MARKET REPORT
2014/2015
Focus on the Scandinavian market
Fashion and Interior Design
## Index

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*Pictures in this report are selected from Shutterstock and Scandinavian Interior and Fashion Magazines to visualize a Scandinavian ambiance. (Sköna Hem, Lantliv, Elle Interiör, Damernas Värld and Filippa K)*
Introduction

The purpose of this report is to provide exporters in developing countries with market information in order for them to gain a better understanding of what they need to develop, adapt, and respond to, to be able to establish durable trade with Europe/Scandinavia/Sweden successfully.

Development of the private sector and growth in trade are of paramount importance to reduce poverty in developing countries. The industrialized countries are working at several levels to facilitate developing countries' access to their markets.

However, the obstacles for developing countries are numerous. Rules and regulations are complicated and many countries are not yet in a position to profit from the competitive advantages that they have acquired, for instance through the preferential customs schemes.

Competitive countries such as China, India, Vietnam, and South Korea have adapted to the preferential customs schemes over a longer period. The growth of their international trade has favourably impacted their development. Increased exports from these countries have led to increased domestic production and sales, and consequently raised living standards. Another result is that wages and raw materials prices have increased. In China raw material prices have gone up by 20-30%, as have working wages. Consumption, production, and buying relates to price (as well as quality) and due to this situation buyers are always searching for better prices and new markets.

This situation opens up new opportunities for other developing countries that can offer quality products and good prices. Scandinavian companies have moved much of their production to developing countries and both Scandinavian consumption and exports are dependent on this trade. The continued outsourcing of production and the increasing understanding of market knowledge amongst the producers in developing countries are key factors behind the increase of exports to Europe and Scandinavia.

In this report we highlight the conditions and the skills needed to succeed in creating long term and sustainable business opportunities, focusing on European and Scandinavian markets.
This report studies the market segment for fashion and interior decoration in Europe and focusing on the Scandinavian countries Sweden, Norway, and Denmark.

In terms of consumption, the fashion industry has expanded on the Scandinavian and international market over several years, and we see the same trend in the interior and lifestyle industry.

The number of magazines, television programmes, web shops, services, and products offered to the consumers in Europe and Scandinavia are steadily increasing which has led to increased sales and imports. More actors in the market has also increased competition to have forced prices down.

Another reason why the imports have increased is most likely due to a raised awareness and better understanding of the Scandinavian market amongst exporters. Producers in developing countries are continuously getting better at interpreting the Scandinavian market demands in terms of design, quality, consumers, business culture, and CSR etc.

Through a better understanding of the market exports of ready made products, designed and manufactured in developing countries, will have a great chance of finding their buyers in Scandinavia.

Many Scandinavian producers and wholesalers are continuously on the outlook for better production conditions and new types of products, most often in developing countries. Due to high labour costs and extensive taxation in combination with consumers’ demands for low priced goods, the producers/wholesalers are forced to move large parts of their manufacturing to countries where production costs are lower. This applies to the whole spectrum of producers, from small designer-driven companies to large wholesalers with international markets.

**MARKET DEFINITION**

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The standard of living in Scandinavia is high; the homes are spacious and well-equipped against the cold climate. Due to the long and cold winter/spring and autumn season the Scandinavian people spend most of their free time at home. We prefer to invite friends to our home instead of meeting outside our own environments.

Only during the summer from May to August do we spend a lot of time outdoors in our gardens, in restaurants and cafés.

Usually apartments and houses are planned for a separate kitchen, living room, bathrooms with toilet and shower/bath tub and one to several bedrooms depending on the size of family.

Scandinavian interior design has a very high international reputation; the significance of the style is the association with simple, uncomplicated designs, functionality, and a democratic approach.

There is a tradition of design in the Scandinavian countries, and there are many large design and art universities in all three countries. Well-known interior design companies such as IKEA, BO Concept, MIO, Slettvoll, and Bang & Olufsen are actively using design as one of their strongest competitive advantages.

The increased interest amongst consumers for interior decoration and design has struck Scandinavia with force the last couple of years, exhibited through the numerous new magazines, television programmes, specialized services, university courses, shops etc. that cater for this market.

This has resulted in consumers that are much better informed and educated when they proceed to select and purchase products for their homes and gardens. Design, brand awareness, quality, price and sustainability are all factors that play important roles for the consumers.

Fashion and accessories have always had high priority for the Scandinavian consumer. As the climate is changing from really cold winter to comfortable summer we need a wide variety of garments to adapt to the climate. The Scandinavian consumer is very sensitive to trends and changes wardrobe often, according to fashion changes.

Also within fashion there is a tradition of design and Scandinavian fashion brands have enjoyed great national and international success over the past 20 years. There are a large number of high fashion chain stores in a low price range like H&M, Lindex, Indiska and Kappahl. There are also high fashion brands such as Filippa K, Acne, Dagmar, Marlene Birger, Gant, and Tiger of Sweden that are growing both nationally and internationally.
Trends are the general direction in which something tends to move. You can find trends, changes, and cycles in everything; from fashion, film, music, art, and literature to consumer behaviour, politics, business, history etc. Trends can be defined as a change in behaviour and as a chain of events. The direction in which fashion moves is called a trend. You also see trends when looking at the general direction of the market.

As we live in a global world with access to an inexhaustible source of information through the Internet we are affected by a huge variety of trends. These trends are not always moving in the same direction and can also contradict one another. As the consumers belong to different target groups, so do the trends.

TRENDS CAN BE DIVIDED INTO THREE CATEGORIES:

**Long-term trends** relate to clear changes and opinions in the society. For example, environmentally produced products, sustainability, and CSR. The influence of the economy and politics can be vital for such changes. These trends can have an impact for 5 to 10 years or longer.

**Mid-term trends** are those that most of us follow for a slightly longer period of time - it could be style in interior design or shapes in fashion.

**Short-term trends** are those that only specific groups in society choose to identify with. Here you could find a wide variety of trends such as colour and styles and you need to be very familiar and adaptable to identify and pin-point the specific short-term trends.
Sustainability and the environment are big trends. Increased prosperity and income have shifted sustainability and ethical issues higher up on the consumer’s agenda. Consumers have increased their demands on how products on the market are produced (environment, production conditions, fair trade, CSR etc.) and are also willing to pay a higher price for ethical products. This requirement affects buyers, which in turn places greater demands on their suppliers.

Taking care of the environment is one of the most important issues for our society today and all areas, sectors and actors are affected by it, not least consumer behaviour and the demands a customer puts on a product. There is a growing level of environmental awareness on the market and most of us would like to contribute to creating a more sustainable planet. The global trend is to incorporate environmental considerations into purchasing decisions.

Thinking environmentally includes not only the organic and ecological issues but also the economic and social (fair trade) ones. When exporting to Europe and Scandinavia these are by far the most important issues that will have a long term impact on consumer behaviour and the way items are produced in the future.

Colour trends within interior decoration change almost as rapidly as they do in the fashion industry. New colour trends appear often every season. Although the Scandinavian market in general is rather conservative in their choice of colours (simple and pale nuances of white, black, grey, blue etc.). Lately, consumers have been starting to explore new colours in their homes. Products produced in more expressive colours are now finding their way into the Scandinavian homes.

