Swedish Chambers

Market Brief

Focus on the Swedish Market

Knitted Sweaters and Yarn

May 2011

Facts about Sweden

Area: 449,964 sq.km
Population: 9.4 million

Capital: Stockholm.
Stockholm city: 847.100 inh.
Greater Stockholm: 2 mil. inh.

Business language:
Swedish, English

Religion:
Lutheran

Largest cities:
Stockholm city 847.100 inh.
Gothenburg 513.800 inh.
Malmö 298.900 inh.
Uppsala 197.800 inh.
Linköping 146.400 inh.
Västerås 137.200 inh.
Örebro 135.500 inh.
Norrköping 130.100 inh.
Helsingborg 129.200 inh.
Jönköping 127.400 inh.

Form of government:
Constitutional monarchy,
parliamentary democracy

Some distances:
Stockholm-Malmö 640 km
Stockholm-Gothenburg 490 km
Stockholm-Sundsvall 400 km
Stockholm-Kiruna 1310 km

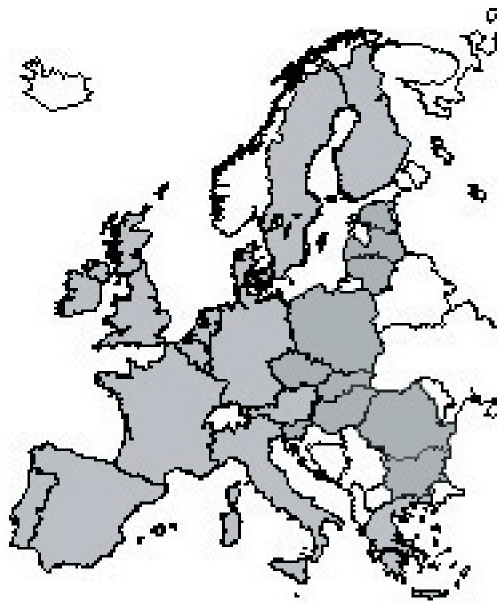
Currency:
1 krona (SEK) = 100 öre

The European Union

- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Rep.
- Denmark
- Estonia
- Finland
- France
- Germany
- Great Britain
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxemburg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Rep.
- Slovenia
- Spain
- Sweden

The EES/EEA area
EU-countries, Iceland,
Liechtenstein and Norway

EFTA
Iceland, Liechtenstein,
Norway and Switzerland



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Published by: The Swedish Chambers of Commerce, May 2011

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This document has been financed by the Swedish Chambers and the Swedish International Development Cooperation Agency, Sida. Sida does not necessarily share the views expressed in this material. Responsibility for its contents rests entirely with the author.

1 Definitions and Limitations

The emphasis of this report is to provide a brief overview of the Swedish market for knitted and crocheted sweaters and yarn from a perspective relevant to existing or potential garment exporters from developing countries.

Knitted and crocheted sweaters is defined as all clothing such as sweaters, pullovers, cardigans, slipovers and jumpers and similar articles that fall under the Combined Nomenclature (CN) 61.10 according to SCB (Statistics Sweden) and Eurostat statistics. Yarn is defined as yarn in retail packages in balls, hanks and skeins within the CN chapters 50, 51, 52, 54 and 55. See Appendix 3 and 4.

As a complement to the trade statistics, some general data of the total clothing market will be presented in order to get a picture of the size of the Swedish market.

In order to assess the domestic consumption in production values, the term “apparent consumption” is used. Apparent consumption is defined as imports plus domestic production minus exports. This term provides a rough picture of how much of the imported and locally produced goods that are actually consumed locally and how much that is exported or re-exported abroad. The figure indicates the value of the domestic consumption in production oriented prices and can be compared to the aggregated consumer consumption figures in terms of retail sales of the specific good.

The difference of the apparent consumption and retail sales provides an indication of the industry’s margins and consumers’ willingness to pay. However, there are certain limitations regarding the accuracy of the apparent consumption calculation. Since Sweden to a large degree is an export oriented country with a small domestic market, a large part of the imported (and domestically produced goods) are re-exported with a higher value by Swedish manufacturers and retailers.

Since most of the import and production are measured in manufacturer’s prices plus shipping, and most of the export is measured in retail prices plus shipping, the value of the exports will be inflated, which makes the apparent consumption calculated in value look lower than it actually is compared to if the exports were calculated in production prices. However, this problem does not occur if the apparent consumption is only calculated in volume terms instead of value.

2 Market Characteristics

Sweden is part of the European Union (EU) since 1995, however not part of the EMU currency system. Sweden is the largest country of Scandinavia, in terms of land area, population and economy. The economy of Sweden is to a large degree export driven due to its relatively small domestic consumer market. Local textile production is limited due to high labour costs and most clothing manufacturers use an outsourcing strategy for their production. In recent years the fashion industry in Sweden has grown a lot with several new Swedish brands entering the stage. Several large vertically integrated retailers such as H&M dominate the Swedish clothing industry, with sales on a wide range of international markets.

2.1 Population and Demographics

Sweden has a population of 9.4 million people; a majority of which are living in the southern part of the country.

Population distribution as of December 31 2010

Age group	Women	Men	Total	% of total population
0-1 years	111,471	117,862	229,333	2.4%
2-12 years	552,545	583,730	1,136,275	12.1%
13-19 years	397,662	420,294	817,956	8.7%
20-29 years	591,714	622,225	1,213,939	12.9%
30-39 years	596,375	619,376	1,215,751	12.9%
40-49 years	636,153	658,600	1,294,753	13.8%
50-65 years	881,938	888,379	1,770,317	18.8%
65 years -	957,468	779,778	1,737,246	18.5%
Total	4,725,326	4,690,244	9,415,570	100.0%

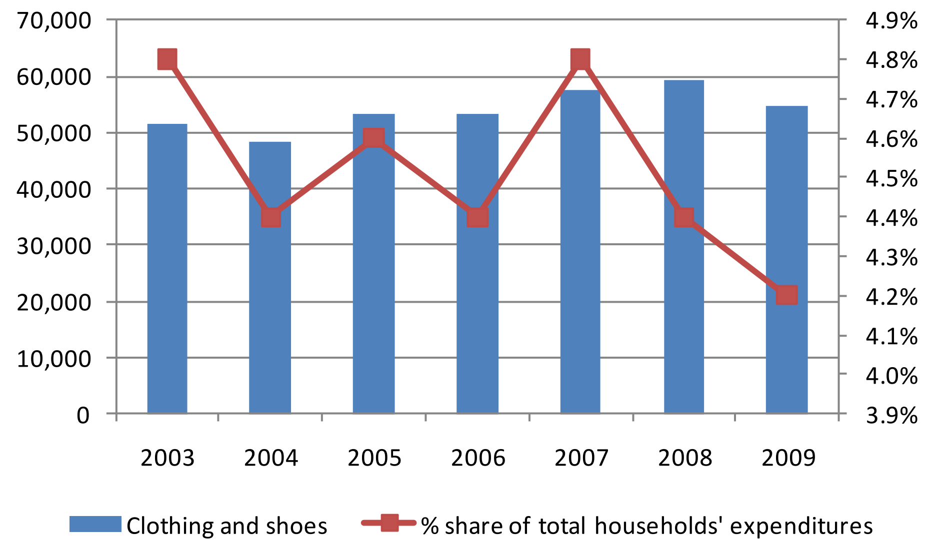
Source: SCB

As shown in the table above the split between men and female is almost 50-50%. 23% of the total population is children or teenagers, 26% between 20-39 years old, 33% between 40-65 years old and 18% is seniors.

2.2 Market Size

According to SCB, household expenditures on clothing and shoes was SEK 54.9 billion in 2009 compared to SEK 59.4 billion in 2008, a decrease of 7.6%. The average growth rate between 2003 and 2009 was 1.1%. As can be seen in the graph below the percentage share of household expenditures on clothing and shoes is 4.2% in 2009.

