Swedish Chambers

TRADE PROMOTION PROGRAMME
OF THE SWEDISH CHAMBERS

Market Brief

Focus on the Swedish Market

Knitted Sweaters and Yarn

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

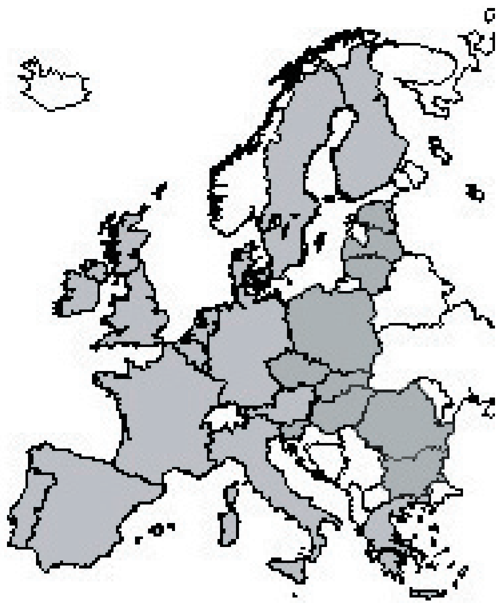
Currency:
1 krona (SEK) = 100 öre

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 Background and Definitions

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 4**.

The following CN (4 digit Combined Nomenclature) codes are included in the statistical data presented in this report. For a full list of all CN codes included in this report see **Appendices 3 and 4.**

Category	Included in above	CN codes (4 digits)	Description
Garments		61.xx, 62.xx	
Outer-wear	Garments	62.xx	All garments apart from body-wear
Body-wear	Garments	61.xx	All garments apart from outer-wear
Knitted crocheted sweaters	Outerwear	61.10	Knitted and crocheted sweaters including jerseys, pullovers, cardigans, waistcoats, jumpers and similar articles
Yarn in retail packages	50, 51, 52, 54, 55	See App. 4	in retail packages (in balls, hanks and skeins) intended to be sold in retail shops

Source: SCB

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 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.

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
0-1 years	104 619	110 669	215 288	2.3%
2-12 years	530 147	558 454	1 088 601	11.9%
13-19 years	425 672	449 200	874 872	9.5%
20-29 years	543 063	568 915	1 111 978	12.1%
30-39 years	598 600	621 093	1 219 693	13.3%
40-49 years	617 651	642 664	1 260 315	13.7%
50-65 years	949 715	959 199	1 908 914	20.8%
65 years -	849 539	653 727	1 503 266	16.4%
Total population	*4 619 006*	*4 563 921*	*9 182 927*	*100.0%*
% share	*50.3%*	*49.7%*		

Source: SCB as of 31 December 2007

As shown in the table above the split between men and female is almost 50-50%. Almost 24% of the total population is children or teenagers, 25% between 20-39 years old, 35% between 40-65 years old and 16% is seniors.

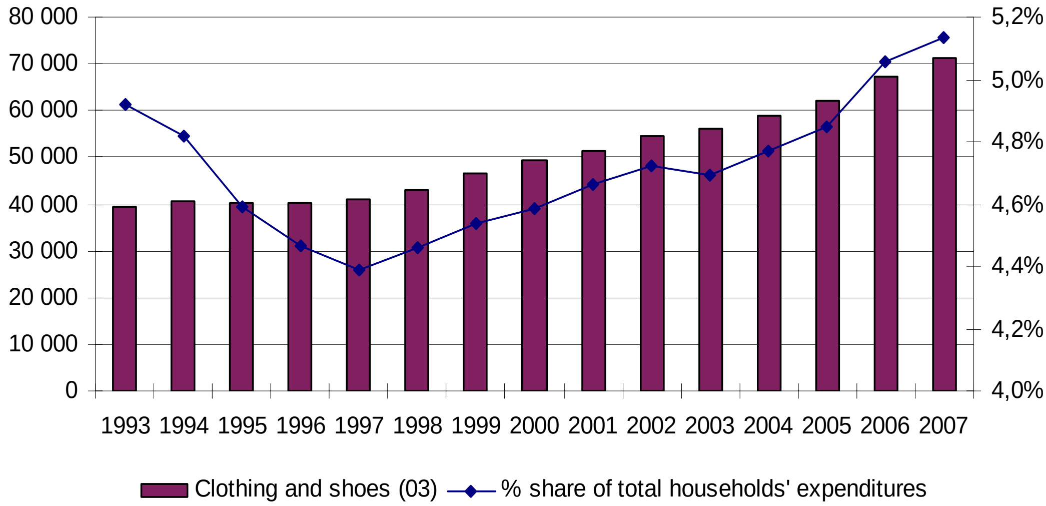
2.2 Market Size

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.[1]

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

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.

