Swedish Chambers

TRADE PROMOTION PROGRAMME
OF THE SWEDISH CHAMBERS

Market Brief

Focus on the Swedish Market

Baby and Children's Wear

September 2008

Facts about Sweden

Area: 449,964 sq.km
Population: 9.1 million

Capital: Stockholm.
Stockholm city: 780,800 inh.
Greater Stockholm: 1.9 mil. inh.

Business language:
Swedish, English

Religion:
Lutheran

Largest cities:
Stockholm city: 780,800 inh.
Gothenburg 489,400 inh.
Malmö 275,100 inh.
Uppsala 185,200 inh.
Linköping 138,400 inh.
Västerås 132,800 inh.
Örebro 128,700 inh.
Norrköping 125,300 inh.
Helsingborg 123,100 inh.
Jönköping 121,300 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

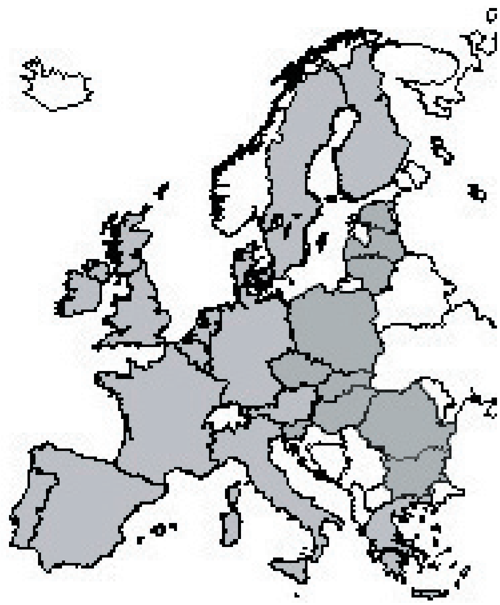
Currency:
1 krona (SEK) = 100 öre

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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1 Definitions and Limitations

The emphasis of this report is to provide a brief overview of the Swedish market for baby and children's wear from a perspective relevant to existing or potential garment exporters from developing countries.

Children's wear is defined as all clothing made for children of age 0-12 years. Baby wear, which is a subgroup of children's wear, is defined as all clothing made for children of age 0-2 years with a length no taller than 86 cm.[1] The statistical data is divided between baby clothing made of knitted fabrics and woven fabrics. However the data is not subdivided into type of clothing.

Unfortunately, the statistical data provided by the SCB (the Swedish government authority for official statistics) or Eurostat (the counterpart in the EU) do not separate children's wear from adults' clothing apart from baby wear. Due to those limitations it is not possible to provide trade statistics regarding children's wear apart from baby wear. Instead, aggregated trade data for all outer and body wear combined with consumer consumption figures will be presented to get a picture of the size of the children's wear market in Sweden.

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 certain goods.

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.

The following CN (4 digit Combined Nomenclature) codes are included in the statistical data presented in this report.

[1] The Combined Nomenclature (CN) by the European Union defines baby wear as for babies of a length no taller than 86 cm including diapers made of cloth

Category	Incl. in above	CN codes (4 digits)	Description
Garments		61.xx, 62.xx	
Outerwear	Garments	62.xx	All garments apart from bodywear
Bodywear	Garments	61.xx	All garments apart from outerwear
Children's wear	**Outerwear and bodywear**	**N/A**	**Data is not subdivided between adults' and children's wear**
Baby wear	**Outerwear and bodywear**	**61.11** **62.09**	**All types of clothing of knitted fabrics** **All types of clothins of woven fabrics**

Source: SCB

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 labor costs and most clothing manufacturers use an outsourcing strategy for their production. In recent years the fashion industry in Sweden has been growing 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 just over 9 million people; a majority of which are living in the southern part of the country.

Age group	Female	Men	Total	% of total population
Babies*	104 619	110 669	215 288	2.3%
Children**	530 147	558 454	1 088 601	11.9%
Total population	4 619 006	4 563 921	9 182 927	100.0%

**) Babies are defined as Swedish inhabitants of age 0-1 years*

***) Children are defined as Swedish inhabitants of age 2-12 years, excluding babies*

Source: SCB as of 31 December 2007

As shown in the table above approximately 215,000 babies in Sweden were of age less than 24 months at the end of 2007. This represents 2.3% of the total population, a share that has remained quite steady during the last 20 years. Sweden experienced quite a dramatic baby-boom between 1989 and 1994, but after some years of decline the number of babies started to increase again in 2001. In 2007 alone 107,421 babies were born, the highest number in 13 years. It remains to be seen if the number of babies in the coming years will outnumber the recent baby-boom of 248,000 babies in 1991.

There are approximately 1.1 million children apart from the babies representing 11.9% of the total Swedish population. Since 1998 the number of children has declined every year. However this decline has started to slow down.

The percentage split between female and male babies has been lying steady at around 51% to 49%.

The average age for parents is increasing steadily every year. In 1997 49% of all babies was born by mothers between 20-29 years. 10 years later in 2007 this percentage share has declined to 38%. On the other hand the percentage share of babies born has increased from 47% to 56% for mothers of age 30-39. The mothers of age 40 and above have also increased their share from 3% to 5%.

Percentage share of total babies born

Mother age groups	**1997**	**2000**	**2002**	**2004**	**2005**	**2006**	**2007**
- 19 years	1%	1%	1%	1%	1%	1%	1%
20-29 years	49%	44%	41%	38%	38%	37%	38%
30-39 years	47%	51%	54%	56%	57%	57%	56%
40 – years	3%	3%	3%	4%	4%	5%	5%
Total babies born	90 502	90 441	95 815	100 928	101 346	105 913	107 421

Source: SCB

Statistics show that the average age for both fathers and mothers is increasing dramatically. In 1977 the average age for mothers giving birth to her first baby was 24.8 year and for fathers 27.4 year. In 2007 the average age for mothers was 28.6 year and 31.1 year for fathers.

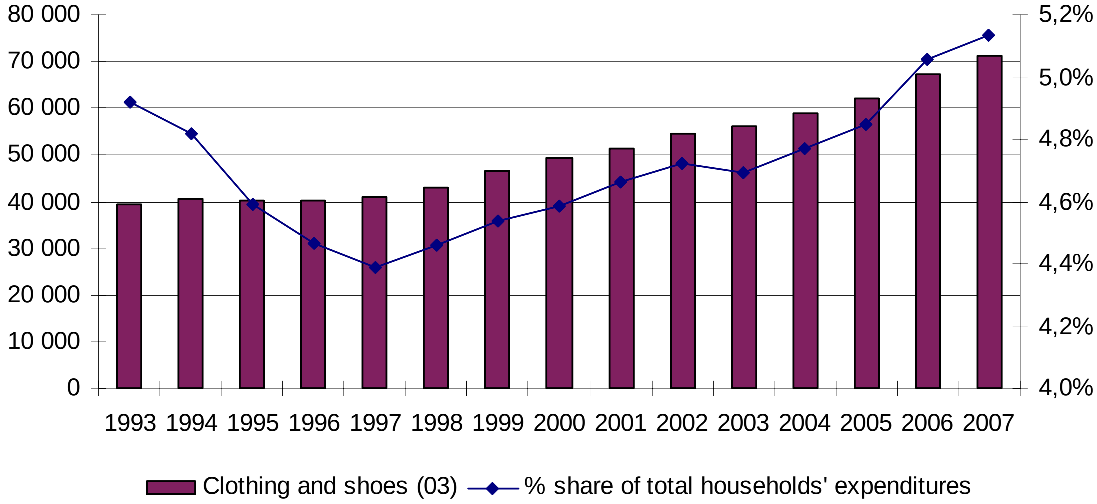
2.2 Market Size

According to SCB, the household expenditures on clothing and shoes was 71.2 billion SEK in 2007 compared to 67.1 billion SEK in 2006, an increase of 6.1%. The average growth rate between 1997-2007 was 5.4%. According to CBI and Euromonitor, the consumption of clothing is forecasted to increase to € 7.7 billion in 2010.[2]

As can be seen in the graph below the percentage share of household expenditures on clothing and shoes has increased during the last years to 5.1%, after a period of decline and recovery 1994-1998.