Household expenditures on clothing and shoes. At current prices. In MSEK



Source: SCB

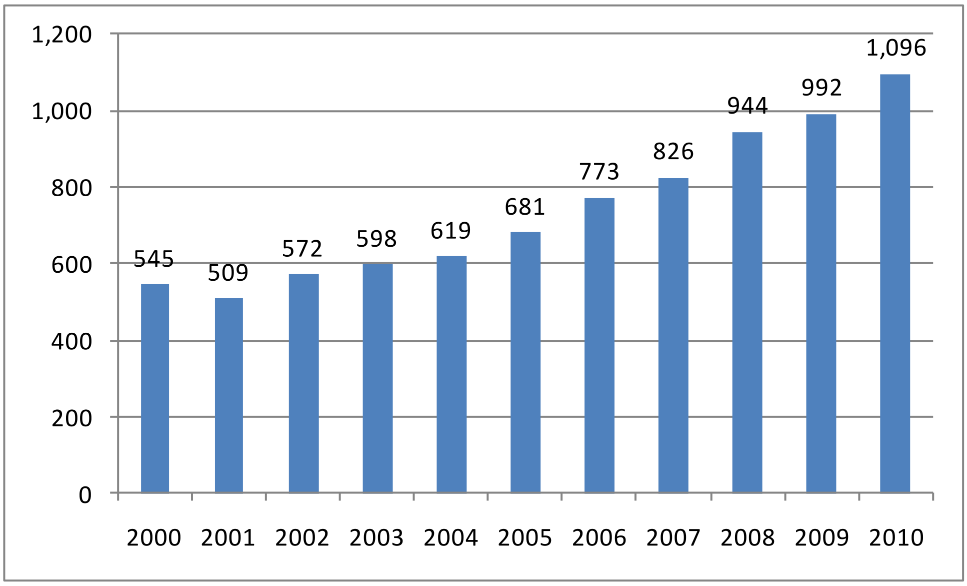
2.3 Export, Import and Domestic Production

Below we will provide statistics of export, import, production and apparent consumption related to the Swedish market of knitted or crocheted sweaters and yarn sold in retail packages.

Export of Sweaters

In 2010 Sweden exported knitted and crocheted sweaters worth SEK 1,096 million, which represented a substantial increase of 10.5% compared to 2009. The export has increased every year since 2001.

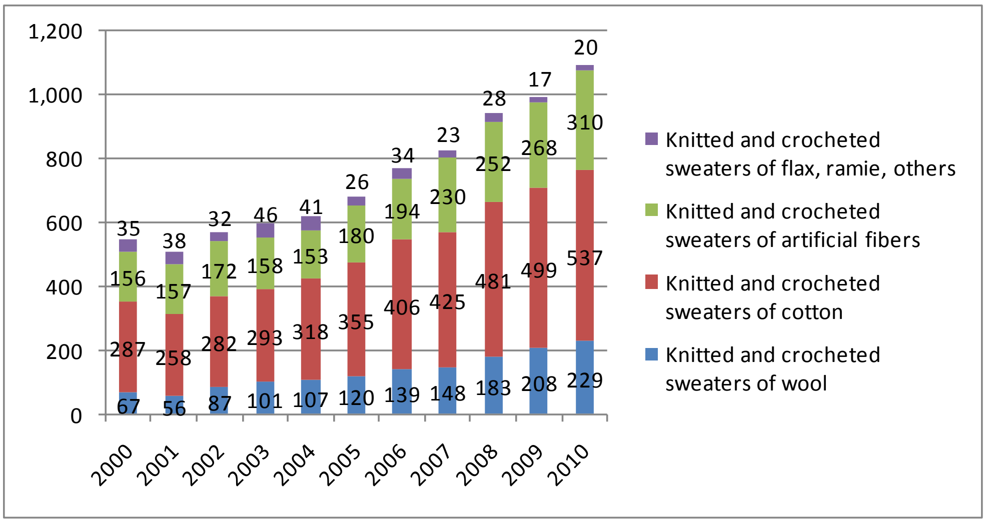
Total exports of knitted or crocheted sweaters 2000-2010 in MSEK



Source: SCB

Most of the exported knitted and crocheted sweaters in 2010 were of cotton (49%). Wool represented 21% and artificial fibers 28%. The graph below shows that the share of knitted sweaters made of wool have increased from 12% in 2000 to 21% in 2010, while the share of cotton and artificial fibers have remained relatively steady. Exports of sweaters made of cotton increased by 8%, artificial fibers by 15% and wool by 10% between 2009 and 2010.

Total exports in MSEK of knitted or crocheted sweaters 2000-2010 split into different material groups



Source: SCB

As can be seen in the table below Finland, Denmark and Norway receive as much as 59% of all Swedish garment exports in 2010.

Exports of knitted and crocheted sweaters sorted by receiving countries in 2010

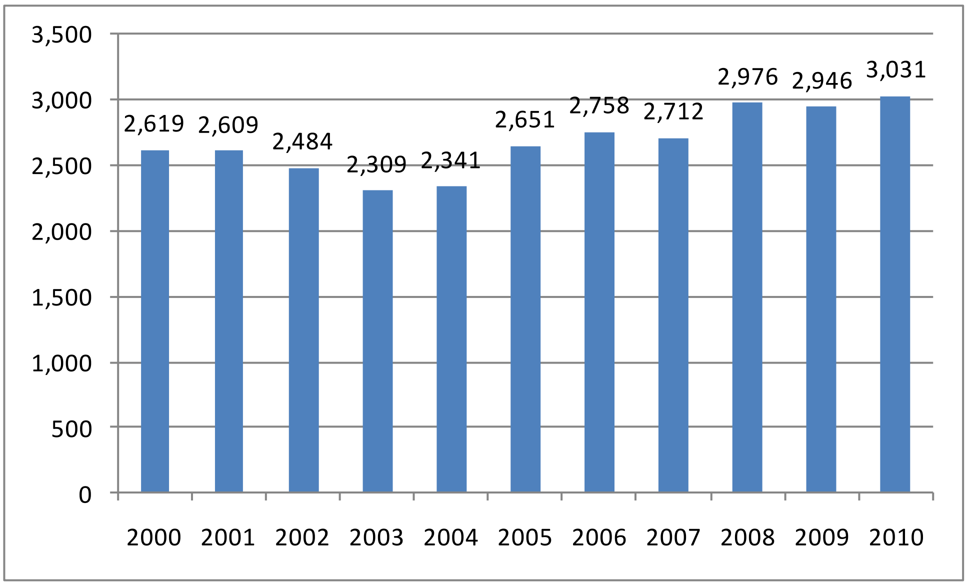
Country	Export in MSEK	% of Total Export
Finland	327	30,8%
Denmark	183	17,2%
Norway	115	10,9%
Germany	82	7,7%
Great Britain and Northern Ireland	61	5,7%
The Netherlands	50	4,7%
France	29	2,7%
Poland	27	2,6%
Italy	22	2,1%
Belgium	19	1,8%
Other Countries	147	13,8%
Total Emport	1 063	100,0%

Source: SCB

Import of Sweaters

Sweden imported knitted and crocheted sweaters for SEK 3.0 billion in 2010, which is a small increase since 2009.

Total import of knitted or crocheted sweaters 2000-2010 in MSEK

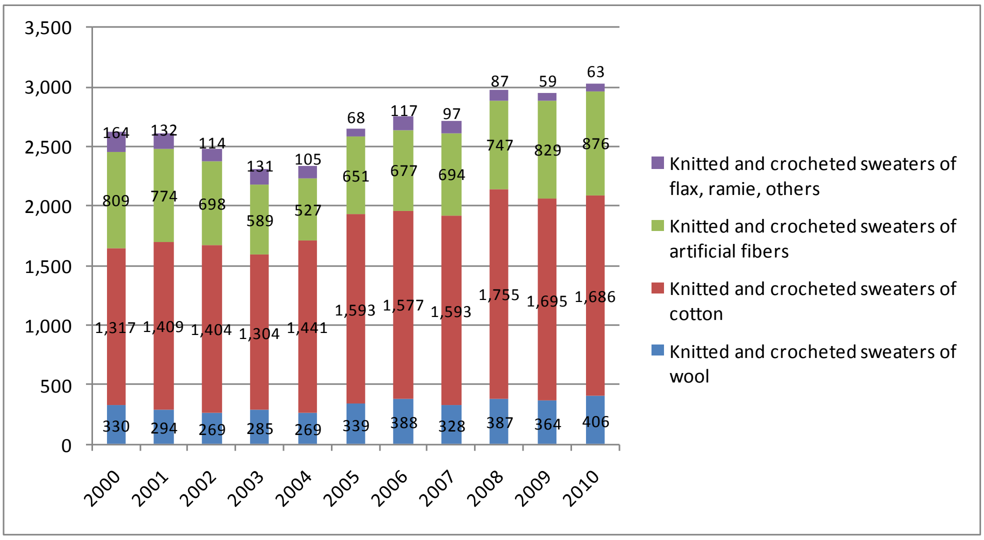


Source: SCB

Similar to the case with export, cotton is the dominant fabric, which represented 56% of total imports in 2010. Wool represented 13% and artificial fibers 29%.

In 2010, total imports of knitted and crocheted sweaters were split between SEK 1,686 million of cotton, SEK 876 million of artificial fibers and SEK 406 million of wool.

Total imports in MSEK of knitted or crocheted sweaters 2000-2010 split into different material groups.