The quality level and finish of the product (including packaging) has to follow market requirements as well as trade rules and regulations. These requirements are usually high on the Scandinavian market. Trade rules and regulations apply to the whole of the EU but the consumer demands for quality and durable products are higher in Scandinavia. The Scandinavian consumer is brought up and educated to be well aware about high quality standards. It is of the utmost importance that the products purchased in Scandinavia have consistent quality with little if any variation in the product series delivered. If a product is defect or if there are faults in production, the customer could make a claim for up to two years after purchase.

There is a trend towards the more individualistic. Consumers want to express their personalities in the way they dress and also in the way they decorate their homes. Choice of interior decoration moves from standardized generic offers to more specific life-style oriented offers. One-of-a-kind products that are not mass-produced find their market here as well as products that are loaded with more personal and emotional values. The interest in including global ethnic influences is growing both in fashion and interior design. However, the ethnic influenced products are usually adapted to the European / Scandinavian needs and style.

There is also a clear price trend where the increased competition on the market drives down the prices of most consumer products. Decreased prices require economies of scale, something that basically only the large producers can fully develop through their possibility to pressure the suppliers. This means that Scandinavian consumers are accustomed to low-priced products offered in a variety of discount stores and chains. The interest in these, often non-branded, products have increased in the market. It should be noted that these low-priced products display the latest designs that are in fashion are seldom of inferior quality.
The interest in gardening has increased during the last years. Even here, there has been an increase in the number of television programmes addressing gardening and outdoor activity. Currently, gardening is seen as a way of expressing yourself and the garden is a direct extension of the home with the possibility to offer a variety of new interior (and exterior) decoration products to satisfy the consumers.

There has been a trend for some time to present whole lifestyle concepts to the consumers. Within the Scandinavian fashion industry the concept of “lifestyle” has developed into concepts where you identify your customer by styling clothes, accessories, jewelleries and sometimes interior products for the target group they want to attract. This has been very successful within the fashion industry and the concept of lifestyle is now adapted by the interior decorating industry. Previously the stores only sold furniture with beds presented in one part of the shop, chairs in another and so on. Today, the stores try to understand which lifestyles their customers aspire to have and thereafter create settings that mirror these lifestyles. The result is furniture shops looking more or less like fully decorated homes. They no longer only sell furniture but also bed linen, cutlery, candles, music, flowers, accessories and even clothes. In other words, they have broadened their assortment tremendously the last couple of years. The large Swedish interior decorating store IKEA has used it as one of their business strategies since they started, but today, even smaller stores build the presentation of the products around concepts and lifestyles.

Storytelling, packaging and presentation have become part of another significant and general trend. Because of the conceptual trend to identify and meet the customer in the shop, there are also greater demands on communication with the client both in presentation and in-store product packaging. Storytelling adds a personal touch to the product itself as well as to the consumer identifying with the product. Today, a product’s packaging and presentation is almost as important as the product itself. Taking the company Apple as an example, one can see how they always create packaging that is just as big a part of the experience as the product itself.

The presentation of the products in the store is also important. The presentation can make the whole difference when the customer decides whether to purchase the product or not. Presentation is also a part of the lifestyle trend as products are now displayed together and in the way they would be used in your home or wardrobe.

The market for fashion and home decoration is increasingly going online. All over Europe, traditional outlets like department stores and mail order catalogues are extending their businesses to include sales online. Similarly, many new Internet shops are established every day. They have the Internet as their only sales medium, catering for niches in the market. Sales via the Internet have major advantages because it does not need intermediaries, existing stores, and sales staff. The difficulties are standing out and being visible, reaching out to customers, successfully delivering in a few days and handling complaints. Competition for customers is large and many companies offer free delivery and a full refund at no cost. It is also difficult to set up international web shops by suppliers in developing countries, thereby cutting a large part of the supply chain. The limited insight into the culture and consumer patterns of the end consumers, the difficulty to grab attention, and the high shipping and refund costs, are the main obstacles. It is more common and easier to set-up your online selling on a selected local market to avoid the more complex system. The companies that have the best success rate selling online are those that are also featured in a traditional sales venue, thereby maximising contact with the customers and using several channels for communication and sale.

MORE INFORMATION ABOUT TRENDS

There are several places to find trend information: The Internet offers a wide selection where you can go in and search both on the field interiors and fashion, or specific brands to get a picture of the prevailing trend. There is a large range of Trend Institutions that provide high quality information. The cost of this information varies, but is an excellent source for understanding current trends. International magazines are also a good source of information. Some magazines are now available via the Internet. To visit international fairs is often the best way to get a picture of the specific trends on different markets. See links later in the report.
Market Segmentation is the process of dividing consumers into different categories based on distinguishing characteristics. The impetus behind market segmentation is that it helps retailers identify customers who are most likely to buy their products. Small clothing retailers, wholesalers and manufacturers primarily focus on demographics, personalities and needs when segmenting their markets. This allows them to better reach non-buying consumers better and buying customers through advertising and other marketing efforts. These companies can also further differentiate their clothing or interior design products from key competitors. There are several types of key market segments used in retail clothing markets.

Gender-Related Segments
Small clothing retailers make frequent use of gender segments. For example, small, independent department stores may sell clothing lines for women, men and children. These clothing lines may include casual and business attire for both genders. The clothing items the department store features are usually contingent upon the season. Swimwear, for example, would primarily be sold in the spring and summer.

Age-Related Segments
Age is another distinguishing factor or demographic that helps clothing retailers determine their target market.

Geographic Segments
Savvy marketers and retailers know that customer-clothing preferences vary in different regions or geographical areas. One determining factor is weather. People living in warmer climates wear shorts and swimwear for longer periods, for example. Contrarily, the market for coats and jackets is greater in colder parts of the country.

Behaviour-Related Segments
Consumers’ choices in products, including apparel, may also be behaviour-related. For example, customers may purchase a small manufacturer’s clothing line for prestige. They may also shop at certain clothing or interior stores for better quality, service or other factors that are important to them.

Lifestyle Segmentation
Lifestyle represents a growing market segment on which small clothing retailers and manufacturers base their product selections. A concept where you identify your customer by styling clothes, accessories, jewellery, and sometimes even interior products to attract a specific audience.

Social Responsibility
Lately, an increase in consumer consciousness in Scandinavia tied to social responsibility has been evident. Consumers are starting to demand that the products sold on the market are produced under humane conditions and that there is minimal environmental impact during production. This can also be seen through increasing corporate social responsibility (CSR) where Scandinavian companies not only follow the rules and laws in the country but also try to improve the quality of life for employees and their families as well as for the local community and society at large. Consequently, many programmes and projects are being initiated where Scandinavian companies and organizations actively look for partners with whom to cooperate in developing countries. Also, there are many consumers in Scandinavia that see an advantage in purchasing products produced in developing countries as they feel that this is a way they can support the economic development in these countries.

