CBI MARKET SURVEY

The market for leather garments in Finland

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Introduction
This CBI market survey gives exporters in developing countries (DCs) information on some main developments on the market for leather garments in Finland. The information is complementary to the information provided in the CBI market survey 'The market for leather garments 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.eu/marketinfo.

1. Market description: consumption and production

Consumption
During the period 2004-2007, the strength of the Finnish economy drove up consumers' disposable incomes and spending. Finnish consumers were very positive towards clothing products, very rapidly increasing their spending. However, since the economic crisis started as from September 2008, the situation has been changing swiftly.

After several years of increased consumer spending on clothing, year-on-year growth in 2008 was limited to 2.7%, against 5.7% in 2007. Consumption of leather garments rose by 1.8% annually during the period 2004-2008 and reached almost € 78 million.

Finland ranked 14th in EU consumption of leather garments and accounted for 1.4% of total EU consumption. Per capita expenditure on leather garments amounted to € 20.30 in 2008, which was far above the EU average of € 13.75, partly due to the severe winter climate conditions.

Table 1.1 Consumption of leather garments in Finland, 2004-2010, in € million

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	**71.2**	**76.4**	**77.8**	**+2.3%**	**77.0**
Total outerwear	2,589	2,906	3,187	+5.7%	3,020
Consumption of leather garments in % of total outerwear	2.8%	2.6%	2.4%		2.5%

* Average annual growth
Sources: Derived from Eurostat (2009) and Euromonitor (2009)

A fall of 1% in leather garments spending is expected for 2009-2010, mainly due to the recession in Finland, as will be described below under economic developments. It should be noted that this fall is limited by expected developments in fashion.

The share of leather garments in total outerwear consumption is high in Finland, mainly caused by sales of jackets and coats, influenced by climatologically circumstances.

Demand for leather garments is determined by several factors like type of products, demographics and economic developments. These factors are discussed below. Other more general factors and consequences for the leather garments market are discussed in chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Type of products
A detailed breakdown of the different types of leather garments is not available, as explained in appendix A of the CBI market survey 'The market for leather garments in the EU'.

The largest segment in leather garments in Finland remained outdoor jackets and coats for men and women. The climate brings about a diversified domestic demand for leather garment products. During the autumn and winter season, lined coats and outdoor jackets are in demand, whereas lighter jackets for women of soft leather are preferred during the spring and summer season. Major colours in autumn/winter are the traditional black, light and dark brown, while the variety in women's jackets is extended by several bright colours.
In winter months, tights can be replaced by the warmer alternative, the legging or the nappa skinny trousers, mostly combined with heavy knitwear. The role of other leather items is limited to specific functional garments or fashionable items like skirts, dresses, vests etc.

Demographics
The size and age structure of the population is one of the basic determinants of which products will be bought and how much will be spent on clothing including leather garments.
The Finnish population is increasing at a steady pace, from 5.22 million in 2004 to 5.30 million in 2008 to 5.35 million in 2010.
Just like in other major EU countries, the category below 15 years has decreased in Finland; 17.6% in 2004; 17.0% in 2008 and 16.6% in 2010. Following the trend in other European countries of an ageing population, in 2008 16.6% of the Finnish population was 65 or over, against 15.5% in 2004.

Economic developments
Economic developments in Finland were among the strongest in the euro area during the latest upswing. GDP growth, at 2.8% in 2005, accelerated to 4.8% in 2006 then declined to 4.1% in 2007 and to 0.7% in 2008.
Since the economic crisis started as from September 2008, the situation has been changing fast. Having entered into recession, Finland was forecast to remain in a severe recession for most of 2009, although this is not expected to be as long-lasting as the one it experienced during the early 1990s. Finland's open economy will continue to be hit by a sharp fall in global demand. The economy should begin to recover more substantially towards the end of 2010, aided by the gradual recovery of the global economy, but growth for the year will still be negative. GDP is forecast to fall by 5.7% in 2009 and by a further 0.1% in 2010.

Trends
- Experts forecast a slight fall in consumer expenditure on leather garments in 2009, followed by a growth in later years.
- Consumers in Finland have become more price conscious in recent years. 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 young generation have found growth potential in this generally subdued market.
- Just like in other Nordic countries, tights were and will be replaced during the winter months by the warmer alternative, the legging or the nappa skinny trousers mostly combined with heavy knitwear. The role of other leather items is limited to specific functional garments or fashionable items like skirts, dresses, vests etc.
- Developments in fashion in leather garments for men are slower for men than for women.
- Consumers become more aware of sustainability issues.