Source: SCB

As seen in the table below Hong Kong and China are the dominating suppliers of knitted and crocheted sweaters to Sweden, with an import share of 40%. Other large supplier countries are Denmark (10.2%), Bangladesh (8.6%) and the Great Britain and Northern Ireland (5.8%). Unfortunately SCB and Eurostat statistics only provides import data from the counties from which the goods are shipped to Sweden, not the actual country of origin. It is likely that the import value of several of the countries in the table below (Denmark for example) is inflated due to the fact that they act as “transit hubs” for shipments from Asia. Therefore the import value from Asian countries such as China, Hong Kong and Bangladesh could be even higher.

Imports of knitted and crocheted sweaters sorted by top sending countries in 2010

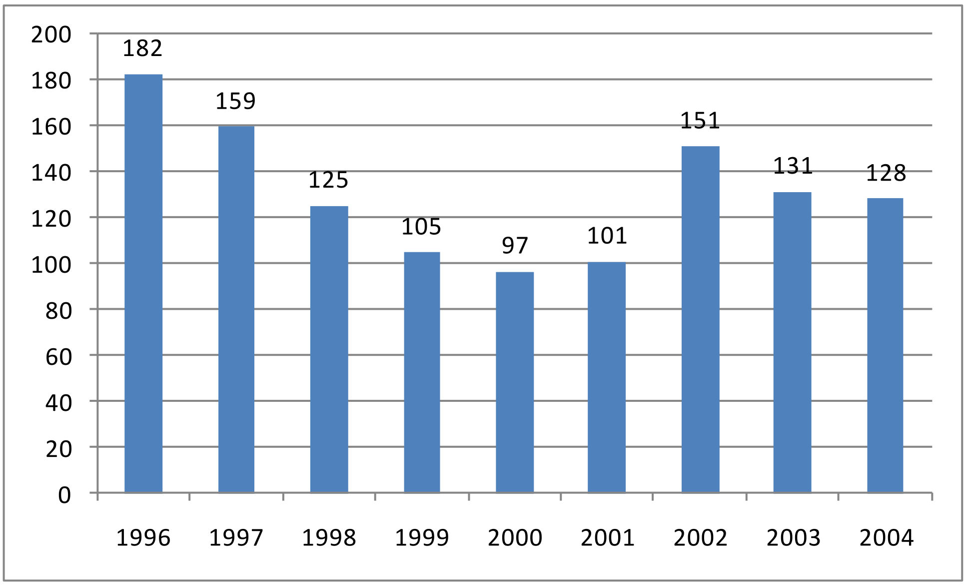
Country	Export in MSEK	% of Total Export
China	693	23,6%
Hong Kong	484	16,5%
Denmark	299	10,2%
Bangladesh	252	8,6%
Great Britain and Northern Ireland	171	5,8%
Germany	147	5,0%
Poland	144	4,9%
Turkey	136	4,6%
Italy	89	3,0%
Portugal	58	2,0%
Other Countries	466	15,9%
Total Import	2 941	100,0%

Source: SCB

Domestic Production of Sweaters

In 2004, the last year of fully disclosed figures, the value of domestic production was SEK 128 million, which was a 2% decline since 2003. Due to confidentiality reasons production figures are not fully published later than 2004.

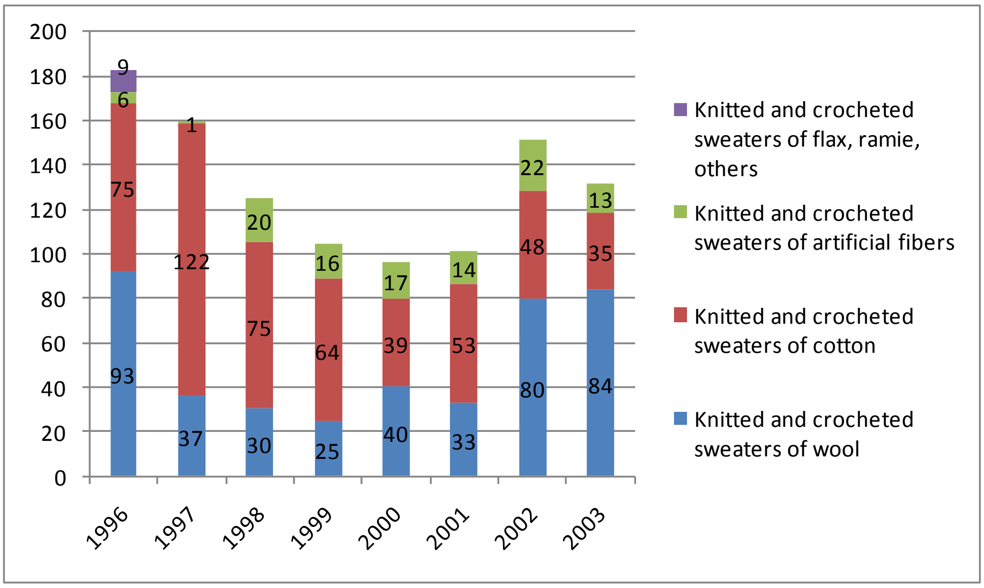
Domestic production in MSEK of knitted or crocheted sweaters 1996-2004



Source: SCB

Most of the domestic production of knitted or crocheted sweaters was made of wool. In 2003 the share of domestic production made of wool was 64%, compared to 27% of cotton and 10% of artificial fibers. In 1997, the picture was quite the opposite with cotton representing the largest share of production (77%), while wool represented only 23% and artificial fibers 0.6%. Due to confidentiality SCB does not provide figures for material groups later than 2003.

Domestic production in MSEK of knitted or crocheted sweaters 1996-2003 divided between different material groups

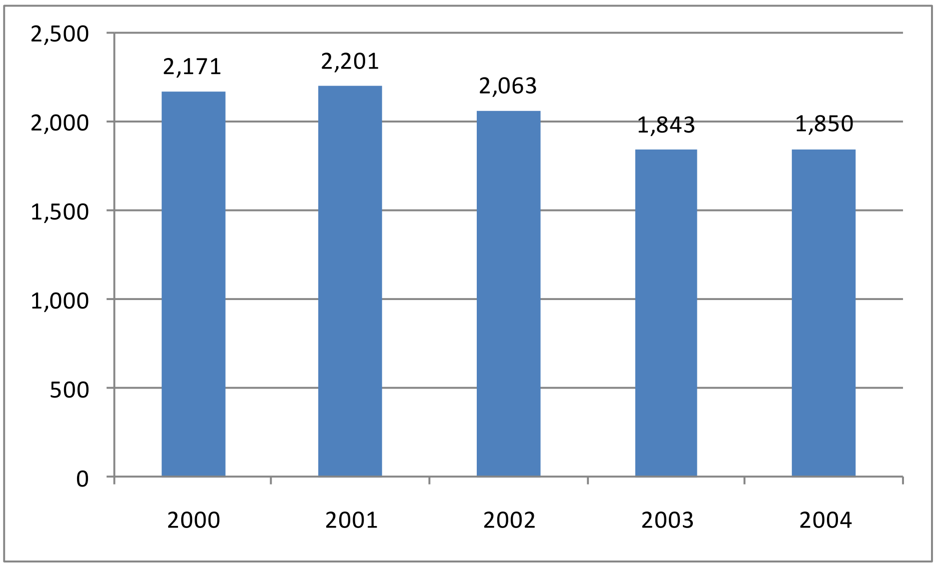


Source: SCB

Apparent Consumption of Sweaters

Sweden had an apparent consumption of knitted and crocheted sweaters of SEK 1.8 billion in 2004, the last year of published data. Due to confidentiality SCB does not provide domestic production figures later than 2004.

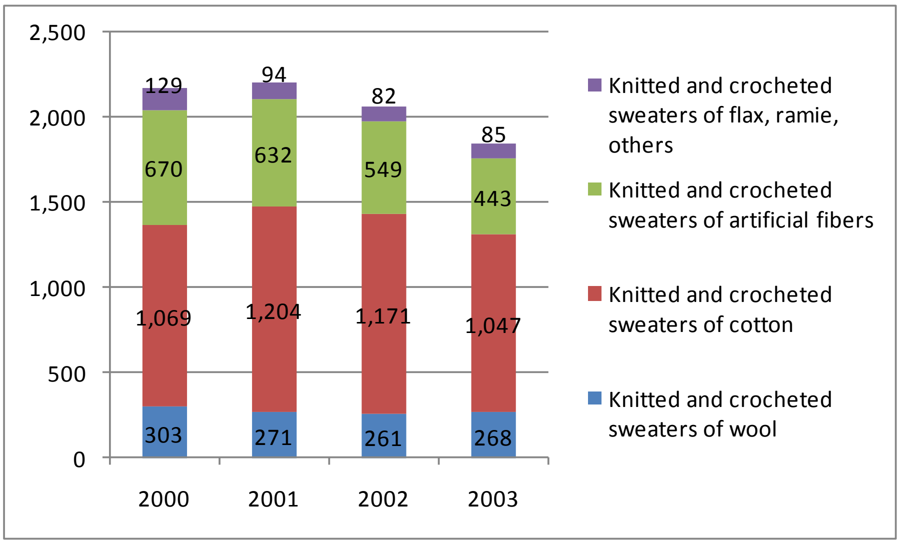
Apparent consumption in MSEK of knitted or crocheted sweaters 2000-2004.