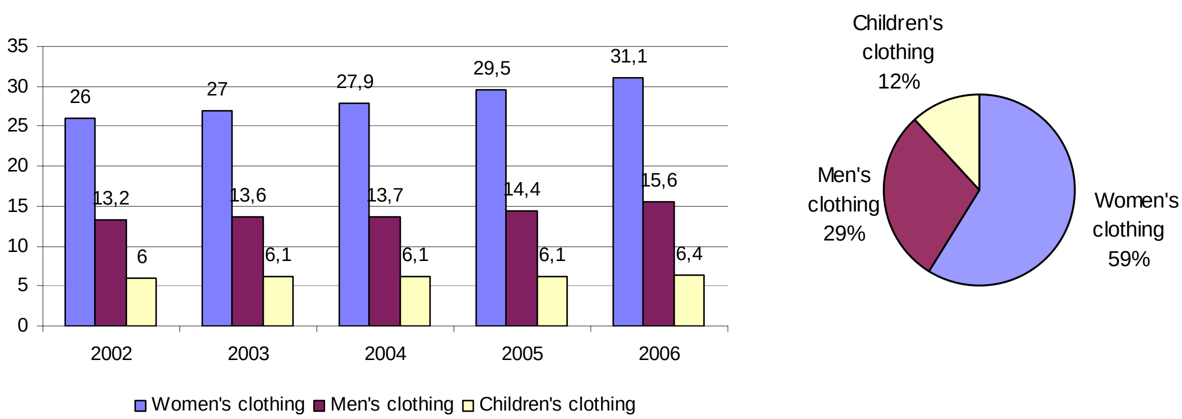
Household expenditures on clothing and shoes. At current prices. In MSEK.



Source: SCB

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.

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

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.

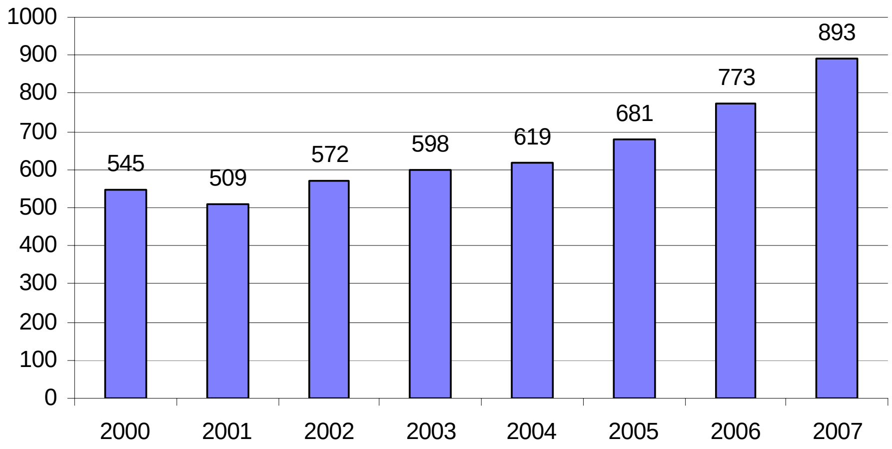
3 Export, Import and Domestic Production

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.

3.1 Export of Sweaters

In 2007 Sweden exported knitted and crocheted sweaters worth 893 million SEK, which represented a substantial increase of 15.5% compared to 2006. The exports have increased every year since 2001. Most of the exportet knitted and crocheted sweaters in 2007 were of cotton (53%). Wool represented 17% and artificial fibres 28%.

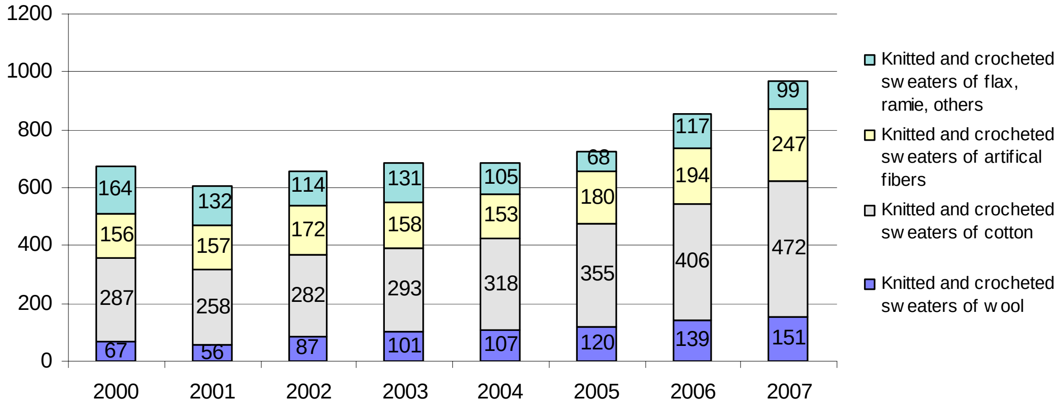
Total exports of knitted or crocheted sweaters 1997-2007 in MSEK



Source: SCB

The graph below shows that the share of knitted sweaters made of wool have increased from 12% in 2000 to 17% in 2007, while the share of cotton and artificial fibers have remained steady during the last six years. Exports of sweaters made of cotton increased by 16%, artificial fibers by 28% and wool by 9% between 2006 and 2007.

Total exports in MSEK of knitted or crocheted sweaters 1997-2007 divided between different material groups.



Source: SCB.

As can be seen in the table below Finland, Denmark and Norway receives as much as 62% of all Swedish garment exports in 2007. Other large importers of Swedish garments are the Netherlands, Germany and the United Kingdom.