Function
Utility - Basics that you need for everyday use in your home and wardrobe. Displays mainly a functional value and enjoys an everyday usage in the homes and basic wardrobe for everyday life of the consumers. In this segment the customers typically buy a product for their own
personal use, or for their family. The product is bought when the need arises such as when a broken plate has to be replaced. Products within the utility segment have a large market of regular consumers. Value for money is regarded as an important factor when purchasing these products. The products can be bought in various shops, from supermarkets, department stores to home furnishing stores.

**Casual** - The things you add on to create your personal touch, to your home or your wardrobe. These products represent the second largest market segment, after utilities. This is often impulse purchase that is influenced by trends and inspiration from media or influenced by acquaintances’ style. The customer is willing to spend a higher price for these products. The products can be bought in various shops like department stores, specialized, and lifestyle stores.

**Party** - In fashion there is always a demand for party-wear and the trend to dress up for evening and a special occasion is growing. For interior design this translates into presents or decorations as a growing segment. Products bought for special occasions such as birthdays, Christmas, dinner parties, graduations etc. are typical gift articles. Scandinavians like to bring a present with them when they go to dinners and birthdays. They are also very fond of receiving gift articles and especially articles that have a functional use.

The **middle market segment** for fashion and interior design products has been suffering lately, is now slowly being taken over by the supermarkets that can offer good quality products at very competitive prices due to their economies of scale. A contradictory trend is that environmentally aware consumers have started to buy a few high quality items rather than mass-produced items in bulk. The middle market segment is now slowly gaining market shares and is expected to grow in the coming years.

The increased quality and brand awareness amongst the consumers is an important characteristic of the Scandinavian market. Specialty segments and specific goods have a niche in the market. Companies that can provide unique products, tying into the latest trends and offering high brand value, will find opportunities to enter the Scandinavian market.

**PRICE SEGMENTS and BRANDS**

Fashion and Interior design products in the **low price segments** have shown the largest growth in the Scandinavian market over the last couple of years. Supermarkets and hypermarkets introducing non-food products in their assortment have been the leaders in this development. In addition to groceries, they are now offering a great variety of other products such as sporting equipment, clothes and interior decoration products at low prices. Initially these were non-branded products, but today it is becoming more popular amongst these retailers to create their own brands to try to serve the brand conscious public.
The imports within fashion, interior decoration (including furniture), and accessories are increasing. For example, the consumption of fashion (clothing and shoes) has increased by 11% since 2008. For interior decoration (furniture, lighting etc.) the consumption has increased by 5% since 2008.

Domestic production in Sweden is very low due to relatively high costs of labor in production. However, an increasing number of small producers within interior decoration produce on the Scandinavian market.

Imports to Sweden and Scandinavia not only cover the region’s own consumption but also re-sale and re-exportation of both fashion and interior decoration products to other EU countries and outside the EU.
Swedish import 2012 SEK thousands according to SITC*

- Leather, leather manuf. ; dressed furskins: 678 783
- Cork and wood manufact. , excl furniture: 7 028 070
- Furniture and parts thereof: 15 153 798
- Travel goods, handbags and sim. Containers: 2 360 161
- Articles of apparel; clothing accessories: 29 802 616
**BUSINESS OPPORTUNITIES**

**OUTSOURCING**

Many Scandinavian producers of fashion and interior decoration products are continuously on the outlook for better production conditions, most often in developing countries. Due to relatively high labour costs and taxation in combination with consumer demand for low priced goods, the producers are forced to move large segments of their manufacturing to countries where production costs are lower. This applies to the whole spectrum of producers, from small artisan- or designer-driven companies to large companies with international markets.

Another reason why Scandinavian companies need to outsource their production is the lack of local production knowledge. Due to the high labour costs, many companies with labour-intensive manufacturing have had to close down their businesses as their products become too expensive for the end consumers.

Some of the high end and middle price brands are now starting to compare costs for salaries, freights, delivery time and environmental values and there is an on-going evaluation discussion about going back to production in Europe.

This is partly due to the rise of production costs in well-established developing countries like China, Vietnam and India. But also because of the unemployment situation in Europe, along with environmental values that influence European companies.

**NEW and UNIQUE PRODUCTS**

Scandinavian companies and consumers are interested in new and unique products. It is hard to launch a brand in the Swedish or Scandinavian market but many buyers are purchasing through trade fairs, wholesalers and agents. If you have a unique products you have a possibility of selling to the Swedish/Scandinavian market. In order to know whether your products is unique or new you have to do your market research of course. The uniqueness could be for instance the design used, the material used for the products, the heritage or a better price.

**TRADE STRUCTURE and DISTRIBUTION CHANNELS**

The imports to Scandinavia are dominated by importing wholesalers selling to retailers and a few big integrated retailing groups dominate. An agent or a distributor could work for a wholesaler or for themselves. Agents and Distributors often select brands or products that suit their customer base.

Wholesalers that are selling to retailers import all the product groups within the scope of this report. These companies also export to the neighbouring Scandinavian countries as well as countries further away.
When goods move from the producer to the consumer they have to pass various intermediaries. In some cases product transformation may take place, especially in packaging and labelling.

**INTEGRATION OF MANUFACTURING**

On the Scandinavian market there is usually no clear distinction between manufacturers, wholesalers, and retailers. As said before, an integration of the different functions in the supply chain is very common. You will find companies like H&M (clothing/lifestyle/interior/accessories), IKEA (interior/furniture), Jysk (furniture/home textiles), Bauhaus (furniture/interior), Mio (furniture/interior), Åhlens (lifestyle/clothing/accessories/interior), DUKA (interior appliances), Indiska (lifestyle/clothing), Lindex (clothing/accessories), and others engaging in manufacturing, importing, and retailing.

This integration enables these retailers to keep control over the whole production and retailing chain and strengthen the possibility to offer customers affordable products with good quality standards. Although they strive to have an integrated chain of production and retailing it is very rare that the Scandinavian companies own their own production facilities.

One trend is apparent though; companies with a tradition in and that are well known for retailing are engaging extensively in their own production in developing countries.

Many Scandinavian buyers visit trade fairs in Asia to meet suppliers and look for new products. Many wholesalers also exhibit at the leading fairs in Europe.

For smaller exporting companies of readymade goods it is recommended to approach the wholesalers, since the retail market is so diversified with a vast number of companies. A good way of getting in touch with potential Scandinavian importers is to exhibit at trade fairs in Asia or in Europe/Scandinavia, since buyers are there to meet suppliers and look for new products.
RETAILERS

Retailers also do their own importing. Retail trade in Scandinavia is dominated by a few big integrated organizations active in importing, wholesaling and retailing. The larger retail chains import directly themselves, but sometimes retailers also make use of agents or have their own purchasing offices. This makes the market in Scandinavia a buyer’s market. Examples of the large retail organizations are:

ICA, a retail co-operative. ICA imports through its importing company, called ICA Handlarnas AB. ICA is mainly active in Sweden and Norway.

Dansk Supermarked consisting of a number of supermarket chains and mega stores such as Bilka, Netto and Føtex.

Coop Norden imports large quantities of goods, often in connection with a specific “theme weeks”, directly to the end users.

Axfood, one of the largest food retailers in Scandinavia listed on the stock market. Axfood conducts food retail and wholesale trade in Sweden.