Source: SCB

Most of the apparent consumption of knitted and crocheted sweaters was made of cotton. In 2003, the market share of knitted and crocheted sweaters made of cotton was 57%.

Apparent consumption in MSEK of knitted or crocheted sweaters 2000-2003 split between different material categories

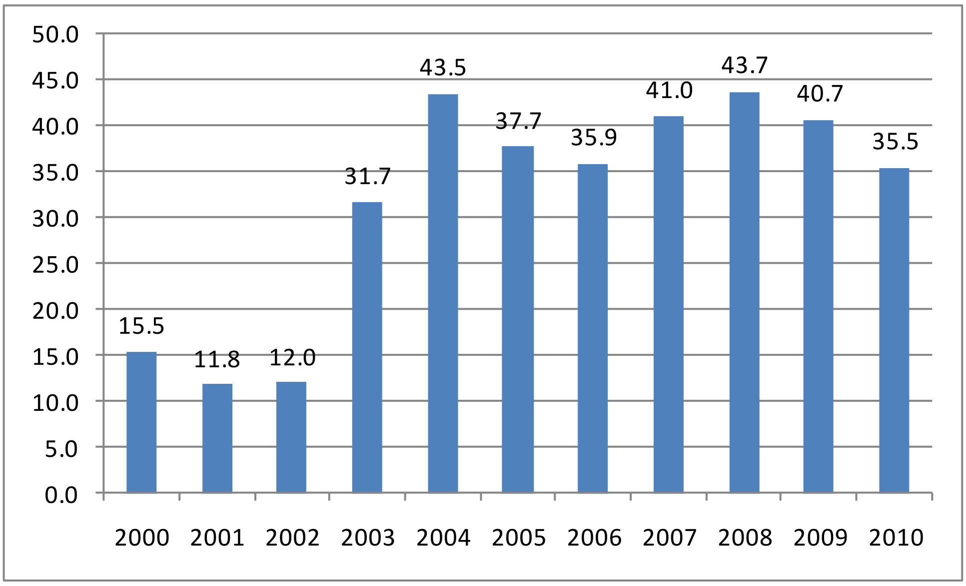


Source: SCB

Exports of Yarn

In 2007 Sweden exported yarn to be sold in retail stores for a value of SEK 35 million, an increase of 13% compared to 2009.

Total exports of yarn in MSEK for retail packages between 2000 and 2010



Source: SCB

Norway, Denmark and Finland were the top receivers of Swedish exports of yarn in 2010 with almost 80% of total export. Norway topped the list at 48%.

Exports of yarn for retail packages by top receiving countries in 2010

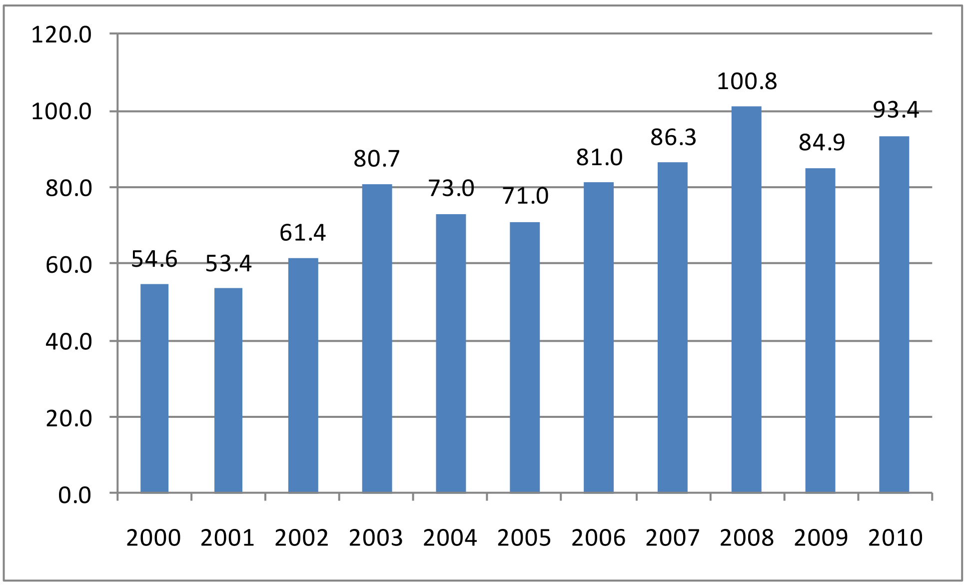
Country	Export in MSEK	% of Total Export
Norway	17,0	48,0%
Denmark	5,6	15,8%
Finland	5,2	14,6%
Germany	1,8	5,1%
USA	1,6	4,4%
The Netherlands	0,9	2,4%
Hungary	0,5	1,5%
Spain	0,5	1,4%
France	0,3	0,9%
Belgium	0,3	0,9%
Other Countries	1,7	4,8%
Total Export	35,5	100,0%

Source: SCB

Imports of Yarn

In 2010, Sweden imported yarn to be sold in retail stores for a value of SEK 93 million, an increase of 10% since 2009.

Total imports of yarn in MSEK for retail packages between 2000 and 2010



Source: SCB

Sweden imported yarn from 34 countries in 2010. The 10 largest sending countries are listed in the table below. Norway is the dominant exporter to Sweden with an import value of SEK 21 million, which represents 23% of the total import value to Sweden. Other large importing countries are Turkey and Germany.

Imports of yarn for retail packages by top sending countries in 2010

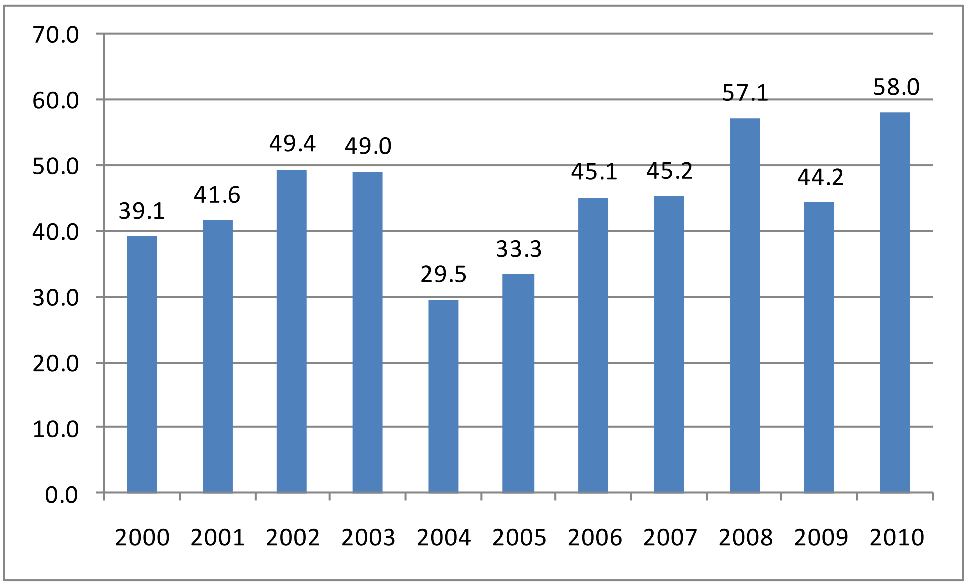
Country	Import in MSEK	% of Total Export
Norway	21,3	22,8%
Turkey	19,2	20,5%
Germany	12,4	13,2%
Denmark	11,1	11,9%
China	4,8	5,1%
France	4,4	4,7%
The Netherlands	3,1	3,3%
India	3,1	3,3%
Iceland	2,1	2,3%
Croatia	2,1	2,2%
Other Countries	9,9	10,6%
Total Import	93,4	100,0%

Source: SCB

Apparent Consumption of Yarn

According to the SCB statistics there is no domestic production of yarn made for retail packages in Sweden. In conclusion, all exports are being first imported and then re-exported. The apparent consumption is therefore import minus exports which gives us the following figures:

Apparent consumption of yarn between 2000 and 2010



Source: SCB

3 Consumer Characteristics

Climate
When considering exporting to Sweden, manufacturers of sweaters must be aware of the Swedish climate and how it affects the way Swedes dress. Summers are warm but short and winters are cold with sub-zero degrees for many months. Indoor climate is centrally heated with temperatures just above 20°C even during the winter, with no need for thick and warm clothes. Warm sweaters are worn outdoors in the winter normally together with wind and waterproof outerwear. In general, Swedes dress rather informally and spend a lot of time outdoors even in the winter.