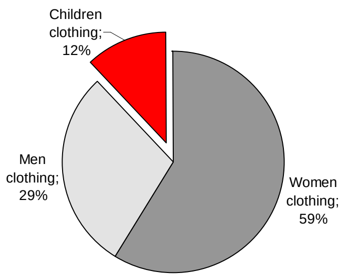
[2] Forecast made by Euromonitor and published in the CBI Market Survey" The outerwear market in Sweden, September 2007.

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



Source: SCB

According to an alternative survey, the GFK Fashion Scope shown in the graph below, the market value of women's wear was 31.1 billion SEK, of men's wear was 15.6 billion SEK and of children's wear was 6.4 billion SEK in 2006. This represents a split of 59% women's wear, 29% men's wear and 12% children's wear.



Source: GFK Fashion Scope published in Habit Fashion Report 2007

A possible explanation for the increased household expenditures on clothing in recent years is the general upturn in economy that has let some consumers to trade up for better quality garments. Another contributing factor is the increased focus on ever shifting fashion trends that influence consumers to buy new clothing at a faster rate than before in order to stay a head of the latest fashion.

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. According to the yearly fashion market report from Habit, published in 2007, the per capita consumption on clothing was 6,595 SEK in 2006. Regarding outerwear Sweden was ranked 9th among the EU counties with a per capita consumption of € 744 in 2006 compared to EU (27) average of € 585. Regarding bodywear Sweden was ranked 10th with a per capita consumption of € 98 compared to EU (27) average of € 76.

The Swedish market for children's and baby wear has increased quite substantially in recent years. According to a market survey performed by Habit[3], the Swedish households bought children's and baby wear for 902 million SEK in 2006, which represents a 40% increase in consumption during a five year period. In 2006, the largest children's and baby wear retailers in Sweden increased their sales by 40% to 606 million SEK. According to another market survey published by CBI the market for children's outerwear in Sweden has increased from € 635 million in 2002 to € 845 million in 2006 and is forcasted to € 1,070 million in 2010.[4]

The increase in number of babies born and that the fact that parents are getting older with larger disposable incomes, as can be seen in the graphs above, is an evident explanation to the growth of the market for baby and children's wear in Sweden.

According to Habit there has also been a trend to spend more money on higher quality and more fashionable clothing for babies and children in 2006, which can also explain the increased sales figures among Swedish retailers. As will be described in more detail in chapter 4, many new baby and children's wear shops have been established and the larger retail chains have extended their baby and children's wear offerings during the last years. Several of the high-end retail shops have also stared to offer baby and children clothing.

2.3 Export, Import and Domestic Production

2.3.1 Trade Statistics

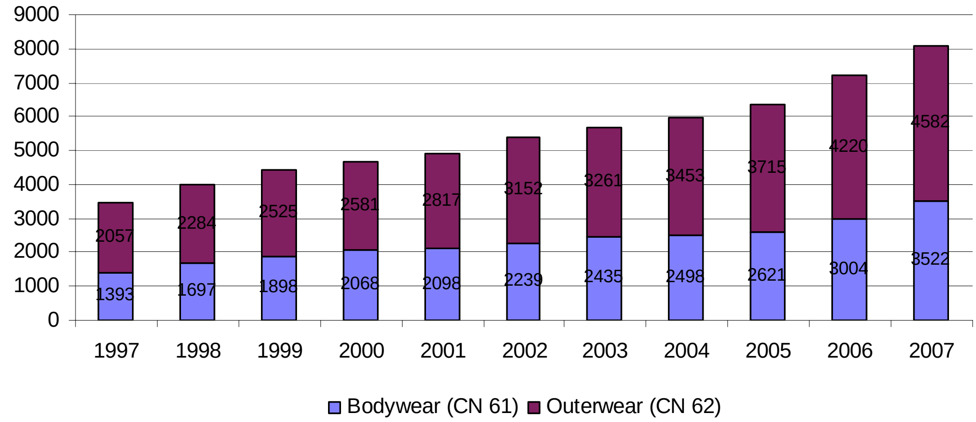
Unfortunately, the statistical data provided by the SCB (the Swedish government authority for official statistics) or Eurostat (the counterpart in the EU) do not separate children's wear from adults' clothing apart from baby wear. Due to those limitations it is not possible to provide trade statistics regarding children's wear apart from baby wear. Instead we will present aggregated trade data for all outerwear and bodywear in order to get a picture of the whole Swedish garment import and export market. However, trade statistics for baby wear is fully disclosed.

[3] Fashion market report, Habit, published 2007
[4] Figures published in the CBI Market Survey" The outerwear market in Sweden, September 2007. Forecasts made by Euromonitor.

2.3.2 Exports

All garments

The Swedish exports of garments have grown significantly during the last 10 years with a compounded annual growth rate (CAGR 1997-2007) of 9% to 8.1 billion SEK in 2007. Exports of bodywear have grown with a compounded annual growth rate of 10% to 3.5 billion SEK compared to outerwear that has grown with 8% annually to 4.6 billion SEK in 2007.



Source: SCB. MSEK at current prices

The table below shows that Finland, Denmark and Norway receives as much as 63% of all Swedish garment exports in 2007. Other large importers of Swedish garments are the Netherlands, Germany and the United Kingdom.

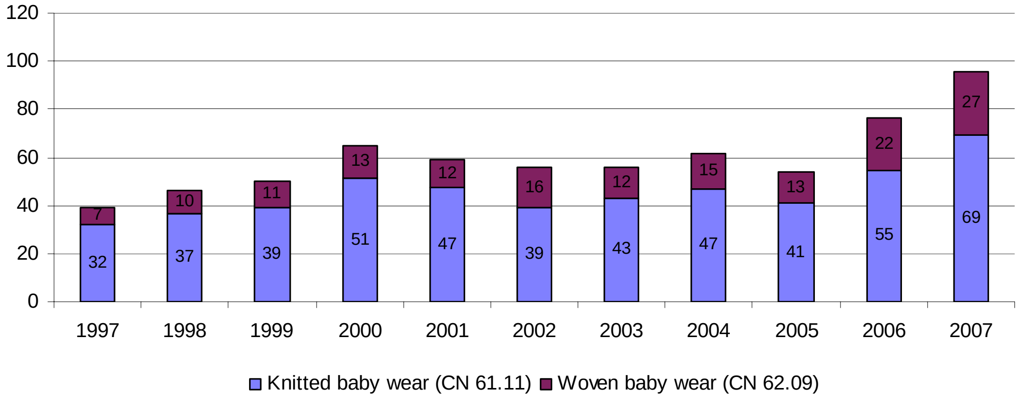
Swedish export of all garments in 2007

Country	in MSEK	% of total export value
Finland	2 450	30,2%
Denmark	1 351	16,7%
Norway	1 304	16,1%
Holland	621	7,7%
Germany	480	5,9%
UK and Northern Ireland	389	4,8%
Poland	151	1,9%
Estonia	140	1,7%
Italy	116	1,4%
France	106	1,3%
Other countries	997	12,3%
Total exports	8 104	100,0%

Source: SCB (CN 61 and 62)

Baby wear

Sweden exported baby wear for 96 million SEK in 2007 (72% of which was knitted and 28% woven) representing an increase of almost 26% compared to 2006. Between 1997 and 2007 the exports of baby wear have grown at the same pace as for all garments with a compounded annual growth rate of 9%. The segment for knitted baby wear has had a higher CAGR of 14% compared to 8% for woven baby wear.