More general trends and fashion trends related to leather garments can be found in chapter 1 of the CBI market survey 'The market for leather garments in the EU'.

Production

The Finnish clothing industry is among the smaller ones in the EU and is specialised in leisure wear, especially designed for the cold North European climate.
The number of manufacturing companies of leather garments in 2008 was 70, employing 74 people, which is 2.3% of the labour force in clothing manufacturing in Finland. Total turnover in the leather garments sector amounted to € 13.0 million in 2008, which was 77% higher than in 2007. According to Eurostat/Prodcom, production increased 13% in terms of value during 2006-2008. About 22% of Finnish production was exported in 2008.

Trends

- Companies' manufacturing strategies include further intensification of outsourcing.
- CSI (Corporate Sustainable Issues) are becoming more important.

More trends related to production of leather garments can be found in chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Opportunities and threats

+ Expectations for consumer expenditure on leather garments for 2010 and later years are moderately optimistic.
+ Developments in domestic production led, besides sourcing of basic products in low-cost countries, also to sourcing of products with higher design content. The largest middle range market segment may offer good opportunities for exporters in DCs.

± Fast changing demand in the clothing market is a significant factor. There is a general tendency in the clothing branch to demand shorter delivery times and smaller volumes of series and orders.

± Consumers in Finland pay increasing attention to the ethical conduct of business. Thus, foreign suppliers are expected to have environmentally and socially accountable production facilities, emphasizing respect for basic workers' rights, occupational health and safety, and general improvements in social and labour conditions.

The same development or trend can be an opportunity for one exporter and a threat to another. Exporters should therefore analyse if the developments and trends discussed in this survey provide opportunities or threats. The outcome of this analysis depends on each exporter's specific circumstances.

More information on opportunities and threats can be found in chapter 7 of the CBI market survey 'The market for leather garments in the EU'.

2. Trade channels for market entry

The Finnish leather garments market can be entered in several ways, of which the most interesting for exporters in DCs are exports to manufacturing companies, wholesalers and retail organisations, especially central buying groups and clothing chains.
Which channel will be chosen, depends on factors like (among others):

- Which type of leather garments producer (CMT, FOB, private label or own brand producer) tends to export to Finland. These types of producer are described in chapter 1 and 2 of the CBI survey 'Guidelines for exporting leather garments to the EU'.
- The resources available and the priority given to the Finnish market. In this connection, the exporter should take into consideration that the Finnish market can act as a bridgehead to the Baltic countries.

Manufacturing companies

Manufacturers in Finland can be found at the site of the trade association http://www.finatex.fi giving members, as well as exhibitors at the Finnish Catwalk. Companies specialized in manufacturing of leather garments are Friitala Fashion (http://www.friitala.fi), Gemmi Furs (http://www.gemmi.fi) and L-Fashion Group (http://www.bigl.fi).

Importers/wholesalers

Most of the Finnish importers/wholesalers 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. Some wholesalers, also trading in leather garments, are Basic Fashion (http://www.basicfashion.fi) and Juho Puttonen (http://www.juhoputtonen.fi).

Retailers

Specialist clothing retailers account for an estimated 55% of the clothing market, of which 14% was independent retailers and 41% clothing chains in 2008. However, they face increasing competition from other channels. Many independent retailers joined central buying groups, of which the Texmoda Fashion Group (http://www.texmoda.fi) is the biggest one, including 69 outlets, of which 50 Moda (fashion for men and women) and 19 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.

The number of Finnish clothing chains is limited. The leading domestic chain is Seppälä (owned by the Stockmann Group; 132 outlets in Finland and another 30 in the Baltic countries - http://www.seppala.fi/) the assortment includes leather garments.