Low price and fashionable
Like most markets in the world, price is an important factor for consumers. However, in Sweden it is not possible to sell extremely low-priced, low quality clothes. The market for luxury clothes is also small. Medium-low price is more the case in Sweden, a niche occupied by most of the large chain companies, mail-order companies and importers/wholesalers. These companies constitute a large share of imports from low-cost countries. Many people in Sweden are quick to pick up new trends and these companies offer fashionable clothes to reasonable quality.

Natural materials
Cotton is by far the most popular kind of fiber but it is also usual with wool and wool mixtures. Common mixtures are cotton/polyester, cotton/wool, wool/polyester and wool/acrylic. The synthetic fabrics are used for lower cost purposes but also to create a better fit. Recently, new materials are being used in fashion, creating new fits and effects.

Conscious consumers
Sweden has been in the forefront of the development of environmental and social aspects of clothing products. Consumers are increasingly conscious about materials, care, the environmental impact and social requirements. A lot of factors such as jurisdiction, trade practice and consumer awareness indicate that this trend will become even more important in the future.

Organic materials and fair-trade labeled clothes are offered by most retailers. The large retailers and brands are often in the media´s attention when it comes to working conditions in their (suppliers) factories. This is something consumers usually are well aware of and more and more take into consideration. If brought to the consumers' attention, instances of child labour can seriously harm a company's reputation.

More information about social responsibility can be found in the Swedish Chambers' guide "Corporate Responsibility – How to do sustainable business?".

4 Distribution Channels and Market Players

As seen in chapter 2.2, above, Swedish consumers bought clothing and shoes for SEK 54.9 billion in 2009. Specialized clothing retailers constitute the largest type of retailers with a market share of 65%.

Market shares of the total clothing market by retail type in 2008:

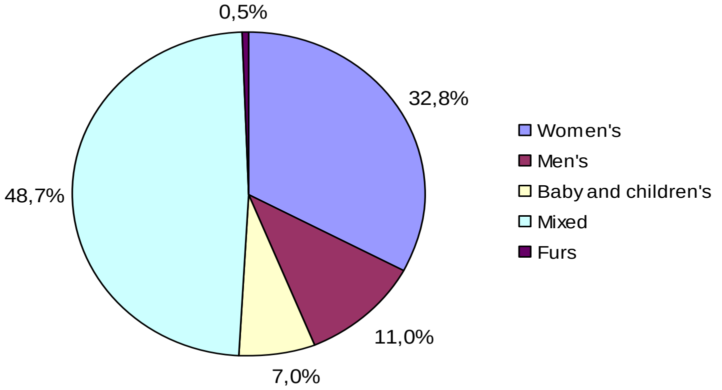
Specilized clothing retailers	65%
Department/ variety stores	5%
Home shopping	9%
Sports shops	11%
Hyper- and and supermarkets	5%

Source: CBI Market Survey "The woven outerwear market in Sweden," October 2009.

The clothing market in Sweden is quite consolidated and there are a handful of large specialized clothing retailers in Sweden. The dominant players are H&M, Lindex and KappAhl.

According to the Habit Fashion Report, 33% of all retail stores are specialized in women's wear, 11% in men's wear, 7% in baby and children's wear and almost 49% of the stores have a mixed offering. Most of the large fashion retailers as well as sport goods stores and mail-order companies offer mixed collections of women's, men's and baby and children's clothing. In recent years, several large grocery stores have started to extend their offerings into non-food categories including garments.

Share of total number of retail stores by category



Source: Habit Fashion Report 2007

Along the industry value chain the actors on the Swedish retail market can be roughly divided into these categories:
a) Forward integrated brand and manufacturing companies with own shops or through franchising
b) Retailers selling third party brands
c) Backward integrated retailers sourcing products based on own design
d) Backward integrated retailers with private labels sourcing readymade products

In order to gain more control over the output and obtain larger margins, some brand and manufacturing companies have integrated forward along the value chain by operating through own shops or through franchising (category a above). This channel is often a complement to selling through ordinary retailers. Since labour costs have become very high in Sweden, most of the Swedish brand and manufacturing companies have today outsourced their production on third party producers in low-wage countries. The companies operate through own designers and have a sourcing department that collaborate with third party producers to put their designs into production. Examples of such players are Gant, Peak Performance and Acne Jeans.

Retailers in category (b) above buy third party brands directly from the brand and manufacturing company or via wholesalers, distributors or sales agents. Common types of retailers that fall into this category are general department stores such as Åhléns and NK and a variety of stores such as Carlings and MQ.

Retailers in category (c) above have backward integrated by buying and sourcing products based on own design. They have their own designers and buying departments and work with third party suppliers often in low-wage countries via sourcing agents or its own sourcing organizations in the supplying countries. Examples of such actors are the fashion retailers H&M, Lindex and KappAhl.

The fourth category above (d) consists of retailers that offer private label products and source readymade products often from low-wage manufacturers abroad. Examples of such retailers are large grocery or supermarket chains (such as Coop, ICA Maxi and Willys) that want to extend their product categories into clothing. Most of these players use a low-cost strategy and compete on price.

In reality, it is difficult to place the Swedish retailers into one of the four categories above. Most of the retailers, especially the large ones, operate in several of these categories, offering a combination of own design, third party brands and private labels of readymade products. Examples of such multi-strategy players are Willys, ICA Maxi, Coop (large grocery retailers) and Åhléns (department store). In some cases, brand and manufacturing companies can also buy readymade private labeling products as a complement to its own design from suppliers. The mail order and e-commerce companies can also be sorted under one or several of the above mentioned categories.

Yarn

One major player in retail market for yarn is Garn Studio / Drops Design (www.garnstudio.com). The company sells catalogues of patterns for knitting as well as a large collection of yarn for knitting via an extensive network of resellers throughout Sweden

5 Trade Structure and Channels

The trading structure and channels may vary depending on the characteristics of the exporting manufacturers. Below you will find three main strategies listed under which exporting manufacturers can operate. In reality, however, many manufacturers operate under several of the three main strategies.

Exporting manufacturer with own design and brand name:
The manufacturers that belong to this category possess own design capabilities and produce its own collections that are marketed under its own brand name. Main customers are retailers selling third party brands (category b in the previous chapter) on different markets. The manufacturer can either market its products directly towards these retailers' buying departments or through intermediaries such as wholesalers, distributors or sales agents.

Wholesalers and distributors buy goods directly from the brand and manufacturing company and hold stock. Since they take full responsibility for their stock and for selling the goods to the retailers they have a margin of 20-30%. Sales agents on the other hand only mediate sales and act on a commission basis of around 10%.

To gain more control over its output and obtain higher margins, the brand and manufacturing company can also chose to forward integrate and build up its own distribution network of fully owned retail stores or set up a franchise network (category a in the previous chapter).

An important channel to reach the buyers at retail chains, sales agents, distributors and wholesalers is by exhibiting at the leading Scandinavian fashion trade fairs. Examples of such trade fairs are Copenhagen Fashion Week including CPH Vision as well as Stockholm Fashion Week with several different trade shows.

Below is an illustration showing the trading and distribution structure for exporting brand and manufacturing companies.