Source: SCB. MSEK at current prices

As can be seen in the table below Finland, Denmark and Norway receives as much as 65% of all Swedish garment exports in 2007.

Swedish export of baby wear in 2007

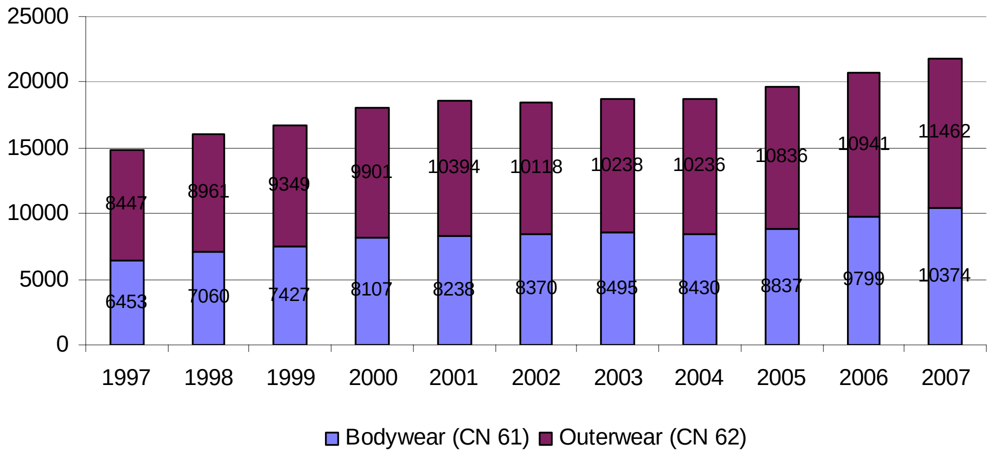
Country	in MSEK	% of total export value
Finland	38,6	40,3%
Norway	15,5	16,2%
Denmark	8,3	8,7%
UK and Northern Ireland	3,7	3,9%
Latvia	3,3	3,5%
Poland	3,0	3,1%
Germany	2,8	2,9%
Estonia	2,7	2,8%
Holland	2,6	2,7%
Spain	2,3	2,4%
Other countries	12,9	13,5%
Total exports	95,8	100,0%

Source: SCB (CN 61.11 and 62.09)

2.3.3 Imports

All garments

Sweden imported garments for a value of 21.8 billion SEK in 2007, divided by 10.4 billion SEK of bodywear and 11.4 billion SEK of outerwear. Between 1997 and 2007 the import value of all garments has grown with 3.9% annually (CAGR 1997-2007), 4.9% for bodywear and 3.1% for outerwear.



Source: SCB. MSEK at current prices

The table below shows that China is the dominating supplier of garments to Sweden. Including Hong Kong, China represents 28.1% of total import value for garments. Other large supplier countries apart from China are Denmark (11.9% of total import value), Turkey (7.5%), Germany (5.1%) and Bangladesh (4.9%). Unfortunately, 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 (e.g. Denmark, Germany and Holland) is highly 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, India and Bangladesh are probably even higher.

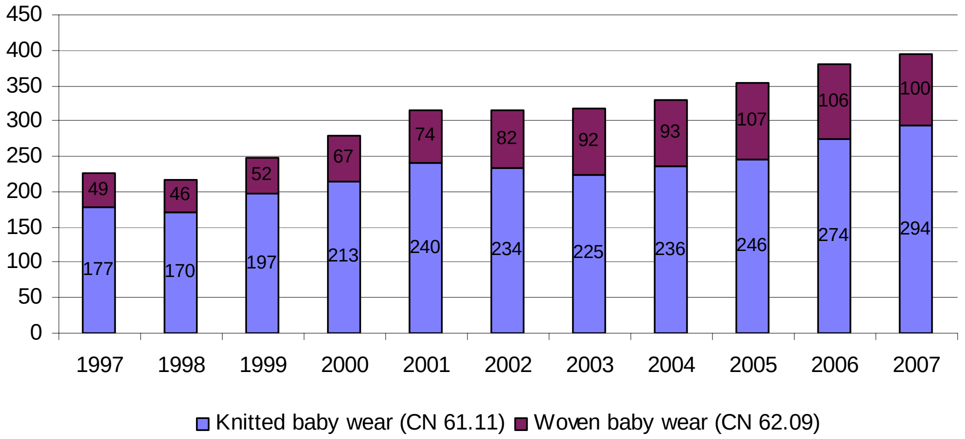
Swedish import of all garments in 2007

Country	in MSEK	% of total import value
China	3 748	17,2%
Denmark	2 588	11,9%
Hongkong	2 380	10,9%
Turkey	1 636	7,5%
Germany	1 120	5,1%
Bangladesh	1 064	4,9%
Italy	1 045	4,8%
Holland	709	3,2%
India	641	2,9%
Poland	583	2,7%
Other countries	6 323	29,0%
Total imports	21 836	100,0%

Source: SCB (CN 61 and 62)

Baby wear

Sweden imported baby wear for a value of 394 million SEK in 2007, compared to 381 million SEK in 2006. The import value of **knitted** baby wear in 2007 was 294 million (75% of the total import value for baby wear) and 100 million SEK for **woven** baby wear (25% of the total import value for baby wear). Between 1997 and 2007 the compounded annual growth rate of baby wear was 5.7%. The figure was somewhat higher for baby wear of woven fabrics (7.4%) than of knitted fabrics (5.2%).



Source: SCB. MSEK at current prices

China is the dominating supplier of baby clothing to Sweden with a share of 35% and 55% including Hong Kong. Other large suppliers are Denmark, Turkey and Bangladesh. As mentioned above, is it likely that the real import value is lower for countries such as Denmark, Holland and Germany and higher for countries in the Far East if the data would be adjusted to only include counties of origin and not transit counties.