Supermarkets and hypermarkets, such as the above mentioned, are one type of retailer that is now introducing interior decoration and fashion in their range, in order to increase their turnover and get higher margins.

Besides the large wholesalers and importing retail organizations there are a number of more specialized importers such as wholesalers, specialty stores, or independent retailers that have strong local contacts in the exporting country. Often this group of importers mainly purchase goods according to specific designs especially adapted to the Scandinavian style and taste, or high quality handicraft.

DEMAND FOR NEW PRODUCTS

Due to the individualization trend, many Scandinavian consumers are looking for new ways that can help them in their quest to differentiate themselves from the rest of the population. The traditional way of doing this is through fashion: choosing clothes that define your identity. The way you decorate your home can also be used to distinguish yourself. Exporters from developing countries can most likely provide fashion and interior decoration products that can help the consumers in creating these unique personalized styles.

The best way to get to know the market is to study brands in the segments that your production / brand could fit into. Please find recommended links under introduction to market.

BUSINESS TERMS & REQUIREMENTS

Scandinavian importers emphasize the need for long-lasting business relationships with the foreign suppliers as it takes a long time to build up the necessary trust and to ensure that the quality of the articles lives up to expectations. This, however, does not mean that they are not open to new suppliers, but the exporter must prove that his/her company and products are absolutely reliable before a Scandinavian importer will consider him as a new supplier. Therefore, the first impression and the first meeting is critical, so knowing about the Scandinavian business practices as well as about the quality culture is an advantage.
Certain customer and client requirements are common for all business sectors and should always be kept in mind. Some of the most important are:

**QUALITY**

It is of vital importance that the product satisfies the customers quality requirements regarding function, design, durability, reliability, environmental friendliness and other features. Deliveries must be in accordance with the agreed specifications, without errors or deficiencies. Certain tolerances are often agreed and may be included in the agreement as acceptance criteria. Not only the product itself, but also the packaging, documentation etc. may be subject to customer requirements. If the customer has a complaint, he or she will expect effective and efficient handling. Products that do not conform to these requirements should be corrected without delay and at the supplier’s own expense.

**ABILITY TO DELIVER**

Reliability with respect to delivery is essential. Scandinavian importers are operating on tight schedules and the selling seasons are short. Some articles can also be very seasonal, for example if the articles are to be used as Christmas decorations or summer accessories. Keeping delivery time for such products is crucial, as there will be no market for delayed shipments. Many importers expect the supplier to take responsibility and solve the issue of late deliveries. In such cases suppliers must be ready to find alternatives for more quick delivery possibilities than originally planned in order to deliver the products on time. This often means that the products must be delivered by air.

An exporter’s ability to secure safe and reliable deliveries is increasingly becoming a competitive advantage equal in importance to price. The future of a new business relationship will therefore depend on the exporter’s ability to state a realistic delivery time that can be kept.

**COMMUNICATION**

Efficient communication requires skills in the English language, which is the only non-Scandinavian language you can depend on. All marketing information, brochures and websites must be in English and professional assistance when translating is recommended. Poor translation will convey the impression that the company is not professional.

**VALUE FOR MONEY**

Price is always of importance, but a low price alone is not sufficient to attract customers. Scandinavians tend to consider Value for Money, the value of the product and service they receive in relation to the cost.

**CONSUMER CONSCIOUSNESS**

Over the last decade, consumers in Scandinavia have increasingly paid more attention to the ethical conduct of business, which has given rise to the term “political consumers.” Many Scandinavian companies use a code of conduct.

A code of conduct is a voluntary written policy committing the supplier to social and ethical business operations. Companies often base their social codes of conduct on the conventions of the ILO (International Labour Organisation). A wide variety of social codes of conduct have been developed over the years. Many companies also use their codes as a means of promotion and marketing.

The “political consumers” term implies that there is a strong tendency towards Scandinavian consumers placing greater demand on importers and manufacturers. They must be able to guarantee that the products imported from developing countries have not been made using, for example, child labour or have caused industrial pollution or otherwise harmed the environment during manufacturing. Therefore, by getting involved with Scandinavian importers many suppliers from developing countries will be asked to sign a contract or statement guaranteeing that the production is carried out without violating the above mentioned issues.
SWEDISH AND
SCANDINAVIAN
BUSINESS CULTURE

CONTACT WITH IMPORTER
Scandinavian business people may appear somewhat formal at first, but are likely to show a more informal side of them quickly, just as the dress code sometimes may seem a little relaxed to a foreign business person. However, they are likely to get down to business right away and are generally conservative and efficient in their approach to business meetings. Handshakes are the accepted form of greeting. Business entertaining is usually done at lunch, and more rarely at dinner in a restaurant.

BUSINESS CULTURE
Each of the Scandinavian countries has its own national culture, but there are so many similarities that it makes sense to talk about a Scandinavian culture and a corresponding Scandinavian business culture. Here are a number of key points that are worth studying when starting co-operation with a Scandinavian partner:

RULES BEFORE RELATIONS
In business, Scandinavians put rules before relations and normally there is a clear distinction between personal and professional relations. The Scandinavian may not seem very interested in getting to know his trade partners personally, but this does not mean that he is not interested in doing business with them.

POWER DISTANCE
Scandinavians are very keen on equality. Compared with many other countries the business hierarchy is fairly ‘flat’, and the power distance relatively small between employees on different company levels. It is important to be polite and respect staff members on all levels of the hierarchy.

WOMEN IN BUSINESS
Scandinavia has the world’s highest rate of women in the workforce. Exporters are likely to meet women at any level of the companies and exporters should be prepared to work with women at all levels.

PUNCTUALITY
Being punctual is not only regarded as a sign of respect but also of efficiency. Being late for an appointment is regarded as lack of respect for the person you are meeting and his/her time. Scandinavian businessmen will have little understanding for the cultural variations on this subject. Punctuality in arriving at meetings will be looked upon as an indicator of the punctuality of supplying the goods. Should a delay occur, it is important to give notice as soon as possible.

NEGOTIATING BUSINESS TERMS
The Scandinavian business partner is likely to be honest and direct regarding what he or she expects from you and with what they themselves can contribute. It is important to be very precise when negotiating terms. Exporters should not accept any terms that they are unable to fulfil. “No”, is a perfectly acceptable word in Scandinavia and nobody will be offended by an explanation that delivery according to a certain specification is not possible as long as the specification has not previously been agreed on. In many cases it is possible to make allowances from the Scandinavian side to make the deal come through anyway.

THE CONTRACT
Scandinavians like written contracts. In some cultures a contract is a letter of intent, and the business partner is satisfied if the exporter does his best to live up to the terms. This is not the case in Scandinavia where the business contract is considered irrevocable and a partner will expect the contract to be fulfilled to the letter. If the trade partner does not comply, he will be considered unprofessional or even dishonest. Do not sign a contract unless you are 100% sure that you can live up to all terms for as long as the contract stands.

GIFTS
It is not common for business associates to give each other gifts. Therefore, in order not to embarrass your Scandinavian business partner the best choice is to present gifts of low value.
FOLLOW UP

It should never be assumed that the Scandinavian importer would follow up on the business offer; the follow-up is always expected to be made by the exporter. A follow up call will give an idea of the need and purchase pattern of the Scandinavian importer, which may help evaluate the compatibility of the product.