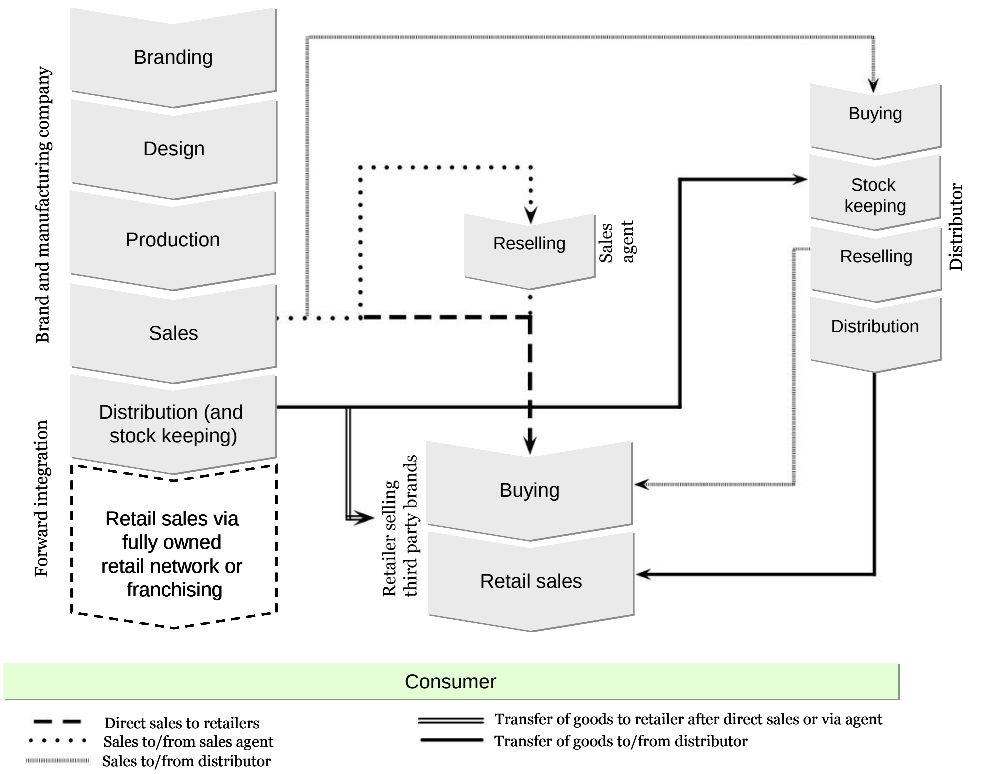


Illustration: Trading and distribution structure for exporting brand and manufacturing companies

Exporting manufacturer with own design capabilities intended for private labeling:

These manufacturers possess own design capabilities and produce their own collections. Main target customers are backward integrated retailers that source readymade products for private labeling (category c in the previous chapter). The retailers have dedicated buying departments for sourcing readymade products and purchase directly from the exporting manufacturer or through sales agents, distributors or wholesalers. Trade fairs specialized in private labeling and readymade products represent an important channel to reach these retailers, sales agents or distributors. Another possible channel for reaching the respective buyers is via online market places.

The graph below illustrates the trading and distribution structure of exporting manufacturers of readymade products.

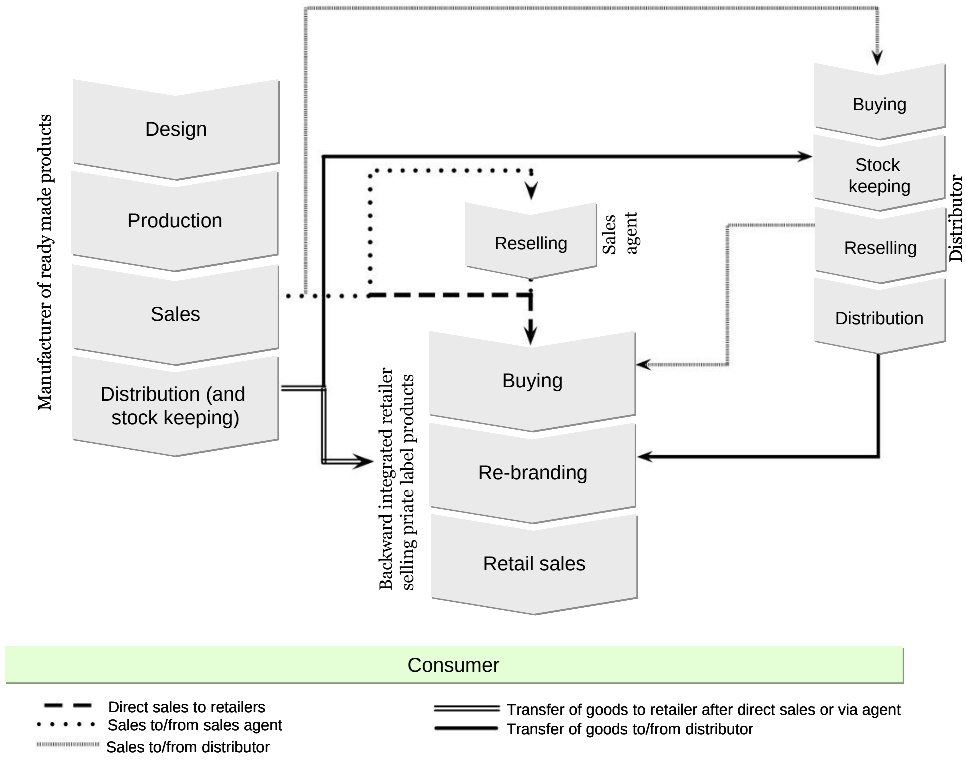


Illustration: Trading and distribution structure for exporting manufacturers of ready made products for private labeling

Exporting manufacturer that produce upon customer's design and requirements:

The manufacturers that operate this strategy produce clothing based on customers' own design and requirements. Main customers are brand and manufacturing firms that have outsourced its production or backward integrated retailers that have their own design and sourcing departments. The ordering customers operate through own designers and have a sourcing department that collaborate with third party producers to put their designs into production. To facilitate sourcing and coordinate production, these companies often use sourcing or buying agents located in the supplying country. The sourcing agents receive commission based on purchase volumes. Some of the large companies also set up their own sourcing organizations in the supplying country. An effective way of reaching the ordering companies as well as its sourcing representatives is to exhibit at the leading sourcing fairs for garments, in Sweden as well as in the supplying countries. Another way of bidding for new production orders is via online market places.

Below is an illustration showing the trading and distribution structure these manufacturers.

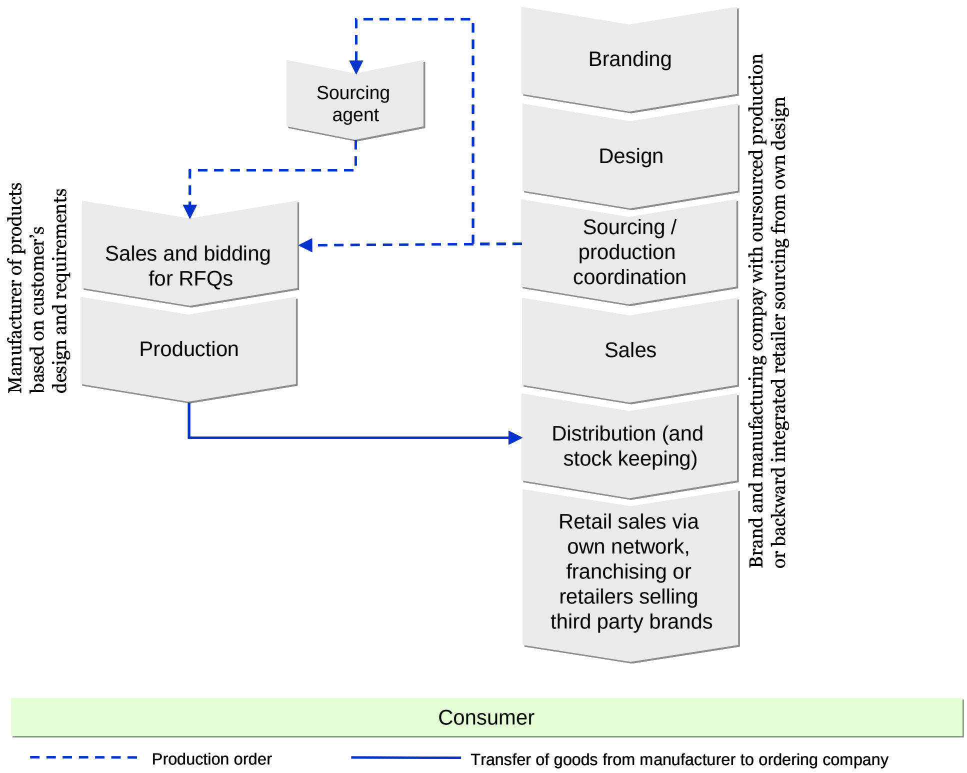


Illustration: Trading and distribution structure for exporting manufacturers that produce based on customers' design and requirements

6 Trade Regulations and Requirements

Sweden has a long tradition of giving preferential treatment to exporters in developing countries. As member of the European Union since 1995, Sweden follows the rules and regulations and applies the integrated customs tariff of the European Union.

6.1 Generalized System of Preferences (GSP)

General Arrangement

The preferences are arranged in the Generalized System of Preferences (GSP). Preferential treatment means that products from developing countries are entitled to reductions or even duty-free access when imported. The products must have a GSP certificate of origin (Form A), which for garments of woven clothes and knitwear requires production in two stages (weaving and sewing or knitting and sewing) in the country of origin.