Exports of knitted and crocheted sweaters sorted by top receiving countries in 2007

Country	in MSEK	% of total export value
Finland	311,1	36,1%
Denmark	145,6	16,9%
Norway	76,9	8,9%
Holland	60,9	7,1%
Germany	53,1	6,2%
UK and Northern Ireland	41,8	4,9%
Italy	18,0	2,1%
France	17,5	2,0%
Poland	14,3	1,7%
Greece	13,8	1,6%
Other countries	107,9	12,5%
Total imports	860,9	100,0%

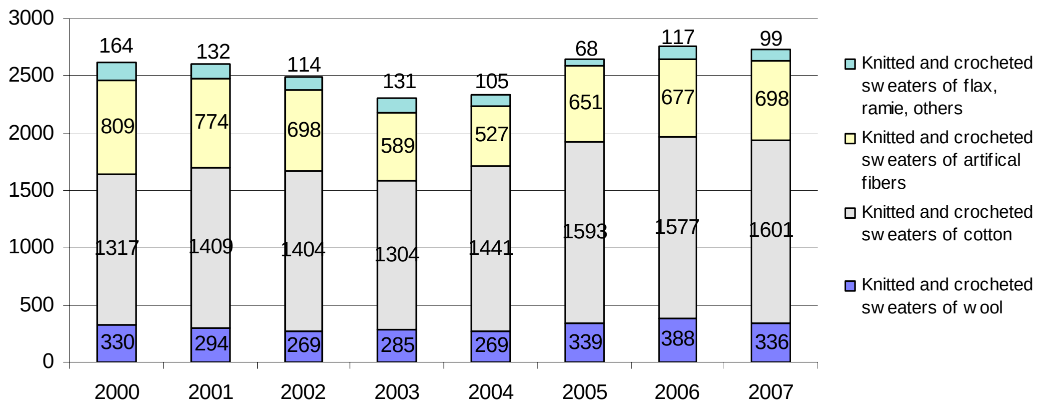
Source: SCB

3.2 Imports of Sweaters

Sweden imported knitted and crocheted sweaters for 2.7 billion SEK in 2007, which is a small decline since 2006. Over the last seven years the imports have varied quite a lot, reaching its highest level in 2006. Similar to exports, cottonis the dominant fabric, which represented 59% of total imports. Wool represented 12% and artificial fibres 26%.

In 2007, total imports of knitted and crocheted sweaters were split between 1,601 million SEK of cotton, 698 million SEK of artificial fibers, 336 million SEK of wool. The share of cotton has increased from 50% in 2000 to 59% in 2007.

Total imports in MSEK of knitted or crocheted sweaters 1997-2007 divided between 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 almost 30%. Other large supplier countries are Denmark (15.4% of total import value), Bangladesh (7.1%), Turkey (5.1%) and the UK and Northern Ireland (5.0%). 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 (e.g. Denmark and Germany) 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 2007

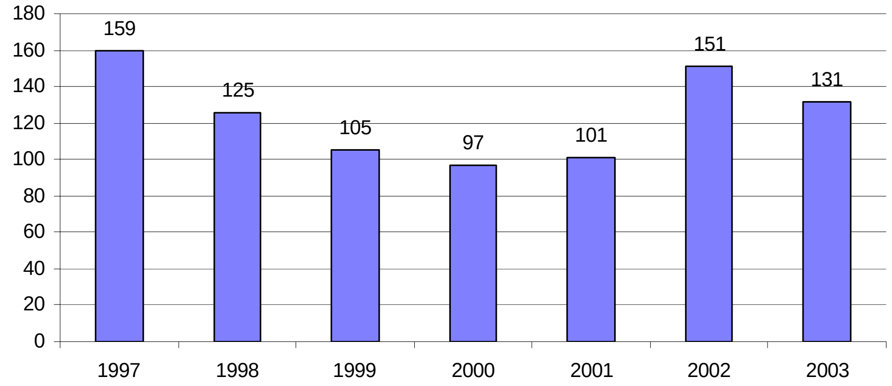
Country	in MSEK	% of total import value
Hongkong	442,7	17,1%
Denmark	400,2	15,4%
China	323,3	12,5%
Bangladesh	184,4	7,1%
Turkey	131,6	5,1%
UK and Northern Ireland	129,8	5,0%
Germany	126,9	4,9%
Italy	89,3	3,4%
Poland	87,7	3,4%
Portugal	68,4	2,6%
Other countries	605,8	23,4%
Total exports	2 590,2	100,0%

Source: SCB

3.3 Domestic Production of Sweaters

In 2003, the last year of fully disclosed figures, the value of domestic production was 131 million SEK, which was a 13% decline since 2002, the year of highest production figures since 1997. Due to confidentiality reasons production figures are not fully published later than 2003.

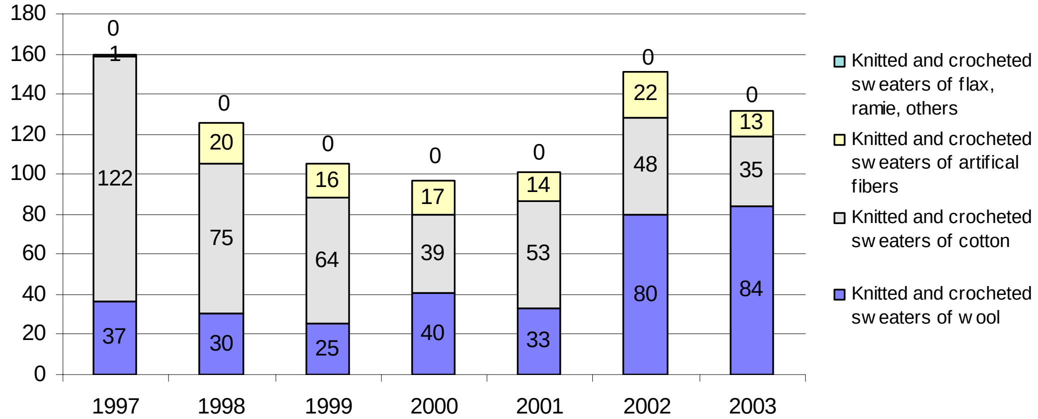
Domestic production in MSEK of knitted or crocheted sweaters 1996-2003.
Due to confidentiality SCB does not provide figures later than 2003.



Source: SCB. Due to confidentiality SCB does not provide figures later than 2003.