You can also visit or participate in fairs/exhibitions that focus on the area that suits your production or brand vision.

Contact with Trade Associations and advertising in trade magazines is also a way to get in contact with the buyer as many companies looking for new products or producers will contact a trade association, chamber of commerce or embassies in countries they are interested in.

CONTACTING THE BUYERS

There are many different ways to get in contact with a company/buyer.

The Internet is a fantastic source of information that is very helpful to find information and make contacts. Start by looking up the companies that sell products in your specific area of production. Select size of company, quantity, quality level, price level, etc. that suits your production. Prepare a presentation that caters to the companies you contact with information containing your company profile, pictures of products you have and are producing clearly presented, other companies you have produced for as a reference, contact information, web site etc.

Send an e-mail to the buying/production department, it is often mentioned on the company website.

After you have sent this e-mail you can also contact the company by phone and ask for an appointment.

WHEN MEETING THE BUYER

First impression is very important so be prepared with the following information:

- Company profile, preferably visualized with samples or pictures.
- Production potential and delivery time – important that this is relative to the production capacity - never promise more than you can deliver.
- Pricing information according to quantities that are requested.
- CSR and sustainability standards, the more precise the better.
- Lasting relationships are built upon trust.
- Keep regular contact and follow up all inquiries.
TRADE RULES AND REGULATIONS

For many decades the Scandinavian countries have given developing countries preferential treatment when exporting to their markets. Sweden and Denmark are both members of the European Union and thereby also part of the EU customs union. This means that trade rules and regulations that apply for Sweden and the other Nordic and Baltic countries apply also for the other EU member countries. There are different preferential agreements for developing countries exporting to the EU. These preferential agreements could apply both to countries and to products.

The Generalised Systems of Preferences (GSP) applies to all EU countries, even though there may be slight differences between the EU members. GSP treatment means that products from developing countries, with a few countries excepted, are entitled to reductions on duties when imported to the EU and Scandinavian market. In total, GSP covers about 170 developing countries, including the Least Developed Countries (LDCs - http://www.oecd.org/dac/). There are also other preferential agreements, for instance the Cotonou Agreement, which cover 79 developing countries in Africa, Caribbean and the Pacific Ocean (ACP).

The developing countries belonging to the Least Developed Countries (LDC) have been granted duty and quota free access for all products within the scope of this report. In the EU this initiative is referred to as the Everything But Arms (EBA) initiative. In Norway, the LDCs were granted duty-free access for all products except arms from 2002. The only exception from this duty-free rule is the import of cultural-historical treasures or endangered species.

RULES OF ORIGIN

To benefit from the lower or zero rate customs duties the products must comply with the Rules of Origin. The export product has to originate in a country covered by a free-trade agreement or a preferential arrangement, like the GSP. A product is generally said to confer origin in a country if it is wholly obtained or sufficiently processed in that country. A product can contain elements from other countries than the country where the goods are produced. In such cases, the rules of origin are applied to determine how many of the materials can come from other countries, or how much the product must be processed in order to allow the product to have originated status in the producing country. For a manufactured product the rules of origin applied are where the product was last substantially changed.

PROOF OF ORIGIN

Proper documentation is required to manifest the Rules of Origin.

A GSP proof of origin must be issued by the exporter in the developing country and certified by the customs authorities of the exporting country.

The Eur.1 Certificate of Origin is stipulated under the Cotonou Agreement and is valid for exporters from ACP countries with bilateral free trade agreements with the EU countries. At the time of writing, economic partnership agreements (EPA's) are being negotiated between EU and the ACP countries. The aim is to further harmonize the rules of trade with WTO's rules. The outcome will most likely give more favourable conditions for exporters from developing countries and will substitute the Cotonou agreement.

The following documents of origin are valid:

- Certificate of origin Form A or Eur.1
- Invoice declaration

Certificates of origin Form A are issued by the EU-recognised competent governmental authorities of the exporting country (usually ministerial bodies) if they find that the exports meet the requirements of the rules of origin. Form A is also used for exports to Norway.

Instructions on how to complete the certificates can be found via EU's Export Helpdesk website (www.exporthelp.europa.eu). The invoice declaration is a standard text (also to be found on the helpdesk website), which is made on the basis of an invoice, or any other commercial document, by any exporter.

The good must be transported directly from the country of origin to the EU market (or countries which are part of the EEA agreement with the EU like Norway and Switzerland). The importer must claim preferential treatment at the time of customs clearance. There is no automatic consideration. GSP preferential rates of duty applied
must always be documented by a valid proof of origin issued in the GSP country concerned.

**HAND-MADE PRODUCTS**

Several of the products in this market brief are often made by hand. If they are certified as hand-made by the appropriate EU authority, they will enjoy duty-free quotas from a number of developing countries with which the EU has signed handicraft agreements. In Norway this rule is not relevant for the interior decoration products in this report, since they already are duty-free.

**CLASSIFICATION OF GOODS**

Correct and accurate classification of goods is of utmost importance for obtaining the preferences. All products that are being traded globally are classified according to an international classification system called the Harmonized Commodity Description and Coding System, normally referred to as the Harmonized System, or simply the HS. A further development of the HS is the Combined Nomenclature System (CN) for international trade statistics in the European Union.

In the table below are the general tariffs for the different product categories of interior decoration products, as well as the reductions for developing and least developed countries. Note that the codes are only four digits. Usually there are 8 digits for a specific product, for example 4419001000 is table- and kitchenware of tropical wood. Group starting with 4419 is, accordingly, table- and kitchenware of wood.

**Example tariffs Accessories**

Chapter 62 refers to articles of apparel and clothing

**General Tariffs Interior Decoration**

<table>
<thead>
<tr>
<th>CN Code</th>
<th>Description</th>
<th>General Tariffs Developing Countries</th>
<th>Least Developed Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>4419</td>
<td>Tableware and kitchenware of wood</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>442001</td>
<td>Statuettes, ornaments of wood, wood marquetry and inlaid wood</td>
<td>0-4</td>
<td>0</td>
</tr>
<tr>
<td>442090</td>
<td>Caskets and cases for jewellery or cutlery and similar and similar articles of wood; wooden articles of furniture not falling in Chapter 94 (Furniture)</td>
<td>0-4</td>
<td>0</td>
</tr>
<tr>
<td>4602</td>
<td>Basketwork, wickerwork and other articles made directly to shape from plaiting materials or made up from goods of heading 4601; articles of wood</td>
<td>1.7-3.7</td>
<td>0</td>
</tr>
<tr>
<td>6702</td>
<td>Artificial flowers, foliage and fruit and parts thereof; articles made of artificial flowers, foliage or fruit</td>
<td>4.7</td>
<td>0</td>
</tr>
<tr>
<td>6912</td>
<td>Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china</td>
<td>5-9</td>
<td>1.5-5.5</td>
</tr>
<tr>
<td>6913</td>
<td>Statuettes and other ornamental articles</td>
<td>3.5-6</td>
<td>0</td>
</tr>
<tr>
<td>6914</td>
<td>Other ceramic articles</td>
<td>3-5</td>
<td>0-1.5</td>
</tr>
<tr>
<td>741819</td>
<td>Table, kitchen or other household articles of copper</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>830621-29</td>
<td>Statuettes and other ornaments of base metal</td>
<td>0-2,7</td>
<td>0</td>
</tr>
<tr>
<td>830630</td>
<td>Photograph, picture or similar frames, of base metal; mirrors of base metal</td>
<td>0-2,7</td>
<td>0</td>
</tr>
<tr>
<td>9505</td>
<td>Festive, carnival or other entertainment articles, including conjuring tricks and novelty jokes</td>
<td>2.7</td>
<td>0</td>
</tr>
</tbody>
</table>
IMPORT REGULATIONS