Swedish import of baby clothing in 2007

Country	in MSEK	% of total import value
China	138,8	35,3%
Hongkong	75,6	19,2%
Denmark	32,6	8,3%
Turkey	29,7	7,5%
Bangladesh	19,2	4,9%
Holland	14,7	3,7%
Latvia	14,1	3,6%
India	13,4	3,4%
Germany	9,3	2,4%
South Korea	6,2	1,6%
Other countries	40,1	10,2%
Total imports	393,7	100,0%

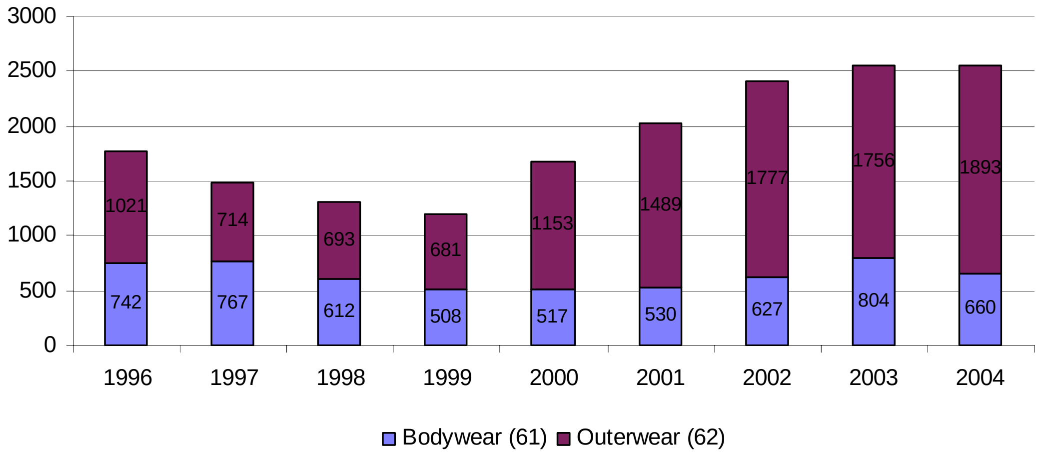
Source: SCB (CN 61.11 and 62.09)

2.3.4 Domestic Production

All Garments

After several years of decline the domestic production started to increase in 2000. In 2004, the last year of fully disclosed figures, the value of domestic garment production was approximately 2.5 billion SEK, 26% of which was bodywear and 74% of which was outerwear. Between 2003 and 2004, the domestic production of garments declined again with 0.3%. Due to confidentiality reasons production figures are not fully published for several CN classes especially regarding the most recent years of 2005, 2006 and 2007.

Domestic production of all garments in MSEK, factory deliveries.

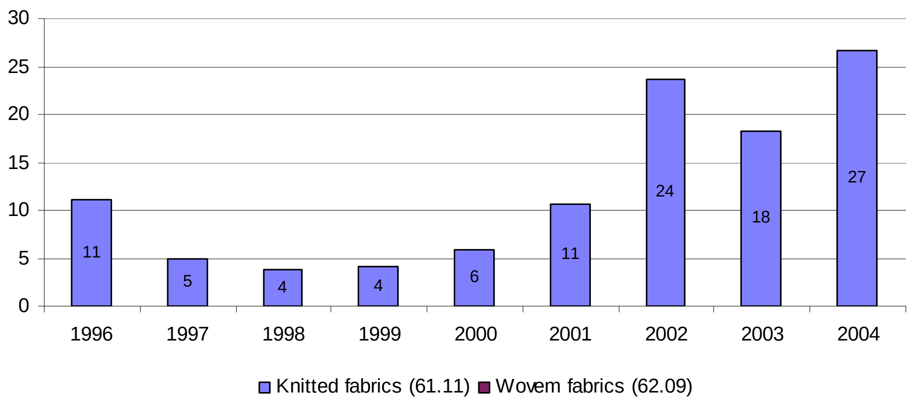


Source: SCB. Due to confidentiality reasons production figures are not published for several CN classes especially regarding 2005. Data for 2006 and 2007 are not yet fully published.

Baby wear

The domestic production of baby wear was valued at 27 million SEK in 2004 the last year of disclosed figures. According to SCB there has not existed any domestic production of woven baby wear between 1996 and 2004. The data of domestic production should be interpreted with care since the disclosed statistics from SCB is very limited.

Domestic production of baby wear in MSEK, factory deliveries

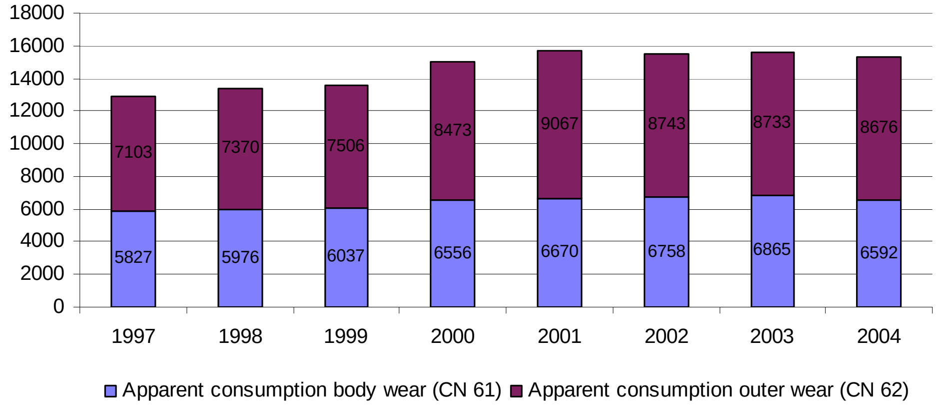


Source: SCB. Due to confidentiality reasons production figures are not disclosed for CN class 62.09. Data for 2005 and later are not yet published.

2.3.5 Apparent Consumption

All garments

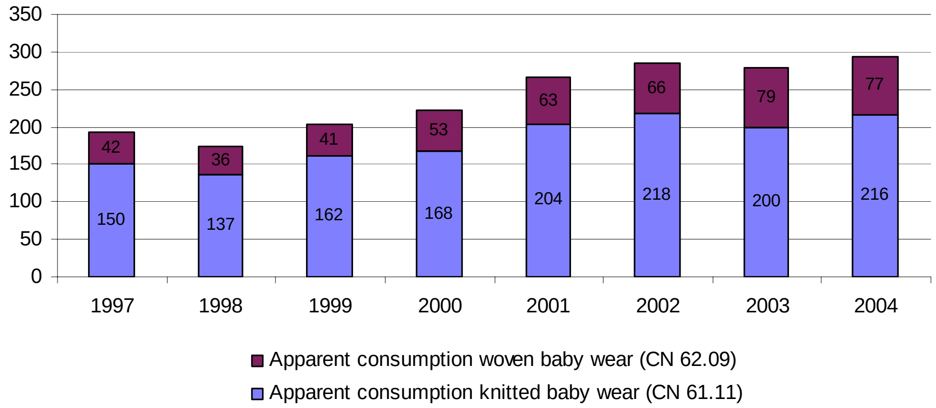
The apparent consumption of all garments is calculated to approximately 15.3 billion SEK in 2004, which was a small decrease by 2.1% since 2003.



Source: SCB. MSEK. Data later than 2004 is insufficient

Baby wear

Regarding baby wear the apparent consumption is calculated to be 294 million SEK in 2004, which was an increase of 5.2% since 2003.



Source: SCB. MSEK. Data later than 2004 is insufficient

3 Consumer Characteristics

Climate

The Swedish climate is characterized by short summers and long winters of cold and wet climate. This requires casual garments that are comfortable, robust and preferably wind and waterproof. This is specifically relevant for parents in the choice of clothing for their children. It is important to realize that all housing and workplaces are centrally heated with an indoor temperature regulated to around 20-22°C. In winter, warm outdoor clothing is required but people wear light garments indoors.