Most of the domestic production of knitted or crocheted sweaters was made of wool. In 2007 the share of domestic production made of wool was 64%, compared to 27% of cotton and 10% of artificial fibers. In 2003, 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%.

Domestic production in MSEK of knitted or crocheted sweaters 1997-2003 divided between different material groups.

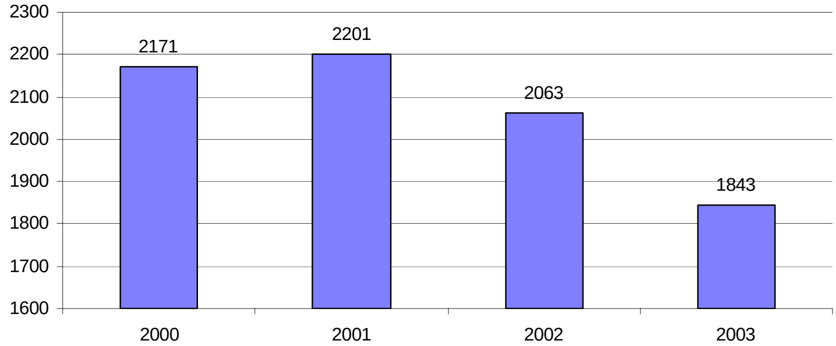


Source: SCB. Due to confidentiality SCB does not provide figures later than 2003.

3.4 Apparent Consumption

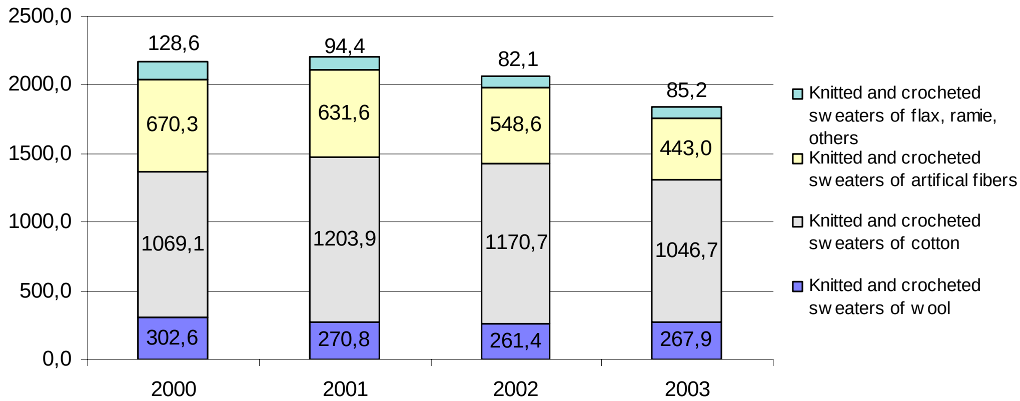
Sweden had an apparent consumption of knitted and crocheted sweaters of almost 1.2 billion SEK in 2003, the last year of published data. This was a decline with almost 11% compared to 2002. Due to confidentiality SCB does not provide domestic production figures later than 2003.

Apparent consumption in MSEK of knitted or crocheted sweaters 2000-2003.



Source: SCB

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

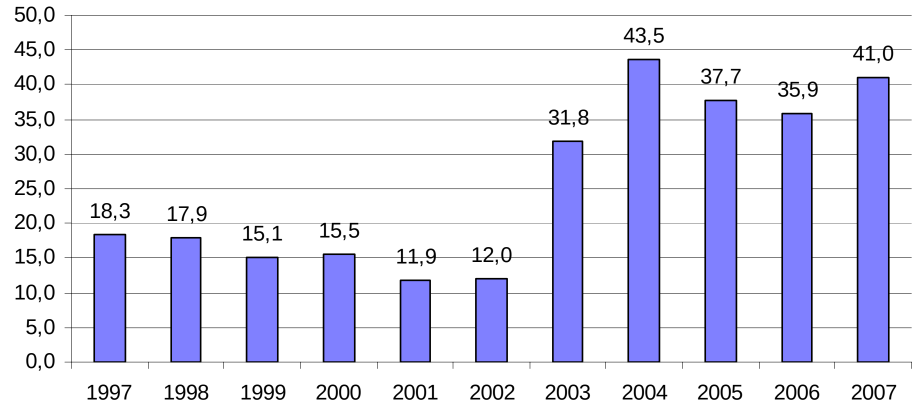


Source: SCB

3.5 Exports of Yarn

In 2007 Sweden exported yarn to be sold in retail stores for a value of 41 million SEK, an increase of 14.3% compared to 2006. The largest part of the yarn exports in 2007 consists of yarn made of cotton (54%), of synthetic fibers (20%) and of wool (17%).

Total exports of yarn for retail packages between 1997 and 2007. In MSEK.