GSP+

The GSP+ is a special arrangement for sustainable development and good governance, providing duty-free entry to the EU for a large number of products including textiles and clothing. These preferences are given to countries implementing certain international standards in human and labour rights, environmental protection, the fight against drugs and good governance. EU presently (from August 15, 2010) grants freedom of customs duty to 15 countries: Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Panama, Paraguay and Peru.

Least Developed Countries

All products except arms and armaments are granted "duty-free and quota-free" access to the EU if they originate from the Least Developed Countries (LDCs).

6.2 Trade Agreements

Besides the GSP arrangements, there are different trade agreements giving countries and groups of countries duty-free entry for their garments into the EU. In addition, the European Union has signed handicraft agreements with a number of countries. Hand-knitted sweaters are classified as handicrafts and enjoy duty-free entry from these countries.

In order to support exporters from non-EU countries, the Swedish government created Open Trade Gate, located at the National Board of Trade, Sweden´s governmental agency for foreign trade and trade policy. The purpose of Open Trade Gate Sweden is to provide exporters with information about rules and regulations, to investigate and try to solve barriers to trade, as well as influencing Swedish and EU trade policies and development strategies.

6.3 Licensing

Products under quota require both an export and import license, a system of double-checking. The exporter applies for an export license from the licensing authority in his country. When the exporter has been given the export license, he sends it to the importer in Sweden. The importer must then show the original export license when applying for an import license. The import license can only be granted after the licensing authority has checked with the database that the appropriate quota has not been exceeded. Only after the import license has been granted, the goods can be released from customs in the import country.

The quotas are no longer common - for most countries it has been abolished. Only a few countries are under quota restraints. To learn more, turn to the National Board of Trade (Kommerskollegium).

6.4 Rates of Duty in 2011

Product	**Duty**
Knitted Sweaters	
Sweaters of cotton, man-made fibres, flax or silk	12%
Sweaters, pullovers, jerseys etc.	
-of wool	12%
-of heavy woolen pullovers	10.5%
Light polo collared jerseys of cotton or man-made fibres	12%
Yarn in retail packages	
Yarn of natural silk	5%
Yarn of waste silk	2.9%
Wool yarn >85% wool in balls or skeins 125g-500g	3.8%
Wool yarn, other than above	5%
Yarn of coarse animal hair	3.5%
Cotton yarn	5%
Yarn of flax	4%
Yarn of man-made fibres	5%
Yarn of hemp	4.9%

Source: Tullverket (Swedish Customs)

7 Prices and Mark-ups

The price structure for clothes in Sweden will naturally differ depending on the type of actors involved or the fashion level of the product. Importers who advertise their line of clothes will need a larger margin than importers of unbranded garments. At the end of the season retailers put most of the stock on sale with larger discounts, this taken into account when they mark up their goods. The table below can serve as an example of the pricing structure of a product imported by an importer.

Retail price to consumer including VAT	300
Value added tax, VAT, 25% of retail price	60
Retail price excluding VAT	240
Retailers mark-up, 80-120%	120
Wholesale price	120
Importers/wholesalers mark-up	120
Landed cost	60
Duty, approximately 12%	7.5
CIF price	52.5
Freight	Approx. 8
FOB price	Approx. 44

8 Purchase Expectations and Production Standards

8.1 Basic Requirements

Beside the regulations and standards of the EU, large importers usually have their own (higher) standards. When evaluating new suppliers, the following are nowadays basic check points:

- **Corporate Social Responsibility (CSR).** Consumers demand of higher moral has made companies introduce codes of conduct. A code of conduct is a voluntary written policy committing the supplier to social and ethical business operations. Companies often base their codes on the conventions of the ILO (International Labour Organisation). The larger chains are leading this development to improve working conditions in their suppliers' factories. Many companies use their codes as a means of promotion and marketing.

  More information about social responsibility can be found in the Swedish Chambers' guide "Corporate Responsibility – How to do sustainable business?".

- **Environmental policy.** There are directives regarding hazardous substances in textiles, restricting or forbidding the use of nickel, cadmium and aromatic amines in clothes. In the print and dye process, it is important not to use forbidden substances like formaldehyde or Benezedrine. Öko-Tex is a widely used international textile marking for low contents of hazardous substances.

- **Product quality.** Important issues are for shrinkage, pilling, dry and wet rubbing, staining and, as above mentioned, chemical restrictions. All tests should be conducted at the early sample stage and be confirmed before cutting.

8.2 Marking and Labeling

Sweden has strict requirements regarding marking of clothes. Most importers will provide the exact instructions concerning what must be included on the label of the garment: type of material, washing and care instructions and size. The type of fiber is very important, it is also necessary to specify wadding and intermediate layers.

Swedish consumers have a strong position vis-à-vis the retailer. If the clothes shrink or bleed, the consumer can complain and get his/her money back, so it is of great importance that the care and washing instructions are correctly stated.

The size should be expressed in Swedish measures. There is a standardized system, based on how tall the child is in centimeters, called "centilong". Clothes for babies (up to two years) are usually sized by age (months) instead of centilong. Sometimes large retailers use their own grading tables.

It is normally expected that the importer require the exporter to attach the importers own brand label and even price tags before packaging.

As labor costs are high in Sweden, most goods are distributed from the importer's warehouse to the stores. It is therefore expected that the exporter provides the goods with all necessary information before shipping. The clothes should be assorted as far as possible in sizes and colours, in order to be shipped directly to the stores. Due to the environmental aspects, importers require clothes with a minimum amount of packaging materials.

9 Summary and Recommendations

Swedish consumers bought clothing and shoes for SEK 54.9 billion in 2009 compared to SEK 59.4 billion in 2008. The percentage share of household expenditures on clothing and shoes was 4.2% in 2009. The size of the Swedish population limits the potential market size compared to several other economies in Europe. However, the per capita expenditure on clothing is above EU average.

Total exports of knitted and crocheted sweaters were SEK 1,096 million in 2010. Cotton is the most common fabric regarding both imports and exports. Scandinavian countries dominate the exports of knitted and crocheted sweaters, while China including Hong Kong and Denmark dominate imports. Domestic production of knitted and crocheted sweaters is low and dominated by wool.

Yarn in retail packages make up relatively small trade values: exports of SEK 35 million and imports of SEK 93 million.

The clothing market in Sweden is quite consolidated and there are a handful of large specialized clothing retailers in Sweden. The dominant players are H&M, Lindex and KappAhl. The largest part of garments sold in Sweden is for women and most of the stores are either women's or mixed.

Depending on the type of exporter, there are different possible distribution channels:

- In case the exporter produces under their own label, the main target group is retailers selling third-party brands.
- In case the exporter produces own design for so called private-labels, the main target group is chain-stores with backward integration and sourcing of ready-made products. One group that has increased their share of garments in the last years is large supermarket chains. In both cases, the key actors here are commercial agents, distributors alongside visits to fashion fairs.
- In case the exporter produces on a contract basis based on the customers design, the main target group is usually large retail chains with own purchasing offices abroad.

A clear trend is that more and more of the retail chains integrate backwards, hiring designers and sourcing production of their own design. The key actors here are sourcing agent in the manufacturing countries alongside sourcing and material fairs.

Environmental awareness has increased in Sweden during the last few years. As a result there is an increased demand for organic materials and environmentally friendly production methods. Regarding yarn for retail packages the cultural and/or ecological aspects could also be of importance. This awareness can create opportunities for higher quality and durable design of garments, even though it is important to keep competitive prices on the Swedish market.