Practical, durable and safe
Children in their pre-school years usually spend their days in day care centers while parents go to work. Nowadays, the choice of clothes is more a practical issue than fashion oriented. This leads to purchasing clothes that are resistant to wear and tear. The clothes should be warm and resistant to water, since the children spend a lot of time playing outside even in the winter. It is also important that the clothes are durable and functional, due to the fact that there are usually a lot of children in a small space at the day care centers. Natural materials like wool and cotton are mainly used, giving the children soft, comfortable clothes. As with products in general, baby and children's wear must be safe with no hazardous substances or loose parts that can harm the child. [5]

Purchasing roles
Sweden is one of the leading countries in the world when it comes to equality between the sexes. In spite of this fact, mothers are still more involved in purchasing children's clothes. As the children start school the influence of the parents decreases.

Fashion among children
When children start school at the age of six or seven, another factor gets important. The children become more and more conscious of fashion and what the "right" brands are. In Sweden there is no mandatory dress code or school uniform so the impulses of what to wear spread quickly between children. This fixation to fashion various between schools and neighbourhoods, but without doubt it is more than ever allowed for children to choose clothes themselves, long before they reach their teens.

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 for a large share of imports from low-cost countries. Since fashion amongst young people changes continuously they want to buy new clothes often. Therefore, low-cost garments of the latest fashion are offered by these large companies.

3.1 Trends in Consumer Demands
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 the development on environmental and social aspects of clothing products.

Fair-trade
Organic materials and fair-trade labelled clothes are nowadays offered by most retailers, and the big companies like HM, Polarn & Pyret, Lindex are amongst them.

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. Occasions of

[5] Interview with Lena Westerlund, Polarn & Pyret, Stockholm, July 2008

child labour can seriously harm a company when the consumers find out. Read more about CSR in chapter 8. Consumers are more and more conscious about these social matters and responding to this demand will be a competitive advantage.

Environmentally friendly
The sustainable environment and fair trade perspective – is no longer a hype but an established trend. Trend analysts predict an increasing demand for environmental-friendly materials and production. It is likely just a matter of time until there is a standardized system of environmental marking on clothes, stating how much a certain product has affected the environment. Some consumers are willing to pay extra to protect the environment, while many are not. A lot of factors - jurisdiction, trade practice and consumer awareness - tell us this trend is becoming even more important in the future.

4 Distribution Channels and Market Players

As seen in chapter 3.2 above, Swedish consumers bought baby and children's wear for about 6.4 billion SEK in 2006, an increase of 4.9% from previous year. The sales are spread out on several different retailers in the market, from small specialized stores to large retail chains.

In general the market is quite consolidated around six large retail chains that together have a combined market share of about 33% of the total clothing retail sales in 2006. Together they sold garments domestically for a value of 17 billion SEK in 2006.[6] 31% of this or 5.3 billion SEK is represented by H&M, the largest Swedish fashion retailer.

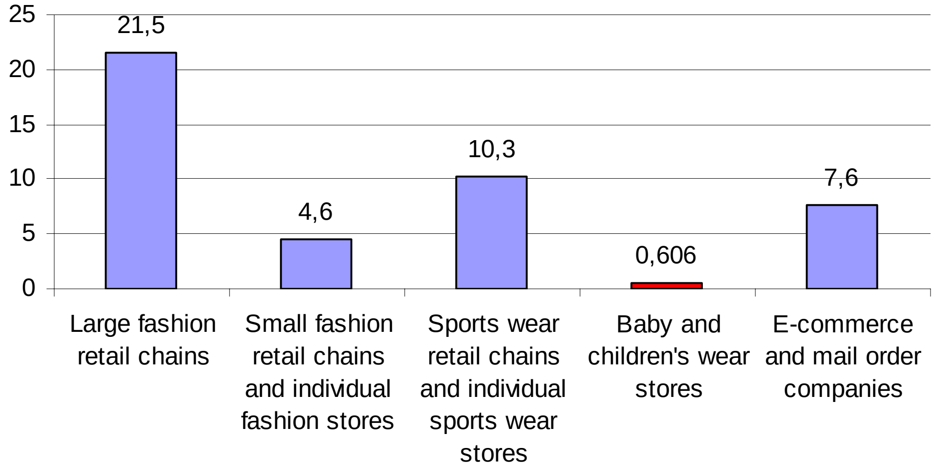
In 2006 there were 7,158 garment stores in Sweden that build up the Swedish clothing market, 499 of those were specialized in baby and children's wear. Most of the stores, 5,239, are small shops consisting of only one employee (the owner), while 1,937 stores or 27% of total stores are large retail stores.

Market shares of the total garment sales by retail type in 2006:

Large retail chains	33%
Small retail chains	8%
Department stores and markets	5%
Mail-order and e-commerce	8%
Sports shops	9%
Grocery stores and supermarkets	8%
Other specialized stores	30%

Source: Habit Fashion Report 2007.

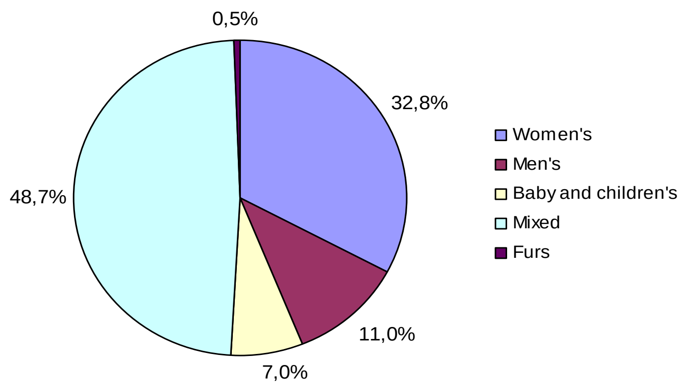
[6] Habit Fashion Report 2007



Source: Habit Fashion Report 2007. Retail sales figuresin MSEK in 2006.

The recent baby-boom and the stronger economy of older parents have had a positive effect on the retail sales of baby and children's clothing during recent years. Specialized children's wear stores sold for 660 million SEK in 2006, which was an increase of 40% from 432 million in 2005.[7] This evolvement can also be seen in the increasing number of stores dedicated to baby and children's clothing which increased by 5% in 2006.

Besides specialized stores, there are many other types of stores selling baby and children's wear, such as sport goods stores, large grocery stores and fashion retail chains. According to a survey published in 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 baby and children's wear.



Source: Habit Fashion Report 2007. Share of total number of retail stores by category

[7] Habit Fashion Report 2007

Along the industry value chain the actors on the Swedish retail market can be roughly divided into several 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 ready made 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 labor 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 (see the table at the end of this chapter).

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 specialized stores such as Guppi and Babyland (see the tables at the end of this chapter).

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, KappAhl and Polarn & Pyret (see the table at the end of this chapter).

The fourth category above (d) consists of retailers that offer private label products and source ready made 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 within several of the above mentioned categories, offering a combination of own design, third party brands and private labels of ready made 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 ready made 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.

Below is a selection of retailers relevant to baby and children's wear, which operate under one or several of the four categories. Source of information: Habit Fashion Report 2007 and company websites.

