9th in outerwear consumption in the EU behind the seven major EU countries and Austria.
- The Swedish population is growing at a steady but slow pace. What little growth there has been is attributable to more births than deaths and a fairly high level of immigration. Just like in other EU countries the Swedish population is ageing. By 2050, those over 65 will account for around 14% of the population.
- Unlike some countries, such as Germany and many of the new ten EU countries such as the Czech Republic, Sweden already has in place a good pension and social security system, which is likely to withstand the pressure of an ageing population.

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

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	1,988	2,047	2,184	2,284	2,398	2,535
Men's outerwear	1,562	1,606	1,705	1,781	1,865	1,975
Knitwear	919	942	994	1,039	1,088	1,152
Clothing accessories	344	345	362	377	394	418
Total outerwear	**4,813**	**4,940**	**5,245**	**5,481**	**5,745**	**6,080**
Total clothing	5,803	5,999	6,139	6,415	6,728	7,120
Yearly change in %	+ 6.8	+ 3.4	+ 4.3	+ 4.5	+ 4.9	+ 5.9

e) estimated f) forecasted
Source: Euromonitor and national statistics

- A survey on per capita spending in 2004 broken down by sex and age, showed that the average Swedish woman spent more on clothing than the average man. Teenagers had the highest per capita expenditure, followed by the 20-29 and the 30-49 age groups. These results are also valid for 2005.

Production

- The Swedish clothing industry registered a 4.3% growth in 2004 (including production abroad), however, the share in EU turnover of the clothing sector is limited to 0.2% according to Euratex.

- Both small and larger companies took further significant steps to outsource production. Employment fell by more than 7% in 2004.
- The leading clothing manufacturing companies in Sweden are active in the workwear sector. Manufacturers of outerwear are among others: Melka (men's wear; http://www.melka.com), Peak Performance Production (sportswear and since 2004 part of IC Company, based in Denmark; http://www.peakperformance.com), Fenix Outdoor (http://www.fenixoutdoor.se), Oscar Jacobson (men's sportswear http://www.oscarjacobson.com).

Trends

- Experts forecast a growth of 11% in clothing expenditure in the period 2005-2007.
- Manufacturing companies' strategies include further intensification of outsourcing.
- Swedes as consumers are both demanding and aware. Their knowledge of materials, care and the environmental impact and social requirements are generally good. Sweden has been in the forefront of debates concerning environmental and social aspects on clothing products.

Opportunities and threats

- Companies intending to export clothes to Sweden should 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. Swedes are very fond of outdoor life and spend a great deal of their time in the countryside. People invest a large amount of money in quality sports clothes.
- Sweden has some of the most stringent requirements worldwide regarding instructions for care; the requirements regarding finish must also be strictly observed.

Useful sources

- 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, Sweden imported 85,000 tonnes outerwear valued € 1.7 billion, consisting of € 944 million of woven outerwear, € 715 million of knitted outerwear and € 33 million of leather garments. Total imports grew 1.1% (in terms of value) compared to 2002.
- 54% of total outerwear imports came from outside the EU and 39% of total outerwear imports came from developing countries. Total Swedish imports from developing countries increased much higher in terms of volume (+6.6%) than in terms of value (+ 2.0%) in the period 2003-2004.
- Imports of knitted outwear consisted mainly of T-shirts (34%); jerseys, pullovers etc. (31%); sportswear (6%) and trousers, shorts etc. (5%).
- Imports of woven outerwear consisted of trousers, shorts etc. (43%); blouses and shirts (12%); coats and outdoor jackets (16%); indoor jackets (7%); sportswear (6%); skirts (4%); suits and ensembles (3%).
- China passed Denmark and became the leading outerwear supplier to Sweden in 2004 after a growth of 3.8% in 2004 to an import share of 16 percent in terms of value. Imports from Denmark fell almost 2% to an import share of 15%. Other important suppliers were Turkey, Bangladesh, Germany, Italy, Hong Kong, India and Lithuania. Countries with increasing exports to Sweden were, besides China: Bangladesh, Germany, Italy, Pakistan and Indonesia.

Exports

- Sweden exported outerwear valued € 511 million in 2004, consisting of € 287 million of woven outerwear, € 203 million of knitted outerwear and € 21 million of leather garments.
- Total outerwear exports grew strongly by 13% during the period 2002-2004.
- Destinations were for 76% (in terms of value) other EU countries, like Finland (31% of total exports), Denmark (19%), Norway (18%), Germany (8%), United Kingdom (5%), The Netherlands (5%) and Estonia (2%). Leading destinations outside the EU were the USA, Switzerland and Iceland (each country around 1%).