Importing goods to Scandinavia is governed by a complex set of EU and national directives, laws, regulations and standards. The aim is to ensure consumer safety, to protect the environment and limit other risk factors. Different product groups are governed by different rules. The importer is responsible for compliance with the legislation, and local authorities in the importing country will check compliance. Consequently, the importer will require certification from suppliers that products meet the requirements.

Generally, the legislation is determined by the material from which the product is made and the function of the product. It is therefore difficult to list specific regulations applying to lifestyle products which cover a variety of products within interior decoration, clothing, or other articles. Some of the high risk products and substances that also are regulated in the EU that exporters of lifestyle products must be aware of are the following:

- Azo dyes
- Benzene - used as stabilizers in plastic
- Formaldehyde - used as glazing or bonding agent
- Pentachlorophenol (PCP) - used to prevent fungal growth in wooden toys
- Polychlorinated biphenyl (PCB) and terphenyl (PCT) - used as softeners in plastic products
- Phthalates - added to PVC
- Asbestos - used as filling material in plastics
- Cadmium - used as pigment or stabilizer in paints, plastics, ceramics and glassware
- Nickel
- Mercury
- CFCs, HCFCs and halons - used as foaming agents

For textiles and clothing, for example, it is important to know what chemicals have been used in the dyeing and washing process since the EU regulates many chemicals - more information can be found via EU’s Export Helpdesk (www.exporthelp.europa.eu) and through the PRIIO database via the Swedish chemicals agency (http://www.kemi.se/en/).

TERMS OF DELIVERY

The transport of goods from developing countries to Scandinavia represents a considerable cost. The importance of reliable and safe transportation makes it necessary to investigate the best possible way of shipping the goods. In order to specify who pays for which part of the transport and where the liability transfers from one part to the other, the Scandinavian importer will refer to the Incoterms. These terms are internationally recognized and developed by the ICC (International Chambers of Commerce), clarifying the responsibility for arranging and paying for the transportation and insurance. More information can be found on www.iccwbo.org/incoterms/.

In most cases it is recommended for all but the most experienced exporters to work through a forwarding agent or shipping agency when initialising export to Scandinavia. Most international freight forwarders have offices in the Scandinavian capitals and are able to provide a range of different services. The use of local postal services for international transportation of goods tends to be slow and unreliable and should be avoided unless specifically agreed with the importer.

PACKAGING AND LABELLING REQUIREMENTS

Packaging and labelling are important parameters when dealing with interior decoration products as well as for clothing and accessories. The packaging of products has two functions: A functional and protective purpose when the products are transported from one country to another and a presentational purpose for the end consumer.

There are also a number of legal requirements for packaging and labelling. The requirements depend on the nature of the goods and whether the product is destined for industrial use or direct consumer use. The Scandinavian countries have a strong tradition of protecting the consumers. A number of EU requirements have been developed to protect consumer health and safety and aim at providing consumers with relevant information about the products. The Scandinavian countries have long experience in environmental labelling.

Many articles within interior decoration are fragile and travel long distances from most developing countries before arriving in Scandinavia. Therefore it is important to pack them in such a way that rough handling or bad weather conditions will not affect them. For example the articles can be packed in solid boxes with cushioning for protection, and thereafter placed on pallets to minimize the risk of damage.
When placed on the market, textile products shall be labelled and marked in a durable, legible, visible, and accessible way to indicate their fiber composition.

Generally, it is recommended that the specific product requirements regarding packaging and labelling should always be agreed upon and specified in the contract between the exporter and the Scandinavian importer in order to meet expectations and to comply with EU regulations. The responsibility for compliance with Scandinavian regulations rests with the importer and consequently, the importer usually informs the foreign supplier of his specific product requirements as well as requirements for packaging and labelling. It is the company that puts the product on the EU market (e.g. the importer) which is responsible for relevant regulations including labelling, product safety etc for the EU market. If you sell directly to the end consumer you are responsible for the labelling etc. For textile products consisting of two or more textile components not having the same textile fiber composition, the fibrous composition for each component must be indicated.

PACKAGING AND LABELLING AS A COMPETITIVE ADVANTAGE

The presentational purpose is also an issue for the foreign exporter to take into consideration, as an attractive consumer package is a good sales argument. The quality of the product can be underlined by the way the article is displayed, meaning that the package should match the design, image, quality, and price of the product. As mentioned earlier, some consumers in western countries assume that products originating from a developing country are of an inferior quality. This makes it even more important to be able to present the products in an attractive way. Furthermore, some importers stress the importance of the ability of their suppliers to work creatively with the packaging of the products based on the guidelines received from the importer. The expansion of the e-commerce market with a direct interface with the end consumer, also when it comes to transportation, has greatly increased the demand for individual, high-quality packaging, along with labelling and bar coding. The more efficient this interface and value chain is towards the consumer, the lower the retail price can be. Thus packaging solutions become part of being competitive and a distinguishing point.

YOUR EXPORTS

To find your product classification code, requirements specific to your product, general product safety as well as the information about labelling and packaging that applies to your product or line of products you can enter EU:s Export Helpdesk - www.exporthelp.europa.eu

The helpdesk is available online and is where you can find information you need to proceed with your exports. Please find the address here: www.exporthelp.europa.eu

For assistance on trade rules and regulations tied to exporting to the Swedish market (and the EU), you can also contact Open Trade Gate Sweden – www.opentradegate.se
There are some basic recommendations that should be taken into consideration when exporting to Scandinavia. These recommendations are briefly described below.

**Delivery Precision**
It is vital that product deliveries are made at the right time, to the right place and in the right quantity.

**Quality**
The quality and finish of the product (including packaging) has to follow market requirements. These requirements are usually very high on the Scandinavian market. It is also important that the products have consistent quality with little if any variations in the product series delivered.

**Ethics and Sustainability**
Products exposed to the Scandinavian market have to comply with the latest requirements in terms of ethics and sustainability ensuring low environmental impact and fair labour conditions according to the buyer's demands. These demands could vary from different product areas and buyers.

**Dialogue and Cooperation**
Scandinavians are rather non-hierarchical and prefer dialogue instead of one-way communication. This means that exporters should try and build professional dialogue-based relationships with their counterparts in Scandinavia. Through these relationships, the exporters may gain great knowledge concerning market conditions, consumer preferences etc.