Important clothing chains on the Finnish market are from:

- Sweden: H&M (38 outlets - http://www.hm.com), Lindex (53 women's and children's wear outlets, owned by the Stockmann group since December 2007 - http://www.lindex.com) and KappAhl (46 outlets – http://www.kappahl.com/en);
- Norway: Varner Gruppen offering men's full wardrobe through 59 outlets of the Dressman formula (http://www.dressmann.com) and 6 Carlings jeans and casual stores;
- Denmark: Bestseller (95 stores in Finland, of which 33 Vero Moda and 30 Jack & Jones stores in Finland - http://www.bestseller.dk), IC Companys (Inwear and Jackpot/Cottonfield; http://www.iccompanys.com); and,
- Spain: Zara (4 stores).

Non-specialists accounted for 40% of the clothing market in 2008, of which 20% department and variety stores, 9% hyper- and supermarkets, 6% sports specialists shops, and 5% 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 (15 stores of which 7 in Finland - http://www.stockmann.fi), Anttila (30 stores and part of Kesko Ltd.; http://www.anttila.fi) and Sokos (21 stores; http://www.sokos.fi). The Stockmann department store chain is the largest clothing retailer in Finland by turnover.

The low population density and considerable distances between towns in Finland 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. However, Finland is one of the seven European countries where H&M operates its home-shopping division. The above-mentioned department stores Stockmann and Anttila are also active in home-shopping and compete with international chains from France (like Ellos) and Germany (some Arcandor formula).

The role of leather garments in other sectors, like hyper-and supermarkets (occasional offers at the lowest end of the market) and sports specialist shops is very limited. Food discounter Lidl of Germany operates in Finland through a network of 126 stores.

Margins

Margins will vary depending on which market segment is being approached. Price is an important selling factor, especially in the lower segments of the clothing market (hyper- and supermarkets and discounters), whereas in the higher segments factors like quality and fashion are more important than price. An indication of differences in price levels by types of outlets has been given in chapter 1 of 'The market for leather garments in the EU' and an overview of margins valid for the levels distinguished in the leather garments market can be found in chapter 3.2 of the same survey.

3. Trade: imports and exports

Imports

In 2008, Finland imported 480 tonnes of leather garments valued € 16.1 million and accounted for 1.1% of EU total imports. Out of the 27 EU countries, Finland was ranked 15th largest, behind Portugal (13th) and the Czech Republic (14th), and was regarded as a small-sized country for leather garments imports.
Between 2004 and 2006, Finnish imports grew by 11% per annum in value to € 16.5 million, fell by 9% in 2007 and increased by 8% in 2008. Between 2006 and 2008, imports fell by 5% in volume (weight).

Finland's neighbouring country Sweden passed China in 2008 and became the leading leather garments supplier to Finland, with an import share of 27% in terms of value, followed by China (26%), Denmark (12%), Germany (10%), Italy (6%), Pakistan and India (each country 5%). During the whole period 2006-2008, imports decreased from Sweden (-10%), China (-7%), Germany (-11%) and Italy (-16%), while imports from Denmark (+21%), Pakistan (+52%) and India (+25%) increased. Other countries with increased exports to Finland were Spain, UK, Vietnam, USA and Latvia.

Total Finnish imports from DCs increased in terms of value (+3%) and fell in terms of volume (-9%) in the period 2006-2008. The growth in value can be ascribed to the growing imports from Pakistan, India and Vietnam, while imports from China and Turkey decreased.
In total, 39% of Finnish imports came from DCs in 2008, against 37% in 2006, which was still far below the EU average.

Exports

In 2008, Finland exported 41 tonnes of leather garments valued € 2.9 million. Leather garments exports decreased on average 9% per annum during the period 2004-2008 in terms of value. Finland is the 16th largest exporter of leather garments in the EU, behind Slovakia (14th) and Slovenia (15th), and accounted for 0.3% of total EU exports in 2008.

In terms of value, 41% of Finnish exports of leather garments went to other EU countries, like Estonia (11%), Latvia (11%), Germany (7%), Lithuania (3%), France and Sweden (each 2%). However, Russia remained the leading destination for Finnish export, 44% of total exports went to that country in 2008. Other destinations outside the EU were Japan (6%), Switzerland, (4%), Norway (3%) and the USA (1%).

Re-exports

The size of re-exports cannot be derived from the available trade and production statistics.