Opportunities and threats

- On averag 39% of Swedish imports came from developing countries in 2004, however this percentage was higher in the following product groups: woven outdoor coats and jackets for men (47%), woven skirts (46%), T-shirts (46%), jerseys, pullovers etc. (42%) and woven trousers (45%) and lower for woven suits (23%), indoor jackets (15%) and woven shirts (35%).
- Imports of clothing increased by 1.6% in the first half of 2005, while exports rose 0.8%. The trade deficit is likely to widen throughout the rest of the year.
- Total imports will grow slightly. Imports from developing countries will grow faster than total imports, mainly to the detriment of other EU countries.
- Import prices will be under pressure and the decrease in average import prices will put further pressure on Swedish producers and force them to pare 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 Swedish 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 Swedish market.
- For more general information we refer to the survey 'The outerwear market in the EU' The Swedish Federation of Trade, Svensk Handel has 14,00 members (wholesalers, retail organisations and importers) from 60 different branches including clothing and can be reached at http://www.svenskhandel.se/
- The Swedish Association of Agents (Agenturföretagens Förbund i Sverige) has 600 members, of which many operate in the clothing sector (http://www.agenturforetagen.se).
- Potential trading partners can also be found for free at the website of the Swedish Chamber of Commerce http://www.chambertrade.com.
- Sweden has one of the more concentrated clothing sectors in Europe, with the seven largest retailers accounting almost half of clothing specialists revenue.
- H&M (124 stores in Sweden; http://www.hm.com) remains the dominant player in the sector. Other important chains are Lindex (239 lingerie, women's & children's wear stores, of which 181 in Sweden and 152 in Norway, Germany and Finland; http://www.lindex.com.
- KappAhl (more than 125 stores in Sweden and another 125 in Norway, Finland and Poland; http://www.kappahl.com), Varner Gruppen (http://www.varner.no) from Norway with formula like such as Dressmann, 182 men's wear stores in Sweden (totally 400 stores), Carlings 54 and Bik Bok 33 women's wear stores. Other chains are: JC (http://www.jc-online.com) with 207 stores, of which: Jeans & Clothes 117, Brothers (men's wear) 56 and Sisters (women's wear) 34; RNB (Retail & Brands, http://www.rnb.se) 104 stores, of which: RNB 31 and Polarn o. Pyret (women's & children's wear) 56.
- Leading buying groups are Desam Fashion Group (104 stores; http://www.desam.se) and MQ Sweden (89 stores; http://www.mq.se). In total around 5,600 independent specialists retailers are active in Sweden.

- The entrance of foreign chains in the past few years, such as Zara (Inditex) and Cubus (Varner Gruppen) has led to an even more intense competition. The Danish Bestseller is an important player on the Swedish market, with Vero Moda 86 women's wear stores and Jack & Jones 50 men's wear stores. Other foreign chains are (among others): Benetton and several formula of the Arcadia Group.
- National chains for women's wear are: Indiska (72; http://www.indiska.se); Modebolagen (39), Gina Tricot (60, http://www.ginatricot.se), Flash (35) and Joy Shop (52). A children's wear chain is Guppi (29).
- Specialist clothing retailers account for the bulk of the clothing market (68% in 2005), however they face increasing competition from other channels.
- Non-specialists accounted for 32% of the clothing market in 2005, of which 4% department/variety stores, 4% hyper- and supermarkets, 11% sports shops, 9% home shopping companies and 4% other channels (including market stalls).
- In the department & variety stores sector Åhlens is the main player with 71 stores.
- The internationally operating buying groups Intersport Sweden (150 outlets) and Sport 2000 (139 outlets) compete with the Swedish chain Team Sportia (107 stores; http://www.teamsportia.se). Sports shops play an important role in Sweden. The strong position of sports goods retailers in the clothing market is partly explained by the popularity of casualwear and outdoor activities in Sweden.
- Home shopping is one of the traditionally strong segments in the country's retailing sector, a reflection of Sweden's large size and sparse population. H&M offers consumers the opportunity to purchase its products online through its home shopping arm H&M Rowells. Other companies are Ellos (http://www.ellos.se) and Josefssons (http://www.josefssons.se) both owned by the French PPR.
- The role of grocers in the clothing market remains limited. For that reason it is a channel with considerable growth potential, with three leading retail chains ICA AB (http://www.ica.se), Coop Sverige AB (http://www.coop.se) and Axfood in Sweden understood to be looking to expand their clothing offer.

Opportunities and threats

- The trend seen during the last few years will be continued: sports goods retailers and mail-order companies gain market share in the clothing sector, whereas that of clothing chains has remained static and independent specialist shops have lost out.
- Competition should become more intense but, despite the activities of the clothing chains, most of the pressure will probably come from distribution channels outside the clothing sector. Large grocers, in particular, should pose a growing threat in the market, as they look to expand their non-food offers and engage in price-led and convenience-based competition against the specialists.
- Chain stores and importers/wholesalers are constantly looking for new exporters/suppliers. Increasingly stringent requirements and stiffer competition mean that prices must be kept low. If a certain country becomes too expensive, the importers will be tempted to try new supply countries.

4. Prices

- Analysis of clothing prices in 2004 relative to 2000:
  Consumer prices + 1.3%
  Import prices - 14.2%
- The Swedish market can be characterised by a relatively low increase of consumer prices while import prices registered far below the EU average.
- Clothing prices increased slightly in the period 2000-2003, which was followed by deflation in 2004. In addition to discounting, the falling prices have been precipitated by a surge in cheap apparel imports from Asia in general and China in particular.
- The VAT tariff in Sweden for clothing is 25%.
- The Rowells home shopping division of H&M provides a possibility to get an idea of consumer prices in Sweden (http://shop.hm.com). Another way to get an impression of

average prices can be formed by browsing through the catalogues of large multiples, department stores or from other company websites. For websites we refer to the previous chapter.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country 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

Try the following websites for information on business practices:
- The trade association in Sweden is TEKO industrierna. Internet: http://www.teko.se.
- Trade fair the Stockholm Internationla Fashion Fair (http://www.stofair.se).
- Swedish standards of payment commonly demand that invoices be paid in full by the stated expiration date. The number of days varies between 10-30 days. If payment is deferred beyond the expiration date, a penalty interest rate is added. Financing is arranged through mutual agreement.

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