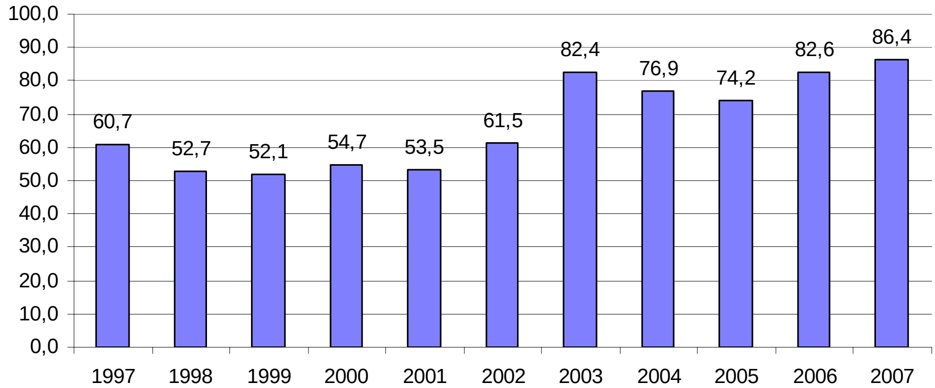


Source: SCB

3.6 Imports of Yarn

In 2007 Sweden imported yarn to be sold in retail stores for a value of 86.4 million SEK, an increase of 4.6% since 2006. The largest part of the yarn imports in 2007 consist of yarn made of wool (36%), of cotton (30%) and of synthetic fibers (32%)

Total imports of yarn in MSEK for retail packages between 1997 and 2007



Source: SCB

Sweden imported yarn from 38 countries in 2007. The 10 largest sending countries are listed in the table below. Norway is the dominant exporter to Sweden with an import value of 20.4 million SEK, which represents almost 24% of the total import value to Sweden. Other large importing countries are Germany and Turkey.

Imports of yarn for retail packages by top sending countries in 2007

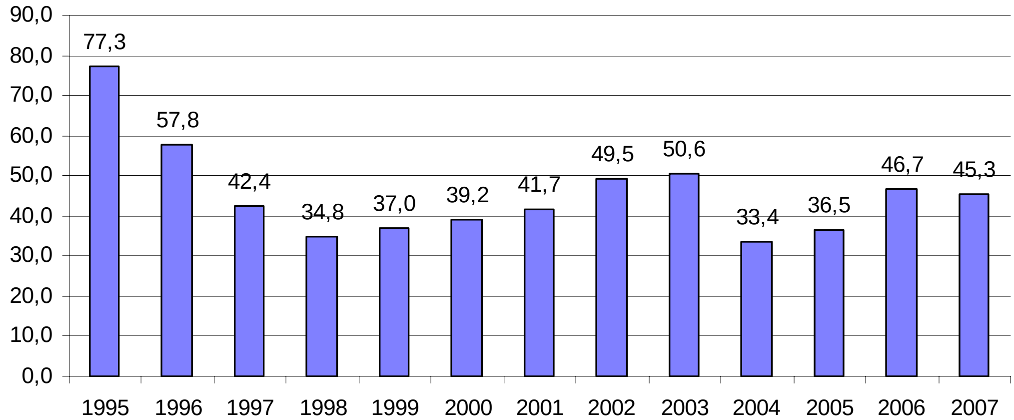
Country	in MSEK	% of total import value
Norway	20,4	23,6%
Germany	14,2	16,5%
Turkey	12,3	14,2%
Denmark	8,3	9,6%
France	5,8	6,8%
USA	3,8	4,4%
Italy	3,2	3,7%
Portugal	3,0	3,5%
UK and Northern Irelaı	2,9	3,4%
India	2,4	2,7%
Other countries	10,0	11,6%
Total imports	86,4	100,0%

Source: SCB

3.7 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 between 1997 and 2007



Source: SCB

Apparent consumption is calculated as imports minus exports and does not include domestic production since there have not been any domestic production during the period according to SCB.

4 Consumer Characteristics

Climate

When considering exporting to Sweden, manufacturers of sweaters must be aware of the Swedish climate and how it effects to 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.

Natural materials

Cotton is by far the most popular fibre, 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.[2]

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. Many people in Sweden are quick to pick up new trends and these companies offer fashionable clothes to reasonable quality.[3]

Conscious consumers

Swedes, as consumers, are both demanding and aware. Their knowledge of materials, care, 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 labelled products and clothes by producers with a strong Corporate Social Responsibility (CSR) profile are, beside the moral aspect, growing niches.

5 Distribution Channels and Market Players

As seen in chapter 2.2 above, Swedish consumers purchased clothing for 71.2 billion SEK in 2007, an increase of 6.1% from previous year. The sales are spread out on several different retailers in the market, from smaller 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

[2] Interview: Lisa Gabre, Resteröds, Stockholm, August 2008
[3] Habit Fashion Report 2007

SEK in 2006.[4] 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. 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.

Below is a table showing the market shares in terms of sales volume between different types of retailers. Large retail chains represent 33% of the total garment sales, small retail chains 8%, department stores and markets 5%, mail-order and e-commerce companies 8%, sports shops 9% and grocery stores and supermarkets 8%. The remaining share of the total garment sales belongs to other specialized 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

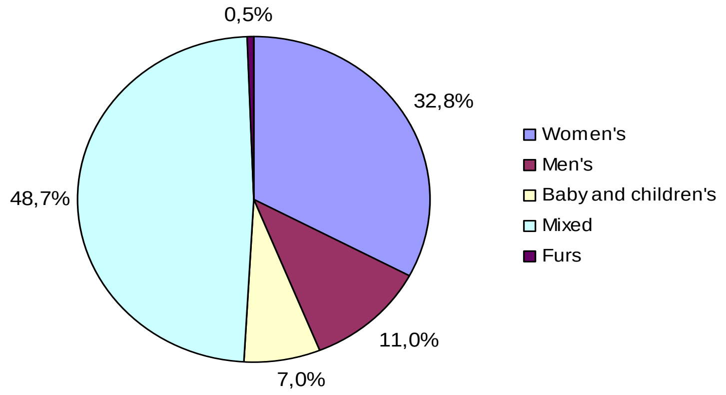
Retail sales figures in 2006

Source: Habit Fashion Report 2007

[4] Habit Fashion Report 2007

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 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 a variety of stores such as Carlings and MQ (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 and KappAhl (see the table at the end of this chapter).