**Contact Introduction to Market**

**Trade Fairs**
Trade fairs are good platforms through which to understand more about the local customers and business culture, to get information about future market trends, meet potential business partners and get inspiration.

A good question to ask yourself when considering participating in a trade fair is what your goal is and whether you have the time and budget to make it worthwhile. If you have not participated in a trade fair before, it might be advisable to visit an international trade fair before participating and exhibiting your goods.

Links to Scandinavian and European interior and fashion fairs:

**Interior Fairs:**
- **Sweden**
  Formex, www.formex.se
- **Norway**
  Gift & Interior, www.messe.no/no/GaveInterior
- **Denmark**
  Formland, www.formland.com
- **Finland**
  Forma Fair, www.formamessut.fi
- **Germany**
  Tendence, www.tendence.messefrankfurt.com
  Ambiente, www.ambiente.messefrankfurt.com
- **France**
  Maison&Objet, www.maison-objet.com

**Fashion Fairs:**
- **Sweden**
  Stockholm Fashion Week
  www.stockholmfashionweek.com
- **Norway**
  Moteuka, www.moteuka.no
Denmark
Copenhagen Fashion Week
www.copenhagenfashionweek.com

Germany
Berlin Fashion Week, www.fashion-week-berlin.com

UK
Pure, www.purelondon.com

France
Eclat de Mode – Bijorhca/ jewellery, www.bijorhca.com

Italy
Mmic /shoes, www.bijorhca.com
Mipel-Bags and leather, www.mipel.com

LINKS MAGAZINES
To find and order Scandinavian and international magazines please visit www.tidningsbutiken.se, here you can find the magazines below:

INTERIOR
Scandinavia
Elle interiör, Sköna Hem, Plaza Hem, Vårt Nya Hem

International
Elle interior UK/France, Country Living

FASHION
Scandinavia
Damernas Värld, Elle, Plaza Mode, Femina, Lantliv

International
Elle UK/France, RED, Vogue UK/Italy, Marie Claire UK/ France

All magazines listed above have their own websites where a lot of the editorial material can be found.

LINKS TO TREND INSTITUTES/INFORMATION
Trendunion
www.edelkoort.com

Nelly Rodi
www.nellyrodi.com

Promostyle
www.promostyl.com

Moderådet
www.svenskamoderadet.se

LINKS TO TRADE ASSOCIATIONS IN SCANDINAVIA
Chamber Trade Sweden
www.chambertradesweden.se

Open Trade Gate Sweden
www.opentradegate.se

The Swedish Association of Agents
www.agenturforetagen.se

Swedish Trade Federation
www.svenskhandel.se

The Swedish Retail Institute
www.hui.se

Fair Trade Sweden
www.rattvisemarkt.se

Sweden’s National Board of Trade
www.kommers.se

Virke, the Enterprise Federation of Norway – Department of International Trade Cooperation
www.virke.no

Norwegian trade portal and export directory
www.nortrade.com

Fair Trade Norway
www.etiskhandel.no

Fair Trade Denmark
www.fairtrade.dk

Centre for Promotion of Imports from Developing Countries, Netherlands
www.cbi.eu

Norwegian Agency for Development Cooperation
www.norad.no

Swedish International Development Cooperation Agency
www.sida.se

Finland Trade Promotion
www.finnpartnership.fi

CUSTOM DUTIES AND REGULATIONS
EU:s Export Helpdesk for developing countries
www.exporthelp.europa.eu

Open Trade Gate Sweden for exporters in developing countries
www.opentradegate.se

Danish Customs
www.skat.dk

Norwegian Customs
www.toll.no

Swedish Customs
www.tullverket.se

Finnish Customs
www.tulli.fi
**PRODUCT DEVELOPMENT**

If you are looking at selling readymade goods to the Scandinavian market or striving to understand the process of the companies looking for production these are the steps/process undertaken.

**PLAN FOR CONCEPTUAL PRODUCT DEVELOPMENT/WHOLESALER**

In order to illustrate the entire product development process, we have made a simplified diagram of what the flow looks like in a wholesale company specialized in Interior or Fashion. The diagram illustrates a traditional seasonal flow with one sales period per season.

Based on this chart, seasonal/annual planning and flowchart will be developed and will include deadlines on when to be done to be able to control the different steps of the process.

**TRENDS**

The process starts with Market research and analysis of the trends on the market for the segment group of a brand.

- Information from Internet/ Magazines and books
- International trend reports
- Visiting International fairs
PRODUCT DEVELOPMENT

The core values of a brand have to be evaluated continuously to meet market and customer demand and retain identity.

- Identify brand vision and evaluation of previous sales.
- Plan the structure and price levels of the collection balance divided in volume, main and edge.
- Design development with sketches, measurements, fabrics and details according to collection plan.

PRODUCTION

The production chain is vital for the outcome of the product and needs to correspond to customer demands and expectations.

- Sourcing of producer that could supply the right material and price.
- Placing sample orders with the producer.
- Prototypes from the producer.
- Salesmen samples could vary in amount.
- When order is settled the buyer need preproduction sample.
- During production there is an on-line inspection.
- Before delivery from the factory there is a final inspection.
- Shipment sample is required.
- Shipment

SALES/FAIRS

Contact retail suppliers to make appointments for sales. This could be in a showroom, at a trade fair or a visit to selected retailers. If the brand is holding their own retail shops there is a sales meeting to inform the shops about the collection they will receive.

Sales material could be:

- Catalogues
- Order books/sheets
- Pictures of all products, article numbers, prices net and recommended retail, delivery time to retailer

MARKETING

To reach the customers and end consumers the marketing is important. There are many ways to communicate and the most important is to tell the brand story via:

- Catalogues
- Internet/homepage
- Advertising
- Media/Press
- Social media
**BUILDING A BRAND/COLLECTION**

**PLAN FOR BUILDING A COLLECTION/PRODUCER**

There are many opportunities to find new business relations and if a supplier has the possibility to present a readymade collection to a retailer/buyer that is suited to their target consumer this is an advantage.

**THE PROCESS FOR BUILDING A COLLECTION**

If you produce, design, and sell your products under a brand, the simplified diagram below visualizes the flow for one season.

**TARGET GROUPS**

When you begin to build a brand/collection it starts with the identification of core values to identify the target group for the products.

The following questions have to be evaluated.

**Who is the consumer?** What age, gender, living situation, urban or rural, habits, needs.

**Identify which markets/countries do we want to communicate with?** Is it national, international, European or Scandinavian?

**SELECTION OF PRODUCTS**

**What products?** - What products do I have the knowledge about and ability to work with? It is important to take advantage of local materials and craftsmanship that already exists.

**Why these products?** – What advantage do I have compared to other producers? Is it access to raw materials, technical expertise, logistics, or experience?

**Price** – Price level at possible of production site is an extremely important point to evaluate; obtain information from competing companies in other countries and also about the price level in the countries you want to find sales channels in.

**Trend level** – This is depending on the target group you have decided to focus on. Market research and analysis of the trends on the market you want access to for the target group is absolutely one of the main challenges.

**What position on the market** – Market research and analysis of the competitors and the brands you want access to is of outmost importance to prepare a collection that could apply to a buyer in Europe or Scandinavia.