Opportunities and threats

+ A slightly increasing share of Finnish imports came from DCs. This share rose from 37% in 2006 to 39% in 2008, although this import share was very low compared to other Nordic countries. The low share of imports from DCs (also far below the EU average) offers opportunities for exporters in those countries.
± Outerwear products should be well finished, made precisely according to importers' quality requirements and other specifications as agreed.
± For starting and/or SME exporters, selling to wholesalers has the most advantages. Disadvantages are the missing of direct contacts with retail organisations and lower margins.
- During the period January-November 2009, imports of leather garments by Finland decreased 36% in terms of value (compared to the same period in 2008), which is a much stronger fall than the EU average (-11%).

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu ➔ go to: trade statistics

- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu ➔ go to 'themes' on the left side of the home page ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to easy Comext ➔ http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf
- Euratex bulletins - http://www.euratex.org

4 Price developments

Consumer prices

Inflation in Finland was 0.2% in 2004, 1.6% in 2006 and 4.1% in 2008, which was higher than the EU average. The annual rate of inflation for 2009 was 1.6% and 1.1% is forecasted for 2010.

Consumer prices for clothing in Finland decreased during 2005 (-0.6%) and 2006 (-2%), then increased very slightly in 2007 (+0.3%) and 2008 (+0.7%).

According to a price level study by Eurostat, clothing prices in Finland were 23% above the EU average in 2008, which is the highest level in the EU. Sweden ranked second with 19%.

The VAT rate for clothing in Finland is 22%.

Import prices

Prices of imports into Finland fluctuated within narrow margins during the period 2006-2008, as table 4.1 indicates.

Import prices from DCs showed a substantial growth in 2008 (compared to 2007), caused by higher import prices from China (+17%), Pakistan (+15%) and Turkey (+21%), while import prices from India stabilized.

Table 4.1 Finnish average import prices of leather garments (in € per kg.), 2006-2008

	2006	2007	2008	AAGR*
Total imports	32.52	31.11	33.65	+1.7%
Intra-EU	46.22	46.52	44.36	-2.0%
DCs	21.53	20.84	24.32	+6.5%

* Average annual growth
Sources: Eurostat (2009)

Please note that these trends should be interpreted with care, as changes in imports do not reflect the demand in Finland.

Useful sources

The home shopping division of H&M (http://www.hm.com/fi); Ellos, a daughter company of Redcats from France (http://www.ellos.fi) and the on-line catalogue of Sokos (http://www.digipaper.fi/sokos) provide an opportunity to get an idea of consumer prices in Finland.
The website of Finnish National Statistics (http://www.stat.fi) publishes harmonised indices of consumer prices, which include the clothing sector.

5 Market access requirements

As a manufacturer in a DC preparing to access Finland, you should be aware of the market access requirements of your trading partners and the Finnish government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select garments and Finland in the category search, click on the search button and click on market access requirements.

Labelling

In the field of leather garments, there are mandatory labelling requirements in Finland for materials (outer and inner materials must be mentioned separately). In the case of leather

garments, labels of 'genuine leather' or 'real leather' are found on most products. A product cannot be labelled as 100% leather if some components of the product are made of non-leather materials, such as polyurethane or PVC. The materials used for the product must be declared on the garment in the Finnish language.
'Care labelling' with recommendations or instructions on how to treat the garment is encouraged but not mandatory. We refer also to the CBI market survey 'The market for leather garments in the EU'.

Packaging
Leather garments are usually individually placed in ventilated bags and then packed in a cardboard box containing several items. The box is wrapped in a plastic foil and put into a waterproof textile bag. The use of anti-fungus chemicals on the finished product is recommended. Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm.

Tariffs and quota
Information on tariffs and quota can be found at http://exporthelp.europa.eu.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

More information on business practices in outerwear trade in Finland can be found at:

- http://www.finatex.fi; website of Tekstiili (the Finnish Textile & Clothing Association). Information about the trade fair Helsinki Fashion Fair can also be found at this site. This major fair takes place in January and August.
- http://www.muotikaupanliitto.fi/en; website of Modin, the main trade magazine and published by the Association of Fashion Retailers in Finland.
- http://www.kauppakamari.fi; the Finnish Chamber of Commerce.
- http://fi.sireh.com; Finland Companies Directory.

Websites offering information on Finnish business culture are:

- http://www.kwintessential.co.uk/resources/global-etiquette/finland-country-profile.html
- http://www.buyusa.gov/finland/en
- http://virtual.finland.fi

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