Fashion retail chains and department stores offering mixed collections:

Company	Sales MSEK 2006 Sweden	Int'l	Stores in Sweden	Main category	URL
Hennes & Mauritz	5 359	66 400	123	c	www.hm.com
Lindex	4 931	5 212	322	c	www.lindex.com
KappAhl	2 365	4 217	130	c	www.kappahl.com
Åhléns	1 376	1 376	202	b, c, d	www.ahlens
NK *)	NA	NA	2	b	www.nk.se
JC (J-store) **)	NA	NA	122	c	www.j-store.se
Cubus ***)	358	NA	36	c	www.cubus.se
Rabalder	38	NA	19	c	www.rabalder.se

**) NK is owned by the property owner Hufvudstaden. Each department of NK is operated by an independent company that pay rent. Several departments are operated by RNB*
***) Part of the Retails and Brands Group (RNB)*
****) Part of Norwegian Varner Group*

Retail chains and individual stores specializedin baby and children's wear:

Company	Sales MSEK 2006 Sweden	Int'l	Stores in Sweden	Main category	URL
Polarn & Pyret *)	331	NA	17	c	www.polarnopyret.se
Guppi **)	NA	NA	32	b	NA
Babyland	191	NA	10	b, d	www.babyland.se
Mamma Mia	45	NA	2	b	www.mammamiashop.se

**) Part of the Retails and Brands group (RNB)*
***) Guppi claims to be largest retail chain in Sweden dedicated to baby and children's wear*

Sports wear retail chains:

Company	Sales MSEK 2006 Sweden	Int'l	Stores in Sweden	Main category	URL
Stadium	3 397	NA	96	b, c, d	www.stadium.se
Intersport *)	3 000	NA	129	b, c, d	www.intersport.se
Team Sportia	2 060	NA	112	b, d	www.teamsportia.se
Sportex	328	NA	22	b, d	www.sportex.se

**) Intersport Sverige AB is part of the Intersport International cooperation, the world's largest sport chain. The stores in Swedena re owned by independent operators apart from some storesin stockholm and Göteborg that are owned centralle. Intersport Sverige AB is fully owned by its store operators.*

Home shopping (mail-order and internet based retailers and direct sales companies):

Company	Sales MSEK 2006 Sweden	Int'l	Channels	Main category	URL
Ellos *)	1 039	NA	Mail-order, Internet	c, d	www.ellos.se
Haléns	571	NA	Mail-order, Internet	c, d	www.halens.se
Cellbes **)	309	NA	Mail-order, Internet	c,d	www.cellbes.se
La Redoute Sweden *)	230	NA	Mail-order, Internet	b, c,d	www.laredoute.se
Bon'a Parte	56	NA	Mail-order, Internet	c, d	www.bonaparte.se
Linus och Lotta ***)	36	-	Internet	b,c,d	www.linuslotta.se
Me and I ****)	NA	NA	Direct sales	c	www.meandi.se

**) Part of the international Redcats Group the home shopping business of PPR.*
***) Part of Haléns*
****) Part of CDON AB, the Internet retail business of MTG*
*****) M and I is a new direct selling concept in 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 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.

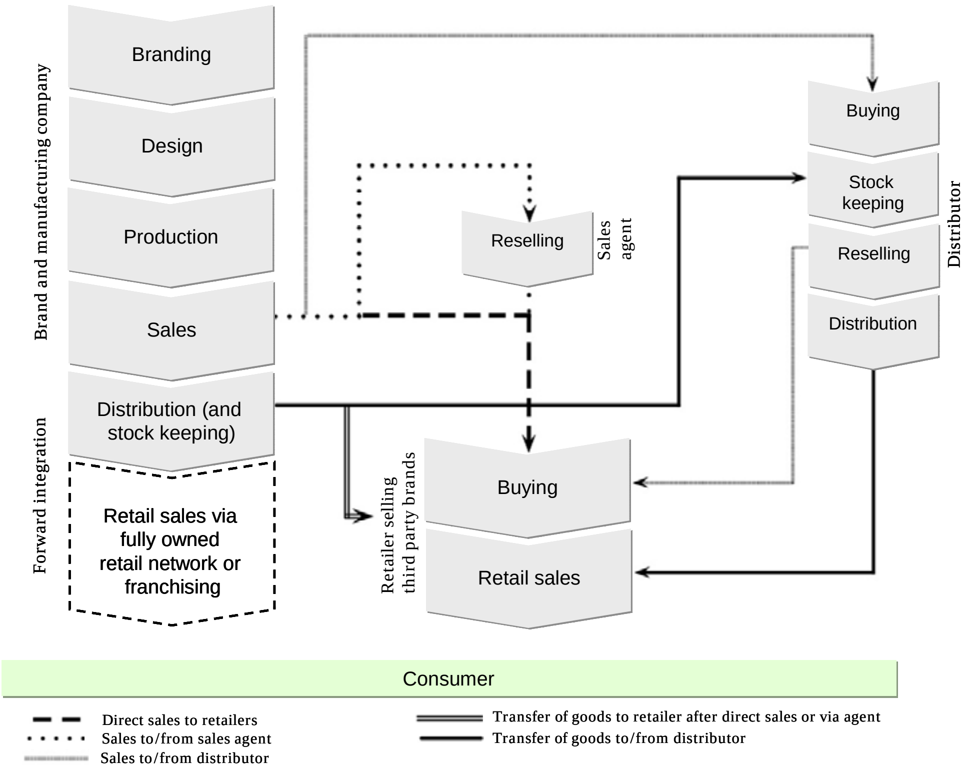
Wholesalers and distributors buy goods directly from the brand and manufacturing company and hold stock. Since they take full responsibility for their stock and for selling the goods to the retailers they have a margin of 20-30%.[8] Sales agents on the other hand only mediate sales and act on a commission basis of around 10%.[9]

To excess 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 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 and Copenhagen International Fashion Fair (CIFF) and 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.

[8] CBI Market Information Database, the Outerwear Market in the EU, Sept 2007
[9] CBI Market Information Database, the Outerwear Market in the EU, Sept 2007



llustration: 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 ready-made products for private labeling (category c in the previous chapter). The retailers have dedicated buying departments for sourcing ready-made products and purchase directly from the exporting manufacturer or through sales agents, distributors or wholesalers. Trade fairs specialized in private labeling and ready-made 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 ready-made products.

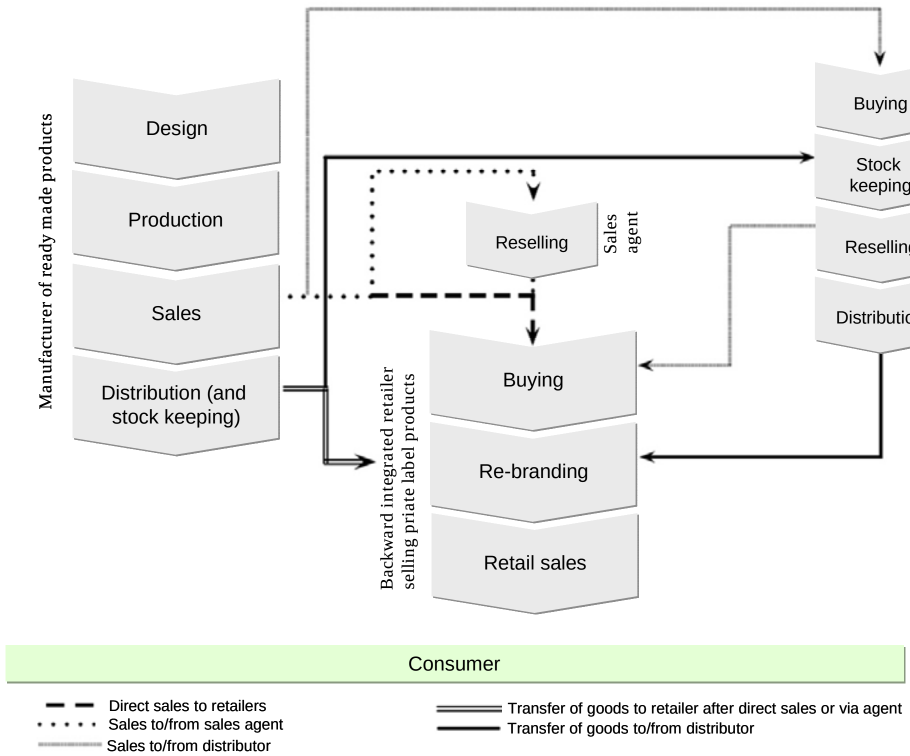


Illustration: Trading and distribution structure for exporting manufacturers of ready made products for private labeling

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 the sourcing and coordinating the production, these companies often use sourcing or buying agents located in the supplying country. These sourcing agents act on a commission basis 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 both in Sweden and 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.