An analysis of your position and possibilities in the market is a good exercise for example a **Swot analyse** is a good way to target your goals (Strengths, Weaknesses, Opportunities, and Threats).

**COLLECTION PLAN**

The collection plan is built after the evaluation and gathering of information is done.

**Amount of products** – Depending on what product you produce there is always a variation in how many products a collection contains. The advice is to do fewer
precisely rather than many but moderately. The importance is to have an alternative in price and style.

**Structure and price levels** - There should be a balance in the collection divided in volume, main and edge. This is depending on what target group you decide to reach.

**PRICE STRATEGY - CALCULATION OF PRICE NET-RETAIL, MARGINS.**

<table>
<thead>
<tr>
<th></th>
<th>Producer</th>
<th>Wholesaler</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>400</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EXAMPLE FOR PRICE CALCULATION**

100 - Cost from producer.

25  - Approximate cost for sea freight and taxes

200 - Price to retailer. Wholesaler gross margin between 40-60% on producer prices + cost for freight and taxes

500 - Price to final customer. Retailer’s gross margin around 60% = 2.5-2.7 times their cost (incl tax)

**FLOWCHART**

It is of vital importance to plan ahead, preferably a year plan where all dates and lead-time for preparing and producing a collection is included. Therefore a flowchart listing your lead times and when to do what is important.

**SOURCING /SALES SAMPLES**

The **production chain** is vital for the outcome of the product and needs to correspond to the initial demands and expectations. If you produce the raw material or buy from another supplier it is important that production and quality level follow the demands of the market you want to reach regarding sustainability, CSR, and environmental requirements.

These requirements are of course also applicable for readymade products.

**SALES AND MARKETING**

**Sales period** - there are usually two sales periods per year and they are Spring/Summer in August/September and for Fall/Winter in January/February. All the international trade fairs follow and are arranged according to these sales periods.

**Sales collection** - When you meet the buyer you need to be prepared with a sales collection to show. From this collection the buyer could value your skills in production, selection of material and design. There are many different questions asked at a meeting with a buyer. Some of the most important questions you have to prepare for are:

- **Price** - Calculation of price Net-Retail, margins.

- **Delivery time** - Lead times for material, production and delivery to customer. It is important to know if you have to calculate CIF (Cost, Insurance, freight) or FOB (Free on Board) prices?

- **Minimum orders** - Production capacity and price calculation for a low/high quantity production.

- **Payment terms** - The conditions under which a seller will complete a sale. These terms specify the period allowed to a buyer to pay off the amount due, and may demand cash in advance, cash on delivery, a deferred payment period of 30 days or more, or other similar provisions.

**MARKETING**

To reach the customers/buyers and end consumers marketing is important. There are many ways to communicate and create interest in a brand. To reach the buyer trade fairs are still one of the best marketplaces. You could also contact buyers at selected brands via mail or phone with information about your production/products. This could be a less effective way as most companies chose to find their Brands/products via consumer demands, fairs and recommendations.

The Chamber of Commerce could provide a lot of information to find the right contacts.

To communicate with the end consumer the most important is to tell the brand story via media, Internet, advertising or social media to generate interest among your target group.
CASE 1

To visualize a realistic situation we picture a factory in east Africa producing baskets in raffia. Through their local chamber of commerce/trade association they have seized the opportunity to take part in an international trade fair to seek Scandinavian wholesaler/retailers.

YOU CAN USE THIS CASE AND DEVELOP A STRATEGY FOR YOUR OWN PRODUCTS BASED ON THE INFORMATION IN THIS REPORT AS A BASE

BACKGROUND

The factory/producer has contacted their local Chamber of Commerce/Association to get information about the possibilities and also recommendations on how they can start exporting to Sweden/Scandinavia. The factory/producer get the possibility to take part in an international trade fair as a part of a country pavilion.

PREPARATION

Planning and preparation before attending a fair is a crucial part to meet the buyer the best way. In order to prepare they have sought information about the market and what type of rules and requirements that apply.

The points mentioned below are the basic things you have to prepare and plan:

- When you meet the buyer you need to present a sales collection that is shown in the stand.
- From this collection the buyer could evaluate your skills in production, selection of material, and design.

MEETING THE BUYER

There are many different questions asked at a meeting with a buyer. Some of the most important questions you have to prepare for are:

- **Price** – Calculation of price Net and Retail, margins (your own calculation including all costs)
- **Delivery time** – The lead times for production of material, production of product (in this case, baskets) and delivery to customer, by sea or by air.
- It is important to know if you have to calculate CIF (Cost, Insurance, freight) or FOB (Free on Board)
- **Minimum orders** – Your production capacity and price calculation for a low to high quantity production. The buyer could ask a price for 50 pcs or 1000 pcs.
- **Payment terms** – The conditions under which you as a seller will complete a sale. These terms specify the period allowed to a buyer to pay off the amount due, you may demand cash in advance, cash on delivery, a deferred payment period of 30 days or more, or other similar provisions.
- It’s very important to create an attractive display of products, as this may be vital for making the buyer stop and take a look.

FOLLOW-UP

- Immediately after the trade fair the factory/producer needs to follow up on all leads. If required this is also when they should send more information.
- The Swedish/Scandinavian buyer will most likely expect the other party to take the first follow-up step.
CASE 2

To visualize a realistic situation we picture a scandinavian wholesaler who wants to produce/buy garments from East African producer.

PLEASE USE THIS CASE AND DEVELOP A STRATEGY FOR YOUR OWN PRODUCTS BASED ON THE INFORMATION IN THIS REPORT AS A BASE.

PRODUCTION FROM DESIGN SKETCHES TO READY PRODUCTS.

The wholesaler is often looking for new factories and opportunities in existing and new production countries. The larger retail chains import the articles directly themselves, but sometimes retailers also make use of agents or have their own purchasing offices.

The agents or employees at the purchasing office take the contact and usually make an appointment to visit the factory/showroom.

If the factory/producer fulfills all requirements for production from the Wholesaler a prototype is requested to evaluate the standard, price level, and skill of production.

The producer has to present a product according to sketch with measurements, requested fabric and accessories like zippers, buttons, labels, tags, or other decoration.

There is also a request for calculated prices according to quantity and delivery time.

When the prototype, price, and delivery time are approved - there could be several samples and discussions before approval - the wholesaler places a salesmen sample order or if they are a chain store the order is placed directly.

If the wholesaler needs salesmen samples, the final order will be placed when the wholesaler has received orders from their retailer.

When orders are placed the wholesaler needs a preproduction sample to ensure that the production will be exactly the same standard as the salesmen sample before starting the production. There will also be inspections during and after production to ensure the standard and quality of the garment/product.

When the shipping sample is approved the shipping of the order is completed as agreed with the client.

SELECTION FROM READYMADE PRODUCTS FROM PRODUCER’S COLLECTION.

If you as a factory/producer have your own readymade samples or collection, the wholesaler could choose from your collection and make some changes and tweaking based on your sample regarding measurements, quality, accessories, or other decorations. The wholesalers always want their own labels, tags, and special instructions for packaging that have to be followed. Otherwise the production follows above described procedure.