The forth 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 listed 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). It also happens that brand and manufacturing companies 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 categories mentioned above.

Below is a selection of retailers relevant to knitted and crocheted sweaters, 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, men's or women's 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.se
NK *)	NA	-	2	b	www.nk.se
Dressmann ***)	1376	1376	187	c	www.dressman.se
Gina Tricot	621	621	61	c	www.ginatricot.se
Carlings ***)	371	371	65	b	www.carlings.se
JC **)	NA	NA	122	c	www.j-store.se
Cubus ***)	358	NA	36	c	www.cubus.se
MQ	344	344	93	b	www.mq.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*

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
Gudrun Sjödén Design	NA	279	Mail-order, Internet	c, d	www.gudrunsjoden.com
Bon'a Parte	56	NA	Mail-order, Internet	c, d	www.bonaparte.se

**) Part of the international Redcats Group the home shopping business of PPR.*
***) Part of Haléns*

Brand and Manufacturing companies with knitted sweaters and similar

Company	Sales MSEK 2006 Sweden	Int'l	Forward integrated	Offering	URL
Peak Performance	NA	800	yes	Mixed	www.peakperformance.se
Filippa K	NA	323	yes	mixed	www.filippa-k.com
J. Lindberg	NA	315	yes	Men's	www.jlindberg.com
Gant	NA	305	yes	Mixed	www.gant.se
Tiger of Sweden	NA	200	yes	Mixed	www.tigerofsweden.com
Oscar Jacobsson	NA	193	no	Men's	www.oscarjacobsson.se
Acne Jeans	NA	187	yes	Mixed	www.acnejeans.se
Boomerang	NA	169	yes	Mixed	www.boomerang.se
WE International	NA	128	yes	Mixed	www.wesc.com
Cheap Monday	NA	NA	yes, via Weekday	Mixed	www.cheapmonday.com

5.1 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. Below is an extract of resellers selling yarn by Drops Design but possibly other yarn brands as well.

Location	Companies
Göteborg	Broderi & Garn, Strikk, Deisy Design, Garnshoppen.com, Glamour Garn, 2knit, Hisingens Hemslöjd
Malmö	Irmas Hus, Anitas Garn
Stockholm	Sticka, Vendelas Hantverk, Garnverket, Stickbutiken, Ljungqvist Garn AB, Vackra Ting, Nysta Garn & Textil, Garn & Sybehör, Marias Garn, Sallys Garn

Source: www.garnstudio.com

6 Trade Structure and Channel

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

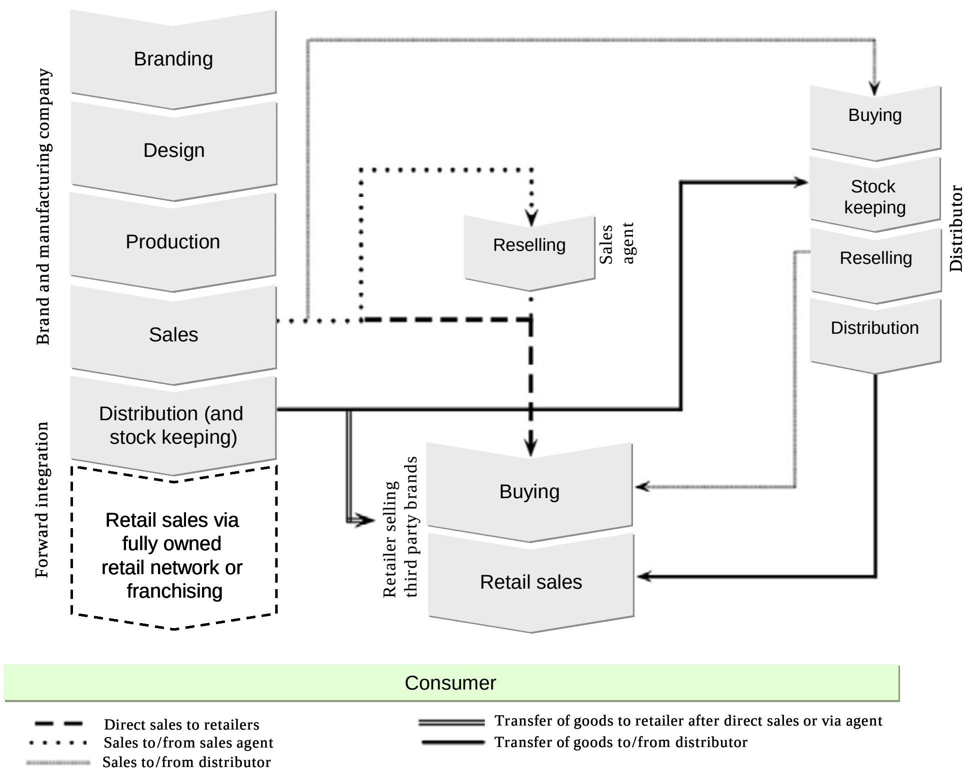
Exporting manufacturer with own design and brand name:

The manufacturers that belong to this category possess own design capabilities and produce 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%.[5] Sales agents on the other hand only mediate sales and act on a commission basis of around 10%.[6]

To excess more control over its output and obtain higher margins, the brand and manufacturer 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.



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

[5] CBI Market Information Database, the Outerwear Market in the EU, Sept 2007
[6] CBI Market Information Database, the Outerwear Market in the EU, Sept 2007

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.