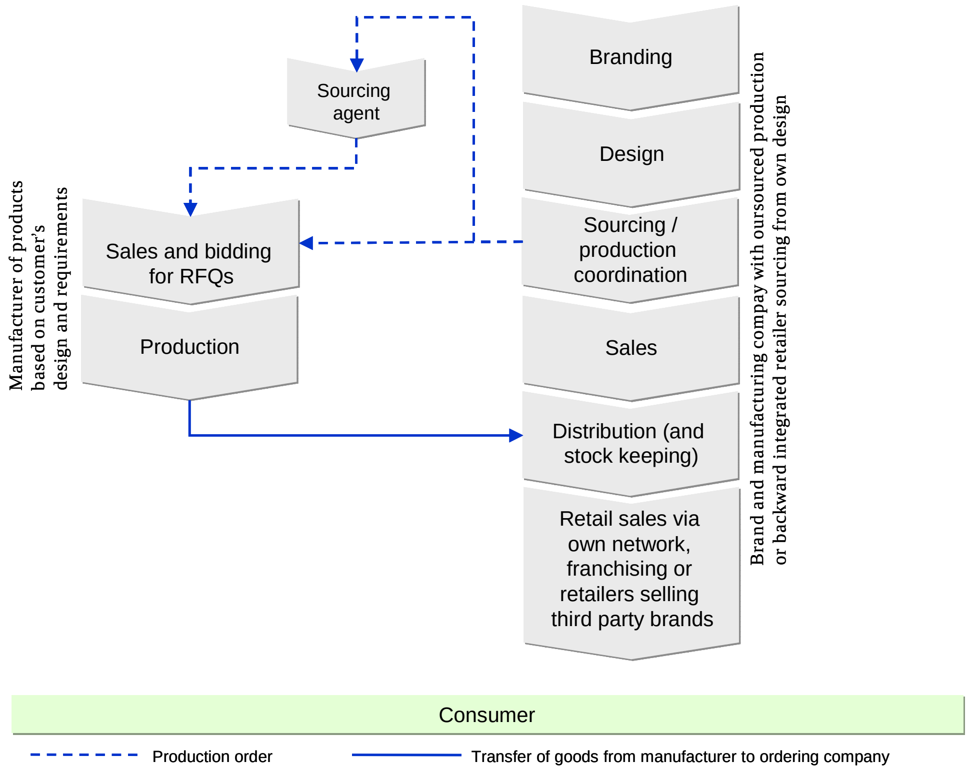


Illustration: Trading and distribution structure for exporting manufacturers that produce based on customers' design and requirements

6 Trade Regulations and Requirements

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

6.1 GSP and Preferential Rates of Duty

The preferences are arranged in the Generalized System of Preferences (GSP). GSP preferential treatment means that products from developing countries are entitled to reductions or even duty-free access when imported.

Least Developed Countries

The least developed countries, (LDCs), enjoy duty-free entry in their textile export to the European Union. The other GSP countries are granted a reduction of 20% of the conventional rate on textile products.

Trade Agreements

There are different trade agreements giving groups of countries duty-free entry for their garments into the EU of which the major groups are ACP countries, OCT territories, the EES countries, the ex-Yugoslavian countries, Turkey, the Mediterranean countries. EU has also signed a free trade agreement with South Africa and Chile and Mexico.

Certificate of Origin

The products must have a GSP certificate of origin (Form A), which for garments of woven cloths and knitwear requires production in two stages (weaving and sewing or knitting and sewing) in the country of origin.[10]

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 labor rights, environmental protection, the fight against drugs and good governance. [11]

Open Trade Gate Sweden

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.

6.2 Licensing

Products under quota requires 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.[12]

[10] *Tullverket.se (Swedish Customs)*

[11] *Market Brief-Garments, Swedish Chambers, November 2007*

[12] *Kommerskollegium (National Board of Trade)*

6.3 Rates of Duty in 2008

Type of garments	Duty
Outer garments, coats, suits, dresses, blouses, trousers, skirts, sweaters, etc. of knitted or woven fabrics	12%
Shirts for men and boys of knited or woven fabrics	12%
Underwear, night-shirts and pyjamas for men and boys	12%
Peticoats, panties, night-gowns and pyjamas for women and girls	12%
Foundation garments	6.5%
Bathing suits and trunks with more than 5 rubber threads	8%
Heavy woolen sweaters	10.5%
T-shirts and light polo shirts	12%
Baby clothes of knitted fabric	**12%**
Baby clothes of woven fabric	**10.5%**
Hoisery	12%
Knitted gloves and mitten	8.9%
Mittens of woven fabric	10.5%

Source: 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	App. 8
FOB price	App. 44

8 Purchase Expectations and Production Standards

As earlier stated in chapter 3 (Consumer Characteristics), baby and children's wear are under high requirements regarding safety and durability. The following examples are given to emphasize these requirements and to be taken into consideration for an exporter of baby and children's wear, entering Sweden.

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 checkpoints:

- **Corporate Social Responsibility (CSR)**. Consumer's demand of higher moral has made companies introduce codes of conduct. A code of conduct is a voluntary written policy commiting 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 supplier's factories. Many companies use their codes as a means of promotion and marketing.

- **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. These directives are especially critical when it comes to baby clothes.

- **Product quality**. Important issues are for shrinkage, pilling, dry and wet rubbing, staining and, as mentioned above, chemical restrictions. Before the clothing is made available at stores, they are usually scanned with metal detector to make sure no that no broken needles are left in the product. Buttons and other parts must stand a certain pull to minimize the risk that children should swallow parts. Again, the comfort and durability is of high importance to baby and children´s wear; the clothes should be easy to take on and off and withstand frequent washing. All tests should be conducted at the early sample stage and be confirmed before cutting.

8.2 Marking and Labelling

Sweden has some of the strictest 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 fibre 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, called "centilong". Baby clothes are usually sized by age (months) instead of centilong. Sometimes large retailers use their own grading tables. However, there is an ongoing process on the European market aiming to create a common European standard for sizing.[13]

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

8.3 Purchase Practices

Normally, the purchasing period starts one year before the goods reach the consumer. However, in the case of more fashion-sensitive goods, this period must be shortened considerable. Sometimes the importer requests to have the goods within a few months. This is particular to the large retail chains working with young consumers. It is of crucial importance that the goods arrive on time.

Reliability with respect to delivery is essential. As stated earlier, Swedish importers are operating on a tight schedule and selling seasons are short. An exporters ability to secure reliable deliveries is increasingly becoming a competitive advantage equal in importance to price.