Appendix 1

Useful Addresses and Links

Textile Importers' Association in Sweden
Box 7777, SE-103 96 Stockholm
Phone: +46-8-505 970 92
Fax: +46-8-505 970 95
E-mail: info@textileimporters.se
Internet: www.textileimporters.se

Swedish Textile & Clothing Industries' Association
Box 5510, SE-114 85 Stockholm
Phone: +46-8-762 68 80
Fax: +46-8-762 68 87
E-mail: teko@teko.se
Internet: www.teko.se

The Textile & Leather Laboratory Sweden
Box 4707, SE-116 92 Stockholm
Phone: +46-8-615 83 80
Fax: +46-8-644 77 60
E-mail: info@textillab.se
Internet: www.textillab.se

Öko-Tex
International Oeko-Tex Aassociation
E-mail: Contact form via Internet
Internet: www.oeko-tex.com

The Swedish Association of Agents
Box 3146, SE-103 62 Stockholm
Phone: +46-8-411 00 22
Fax: +46-8-411 00 23
E-mail: mail@agentuforetagen.se
Internet: www.agenturforetagen.se

Swedish Distance Sellers
(Mail Order Companies)
Torggatan 19, SE-503 34 Borås
Phone: +46-33-13 17 70
Internet: www.postorder.se

The Swedish Federation of Trade
SE-103 29 Stockholm
Phone: +46-10-471 85 00
Fax: +46-10-471 86 65
E-mail: info@svenskhandel.se
Internet: www.svenskhandel.se

Svensk Handel STIL
SE-103 29 Stockholm
Phone: +46-10-471 85 00
Internet: www.svenskhandel.se/stil

National Board of Trade
Box 6803, SE-113 86 Stockholm
Phone: +46-8-690 48 00
Fax: +46-8-30 67 59
Internet: www.kommers.se

Open Trade Gate Sweden
Box 6803, SE-113 86 Stockholm
Phone: +46-8-690 49 40
Fax: +46-8-690 49 41
E-mail: info@opentradegate.se
Internet: www.opentradegate.se

Statistics Sweden
PO Box 24 300, SE-104 51 Stockholm
Phone: +46-8-506 940 00
Fax: +46-8-661 52 61
E-mail: Contact form via Internet
Internet: www.scb.se

Swedish Customs
Box 12 854, SE-112 98 Stockholm
Phone: +46-771-520 520
E-mail: Contact form via Internet
Internet: www.tullverket.se
Costums tariffs: http://taric.tullverket.se

The Swedish Consumer Agency
Box 48, SE-651 02 Karlstad
Phone: +46-771-42 33 00
Fax: +46-54-19 41 95
E-mail: Contact form via Internet
Internet: www.konsumentverket.se

Trade Fairs
www.fairlink.se – search for trade fairs in Scandinavia
www.copenhagenfashionweek.com – Copenhagen Int'l Fashion Fair (CIFF)
www.stockholmfashionweek.com – Stockholm Fashion Week

Appendix 2

Currency Conversion

Average exchange rate of
the Swedish currency SEK

	Average rate in SEK						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
1 US Dollar $	8.09	7.35	7.48	6.76	6.58	7.65	7.20
1 Euro € *	9.13	9.28	9.26	9.25	9.61	10.62	9.54

* The following 17 EU-countries use the Euro as their currency:
Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland,
Italy, Luxemburg, Malta, The Netherlands, Portugal, Slovakia, Slovenia, Spain,

Source: Swedish Central Bank (Riksbanken)

Appendix 3

CN Codes for Knitted & Crocheted Sweaters

Category	CN codes (8 digits)	Description
Knitted and crocheted sweaters	61.10.xx.xx	Knitted and crocheted sweaters including jerseys, pullovers, cardigans, waistcoats, jumpers and similar articles
...of wool, cashmere or other fine animal hair	61.10.10.10 61.10.10.31 61.10.10.35 61.10.10.38 61.10.10.91 61.10.10.95 61.10.10.98 61.10.11.10 61.10.11.30 61.10.11.90 61.10.12.10 61.10.12.90 61.10.19.10 61.10.19.90	Knitted or crocheted jerseys, waistcoats, pullovers and vests made of wool, cashmere or other fine animal hair
...of cotton	61.10.20.10 61.10.20.91 61.10.20.99	Knitted or crocheted jerseys, waistcoats, pullovers, vests and jumpers made of cotton
...of artificial fibers	61.10.30.10 61.10.30.91 61.10.30.99	Knitted or crocheted jerseys, waistcoats, pullovers, vests and jumpers made of artificial fibers
...of flax, ramie or other textile materials	61.10.90.10 61.10.90.90	Knitted or crocheted jerseys, waistcoats, pullovers, vests and jumpers made of

Source: SCB

Appendix 4

CN Codes for Yarn in Retail Packages

Category	CN codes (8 digits)	Description
Yarn in retail packages	50.06.00.10	Yarn of natural silk in retail packages
Yarn in retail packages	50.06.00.90	Yarn of natural silk from waste in retail packages
Yarn in retail packages	51.09.10.10	Yarn of more than 85% wool or other fine animal hair in balls or skeins between 125g-500g in retail packages
Yarn in retail packages	51.09.10.90	Yarn of more than 85% wool or other fine animal hair in retail packages others than balls or skeins between 125g-500g
Yarn in retail packages	51.09.90.10	Yarn of less than 85% wool or other fine animal hair in retail packages of balls or skeins between 125g-500g
Yarn in retail packages	51.09.90.90	Yarn of less than 85% wool or other fine animal hair in retail packages other than in balls or skeins between 125g-500g
Yarn in retail packages	51.10.00.00	Yarn of rough animal hair in retail packages
Yarn in retail packages	52.07.10.00	Yarn of cotton of more than 85% cotton in retail packages
Yarn in retail packages	52.07.90.00	Yarn of cotton of less than 85% cotton in retail packages
Yarn in retail packages	53.06.10.90	Yarn of flax, simple, in retail packages
Yarn in retail packages	53.06.20.19 53.06.20.90	Yarn of flax, twined, in retail packages
Yarn in retail packages	53.08.20.90	Yarn of cannabis in retail packages
Yarn in retail packages	54.06.00.00	Yarn of synthetic filament in retail packages
Yarn in retail packages	54.06.10.00	Yarn of synthetic filament in retail packages
Yarn in retail packages	55.11.10.00	Yarn of more than 85% synthetic stable fibres in retail packages
Yarn in retail packages	55.11.20.00	Yarn of less than 85% synthetic stable fibres in retail packages
Yarn in retail packages	55.11.30.00	Yarn of artificial stable fibres in retail packages

Source: SCB

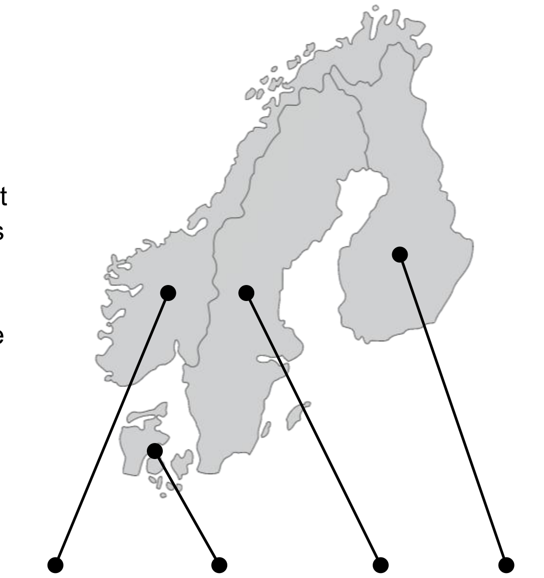
The Nordic Market

There are many similarities among the Nordic countries with regard to culture, language, political and social systems etc. Also when it comes to consumer behaviour and product preferences you find many similarities.

When entering one of the Nordic markets it therefore might be relevant to consider the possibilities in the other countries as well.

Three of the Nordic countries work with trade and import promotion aktivities. Below you will find contact details of the import promotion organisations in Finland, Norway and Sweden.

Population:	Denmark	5.5 million
	Finland	5.4 million
	Norway	4.9 million
	Sweden	9.4 million



Denmark

As from January 2010, Denmark has no trade promotion programme. The earlier programme (DIPP), which was financed by Danida (the Danish International Development Assistance), ended on 31 December 2009.

Norway

Department of international trade cooperation (DITC) is established according to an agreement between NORAD (Norwegian Agency for Development Cooperation) and HSH (Federation of Norwegian Commercial and Service Enterprises). DITC promotes imports from developing countries.

Contact details:
HSH – Department of International Trade Cooperation (DITC)
P.O. Box 2900 Solli,
NO-0230 Oslo, Norway
Phone: +47-2254 1700
E-mail: cgj@hsh-org.no
Internet: www.hsh-org.no

Finland

The Finnish business partnership programme, Finnpartnership, provides advisory services for business activities of Finnish companies in developing countries and financial support in the planning, development and implementation phases of a project.

Contact details:
Finnpartnership - Finnish Business Partnership Programme
c/o Finnfund
P.O. Box 391
FI-00121 Helsinki, Finland
Phone. +358-9-3484 3314
Fax +358-9-3484 3346
Internet: www.finnpartnership.fi

Sweden

The programme is carried out in cooperation with Sida (Swedish International Development Cooperation Agency). It focuses on business contacts, market information, training and extended contacts in order to promote export from developing countries.

Contact details:
Swedish Chambers of Commerce
Trade Promotion
P.O. Box 16050
SE-103 21 Stockholm, Sweden
Phone: +46-8-555 100 00
Fax: +48-8-566 316 30
E-mail: info@chambertrade.com
Internet: www.swedishchambers.se

Swedish Chambers

Swedish Chambers of Commerce
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PO Box 160 50
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The production and distribution of this report is funded by Sida (Swedish International Development Cooperation Agency).