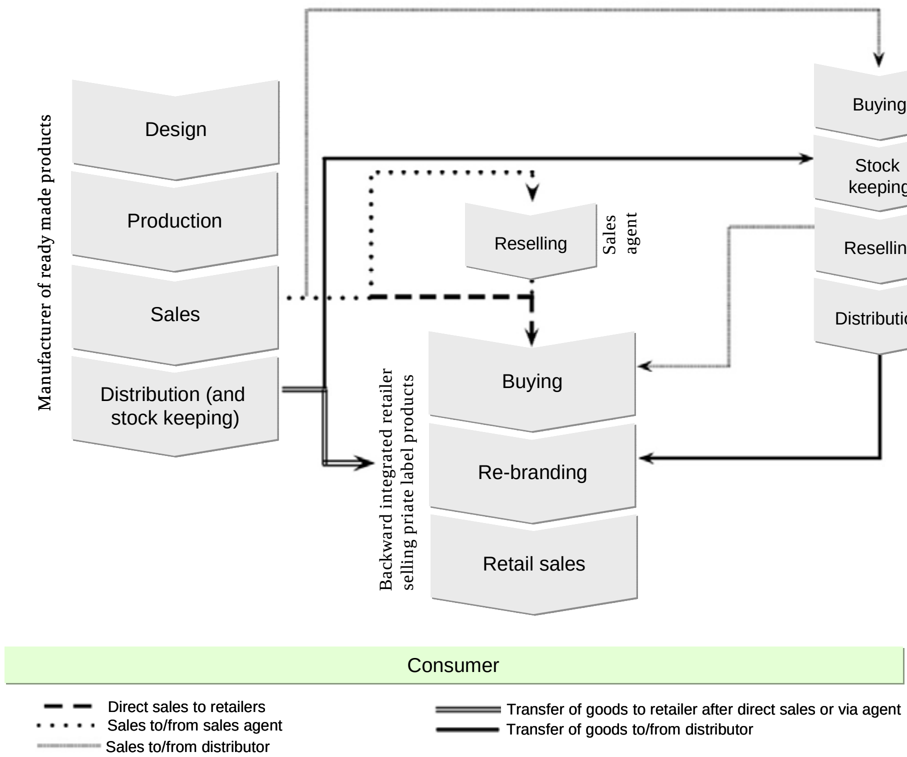


Illustration: Trading and distribution structure for exporting manufacturers of ready made products for private labeling

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 for these manufacturers.

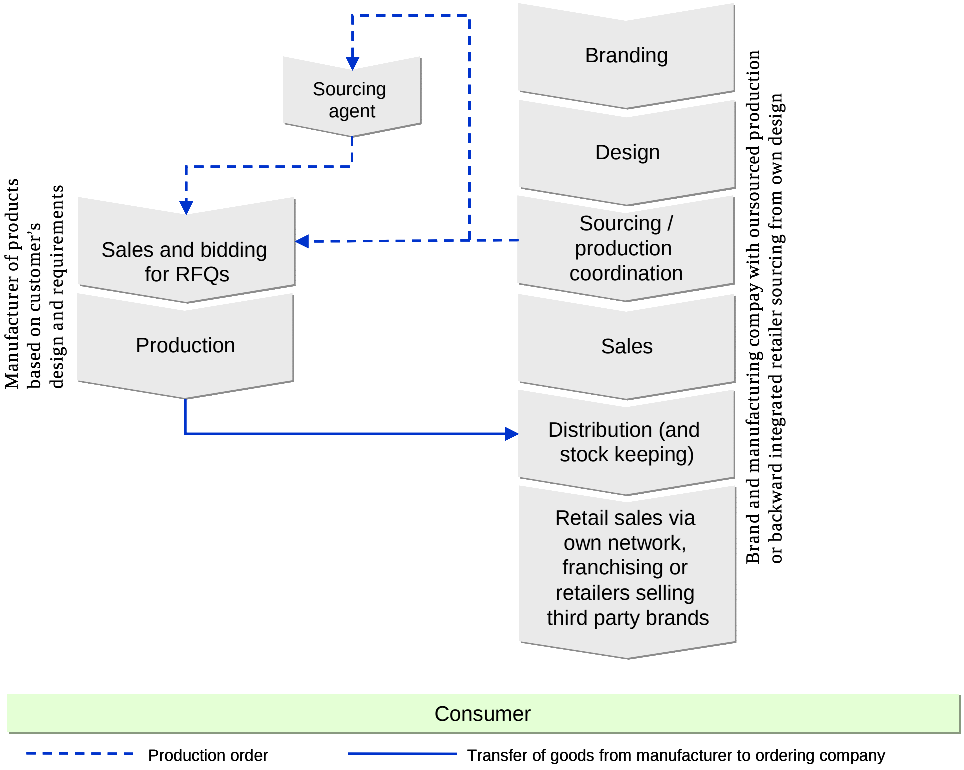


Illustration: Trading and distribution structure for exporting manufacturers that produce based on customers' design and requirements

7 Trade Regulations and Requirements

Sweden has a long tradition of giving a 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.

7.1 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, (LDC:s), 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, Chile and Mexico.[7]

Hand-made Products

Sweaters classified as handicraft enjoys duty-free entry from a number of countries with which the European Union has signed handicraft agreements. Hand-knitted sweaters are classified as handicrafts.

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.

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.[8]

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.[9] 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.

7.2 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.

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[7] *Tullverket.se (Swedish Customs)*
[8] *Market Brief - Garments, Swedish Chambers, 2007*
[9] *www.opentradegate.se*

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 Open Trade Gate Sweden.