Efficient communication is important. The exporter should be available to respond to the importers questions on a short notice. Clear information of prices, MOQ (minimum order quantity), exact colours (i.e. Pantone colour scheme), etc. English is the general business language and all production and marketing information should be in English. To have an informative Internet website is an advantage when being evaluated by an importer.

9 Summary and Recommendations

Sweden is in the middle of a baby-boom which will probably lead to an increase in the sales of baby and children's wear. Parents are getting older and more economically stable which enables them to spend more on high-quality clothes for their children. The exports of baby clothes has increased by 26% since 2006. The retail market for baby and children's wear is quite consolidated and the six largest retail chains consititute 33% of the market. Due to the baby-boom most of the stores has increased their share of this product group and at the same time the specialized baby and children clothing stores has increased by 5% since 2006.

As can be seen, there is a good opportunity for an exporter in the baby and children's wear market. However, the downturn in the economy we are now entering may have a negative effect.

Due to the long period of wet and cold climate, the clothes should be durable and practical and made of natural materials like cotton or woll. The large volymes in this market are in the low/medium price range where reasonable quality in relation to price is important.

[13] *Source: The Swedish Consumer Agency*

The awareness of environmental issues and fair-trade aspects among consumers in Sweden is high. It is therefore crucial that suppliers have decent working conditions for their employees and deals with the environmental affects of production.

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 children's wear in the past yeas 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 this own design. The key actors here are sourcing agent in the manufacturing countries alongside sourcing and material fairs.

Due to the large amount of smaller clothing brands in Sweden there is an opportunity for smaller exporters in the low and medium volyme segments.

When dealing with Swedish companies realibility with respect to delivery time, complete information about production circumstances and efficient communication are essential.

Appendix 1

Currency Conversion

Average exchange rate of
the Swedish currency SEK

	Average rate in SEK						
	2000	**2003**	**2004**	**2005**	**2006**	**2007**	**Jan-Aug 2008**
1 US Dollar $	9.17	9.72	8.09	7.35	7.48	6.76	6.13
1 Euro € *	8.45	9.13	9.13	9.28	9.26	9.25	9.39

* The following 15 EU-countries use the Euro as their currency:
Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, Portugal, Slovenia, Spain, The Netherlands.

Source: Swedish Central Bank (Riksbanken)

Appendix 2

Useful Addresses and Links

Textile Importers' Association in Sweden
Box 17559, SE-118 91 Stockholm
Phone: +46-8-505 970 92
Fax: +46-8-505 970 95
E-mail: info@textileimporters.se
Internet: www.textileimporters.se

Svenska Handel STIL
(Shoe, Textile and Clothing Retailers' Association in Sweden)
SE-103 29 Stockholm
Phone: +46-8-762 77 00
Internet: www.stil.cc

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
Internet: www.oeko-tex.com

The Swedish Association of Agents
Box 13077, SE-103 02 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: +46-8-762 77 00
Fax: +46-8-762 77 77
E-mail: info@svenskhandel.se
E-mail: stil@svenskhandel.se
Internet: www.svenskhandel.se

National Board of Trade
Box 6803, SE-113 86 Stockholm
Phone: +46-8-690 48 00
Fax: +46-8-30 67 59
E-mail: registrator@kommers.se
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: +46-8-506 948 01
Fax: +46-8-506 948 99
E-mail: Contact form via Internet
Internet: www.scb.se

Swedish Customs
Box 12 854, SE-112 98 Stockholm
Phone: +46-8-405 00 00
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
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

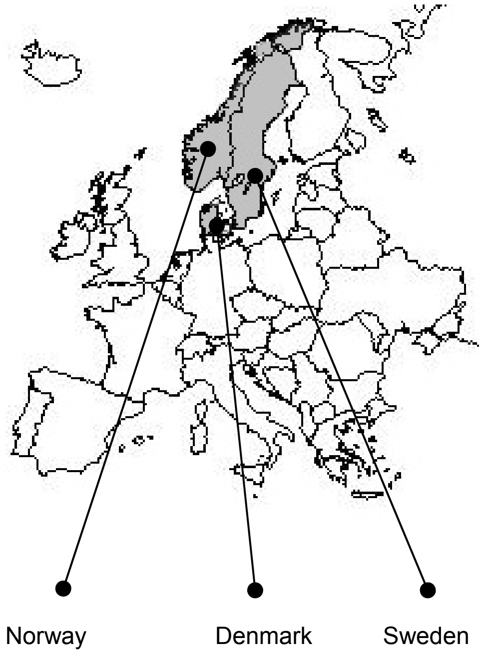
The Scandinavian Market

There are many similarities among the Scandinavian 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 Scandinavian markets it therefore might be relevant to consider the possibilities in the other Scandinavian countries as well.

All three Scandinavian countries have import promotion facilities. Below you will find a short presentation of the import promotion organisations in Denmark, Norway and Sweden who have jointly published "Exporting to Scandinavia - a guide for exporters from developing countries".

Inhabitants:	Denmark	5.4 million
	Norway	4.7 million
	Sweden	9.1 million



Denmark

The Danish Import Promotion Programme (DIPP) is integrated in the Danish Chamber of Commerce and operates under a contract between the Danish International Development Assistance (DANIDA) and the Danish Chamber of Commerce.

The objective of DIPP is to assist exporters/producers in Africa, Asia and Latin America to enter the Danish market.

At DIPP's website www.dipp.eu you can read more about DIPP and its activities, download or order market information material regarding the Danish market or register your business offer to be advertised on the website.

Contact details:

The Danish Chamber of Commerce / DIPP
Boersen, Slotsholmsgade
DK-1217 Copenhagen K, Denmark
Phone: +45-3374 6000
Fax: +45-3374 6080
E-mail: dipp@danskerhverv.com
Internet: www.dipp.eu

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 is integrated in HSH - but is fully sponsored by NORAD. DITC promotes imports from developing counries.

From the website www.hsh-org.no you can read more about the programme. Through the website you can also access a database where suppliers in developing countries interested in the Norwegian market can register. Studies of the Norwegian market for specific sectors can be downloaded from the website.

Contact details:

HSH – Department of International Trade Promotion
P.O. Box 2900 Solli,
NO-0230 Oslo, Norway
Tel: +47-2254 1700
Direct tel: +47-2254 1752
Fax: +47-2256 1700
E-mail: edg@hsh-org.no
Internet: www.hsh-org.no

Sweden

Within the trade promotion programme of the Swedish Chambers assistance is provided to exporters from Africa, Asia and Latin America. The overall aim of the programme is to contribute to sustainable economic growth in developing countries by strengthening the capacity and competitiveness of exporters.

From the website www.cci.se/trade you can learn more about the programme, download or order market reports as well as register your business inquiry free of charge in the database Chamber Trade (www.chambertrade.com).

The prgramme is funded by the Swedish International Development Cooperation Agency (Sida) and the Swedish Chambers of Commerce.

Contact details:

Swedish Chambers of Commerce
Trade Promotion
PO Box 16050
SE-103 21 Stockholm, Sweden
Phone: +46-8-555 100 00
Fax: +48-8-566 316 30
E-mails: tradeoffice@chamber.se
tradeoffice@chambertrade.com
Internet: www.cci.se/trade

Swedish Chambers of Commerce
Trade promotion
PO Box 160 50
103 21 Stockholm, Sweden

Phone: + 46 (0)8 555 100 00
Fax: + 46 (0)8 566 316 30
www.cci.se/trade
www.chambertrade.com

Swedish Chambers