7.3 Rates of Duty 2008

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	3.8%
Wool yarn < 85% wool	5%
Cotton yarn	5%
Yarn of flax	5%
Yarn of man-made fibres	4%

Source: Tullverket (Swedish Customs)

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 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 suppliers 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.

- **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, Labelling and Packaging

Sweden has some of the most strict requirements regarding marking of clothes. Most importers will provide the exact instructions concerning what must be included on the label of the garment, e.g. 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 are standardized sizing systems, but a lot of importers and retailer chains use their own grading tables. However, there is an ongoing process on the European market aiming to create a common European standard for sizing.[10]

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 Price Structure

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.

[10] *The Swedish Consumer Agency*

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	ca. 8
FOB price	ca. 44

10 Summary and Recommendations

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 percentage share of household expenditures on clothing and shoes has increased during the last years to 5.1%. 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.

A possible explanation for the increased household expenditures on clothing in recent years is the general upturn in economy that has led some consumers to trade up for better quality garments. Another contributing factor is the increased focus on ever shifting fashion trends. This influences consumers to buy new clothing at a faster rate than before in order to stay ahead of the latest fashion. However, there is a risk that the current downturn in the economy will moderate this increase in consumption.

Total exports of knitted and crocheted sweaters was 893 million SEK in 2007 which represents approximately one third of total imports of 2.7 billion SEK. Exports have increased every year since 2001. 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 (131 million SEK) and is dominated by wool.

Yarn in retail packages stands for very small trade values: exports 41 million SEK and imports 86 million sek. Norway, Germany and Turkey dominate imports. Import is dominated by wool and exports by cotton.

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. 31% of this is represented by H&M, the largest Swedish fashion retailer. Largest part of garments sold in Sweden is for women and most of the stores are either women's or mixed. A trend in recent years is that several large grocery stores have started to extend their offerings into non-food categories including garments.

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 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.

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 it could also be important with a cultural and/or ecological aspect. 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.

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.

There is clearly a market for hand-knitted sweaters from foreign cultures. In Sweden there has been an interest in Bolivian, Tibetian, Maroccean and other culturally labelled clothing.

Due to the recent downturn in the economy, consumption can be affected negatively, especially the high-end segments. This makes it necessary to combine the environmental aspect with competitive prices.

Appendix 1

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

Appendix 2

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 3

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

Category	Included in above	CN codes (4 digits)	Description
Garments		61.xx, 62.xx	
Outer-wear	Garments	62.xx	All garments apart from body-wear
Body-wear	Garments	61.xx	All garments apart from outer-wear
Knitted and crocheted sweaters	Outer-wear	61.10	Knitted and crocheted sweaters including jerseys, pullovers, cardigans, waistcoats, jumpers and similar articles
…of wool, cashmere or other fine animal hair	61.10	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	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	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	61.10.90.10 61.10.90.90	Knitted or crocheted jerseys, waistcoats, pullovers, vests and jumpers made of flax, ramie or any other textile materials not included in above

Source: SCB

Appendix 4

CN codes for yarn in retail packages

Category	Included in above	CN codes (4 digits)	Description
Yarn in retail packages	50	50.06.00.10	Yarn of ***natural silk*** in retail packages
Yarn in retail packages	50	50.06.00.90	Yarn of ***natural silk*** from waste in retail packages
Yarn in retail packages	51	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	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	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	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	51.10.00.00	Yarn of rough ***animal hair*** in retail packages
Yarn in retail packages	52	52.07.10.00	Yarn of cotton of more than 85% ***cotton*** in retail packages
Yarn in retail packages	52	52.07.90.00	Yarn of cotton of less than 85% ***cotton*** in retail packages
Yarn in retail packages	53	53.06.10.90	Yarn of ***flax***, simple, in retail packages
Yarn in retail packages	53	53.06.20.19, 53.06.20.90	Yarn of ***flax***, twined, in retail packages
Yarn in retail packages	53	53.08.20.90	Yarn of ***cannabis*** in retail packages
Yarn in retail packages	54	54.06.00.00	Yarn of ***synthetic filament*** in retail packages
Yarn in retail packages	54	54.06.10.00	Yarn of ***synthetic filament*** in retail packages
Yarn in retail packages	55	55.11.10.00	Yarn of more than 85% ***synthetic stable fibres*** in retail packages
Yarn in retail packages	55	55.11.20.00	Yarn of less than 85% ***synthetic stable fibres*** in retail packages
Yarn in retail packages	55	55.11.30.00	Yarn of ***artificial stable fibres*** in retail packages

Source: SCB

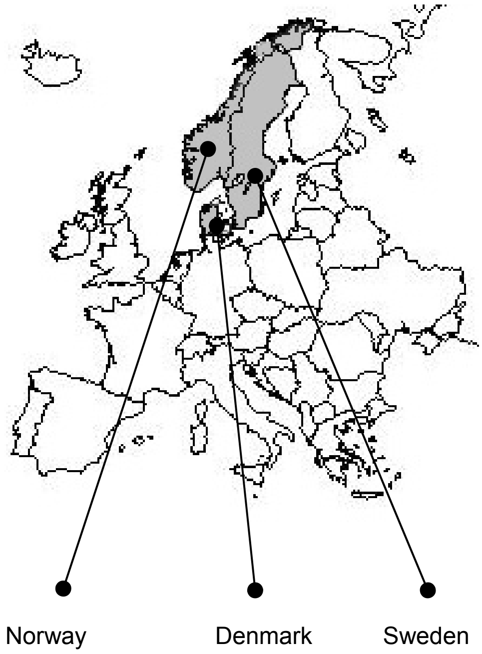
The Scandinavian Market

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