

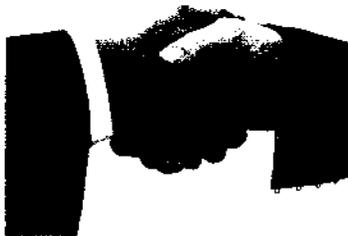


Swedish Chambers



Market Brief

Focus on the Swedish Market



Footwear and Parts

October 2011

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1 Introduction

This market brief covers the footwear industry in Sweden and will supply you with brief insight to neighbouring trades. We will look closer at the market characteristics such as market size, domestic production and exports as well as imports. We will also look at the Swedish consumer, distribution channels and market players together with trade regulations and requirements, pricing and mark-ups. Finally, we will give you information regarding marking and packaging and end with a summary and recommendations.

The products in this report fall under chapter 64 in the Combined Nomenclature 2011.

Being a country with varying seasons, sales and Sweden's shoe trade can vary from year to year and season to season. Generally, the spring/summer season starts with trade fairs in early August and reaches the stores in January-February. The fall/winter season starts in February and reaches the stores in July-August.

2 Market Characteristics

2.1 Market Size

The Swedish shoe market has had a positive development for quite some time. Over a ten-year period, sales have increased from SEK 6435 billion in 2001 to SEK 9437 billion in 2010. Authorities within the Swedish shoe trade predict that this positive development will continue.

The thirty-two companies on the top of the list over suppliers according to size have all increased their sales with an average of 19.5% during 2010. These companies all have strong brands. The majority sell only to traditional Swedish footwear retailers, however, a few also sell to sport retailers. The sport retailers have increased their sales with 6.4% to SEK 20.5 billion during last year (2010) and it is especially the chains that are taking market proportions.

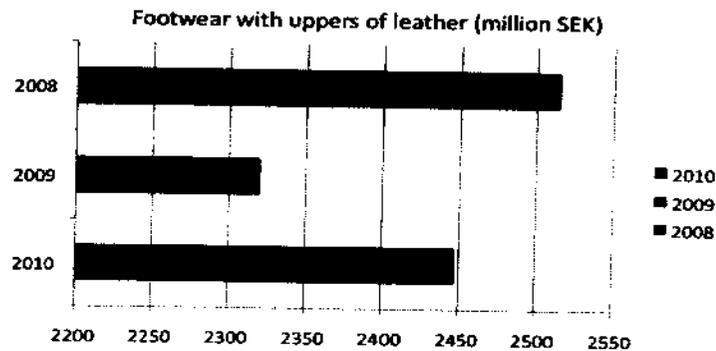
Over time, we have seen how the big shoe companies are getting even bigger. At the same time, some of the smaller shoe companies have been struggling for some time. In 2005, there were 733 shoe companies with 1100 stores. In 2010, the numbers had decreased to 708 shoe companies with 1251 stores. This means that in five years time 25 shoe companies have disappeared, while at the same time 151 new stores have opened.

2.2 Domestic Production and Exports

The Swedish market is almost exclusively covered by imports. Apart from some smaller specialized producers, most of the national shoe production has been forced to close down due to global price competition over the last 25 years. Among them who still produce in Sweden, you will mainly find segments such as clogs, children's shoes, work boots, military boots, slippers and some leather shoes for both the national and international markets.

In 2010 the Swedish shoe export came to a total of SEK 1285 million, compared to SEK 1248 million in 2009 and SEK 1274 million in 2008. The major part consists of so called re-export of shoes – shoes produced in one country, imported to

Figure 2: Footwear with uppers of leather (MSEK per year)



The leather upper market has been much affected by the anti-dumping duties towards China and Vietnam that were introduced in 2006, after which the import figures from these countries have dropped dramatically. However, in March 2011 the EU commission finally announced that these anti-dumping duties were to be immediately expired. This will probably change the import pattern of leather shoes dramatically towards the end of 2011. A rough calculation indicates that the price level has increased by 10% on leather shoes in Sweden during this period.

As an example, import of footwear with leather uppers from China has decreased from SEK 220 million and a market share of 8.8% in 2008 to SEK 141 million and a market share of 5.8% in 2010.

Denmark dominated the Swedish import of footwear with leather uppers in 2010 and accounted for 17.4% of Sweden's total imports of shoes with leather uppers by value, compared to 14.4% in 2009. However, the main part of this sum is re-export, thus the shoes have not been produced in Denmark. In second place is the Netherlands with a market share of 10% of imported uppers for leather shoes, compared to 6.5% in 2009. Germany accounted for 9.7% in 2010, down from 11.9% in 2009, while Vietnam accounted for 9% of the import value in 2010, down from 10.2% in 2009.

Other countries with smaller market shares of the import of this market segment to Sweden in 2010 are Italy (8.2%), Portugal (7.3%) and Belgium (5.8%). The remaining 26.8% is scattered over a large number of countries and we can see that the positioning among the different countries changes from year to year.

2.3.2 Footwear with Uppers of Textile Material

The import of footwear with uppers of textile (CN-group 640411), mainly sport footwear such as jogging shoes, tennis shoes and basketball shoes, went up with +20% during 2010 to SEK 1152 million compared to SEK 959 million in 2009.

Belgium accounted for 27.4% of Sweden's import of sport shoes with textile uppers in 2010, compared to 28.3% in 2009 and 19% in 2008. Denmark had a

The Swedish market has always been price conscious and this tendency has been strengthened in the last few years as web shops and consumer information sites are widely known and used. Nowadays, it is extremely easy to compare prices and products online. The price range of footwear has together with the product range become wider with growing availability of low price footwear as well as more expensive brands. Consequently, the profiling of the product is extremely important when entering the Swedish market.

In general, Swedish people have somewhat wider and longer feet than average. Many shoes sold in Sweden have lasts especially made for the Swedish market. This means that it can be a little bit more difficult and expensive for the new exporter to have their shoes accepted by the Swedish trade and – in the end – the consumer. Established importers are often in a position to help the new exporter to adapt their product for the Swedish market.

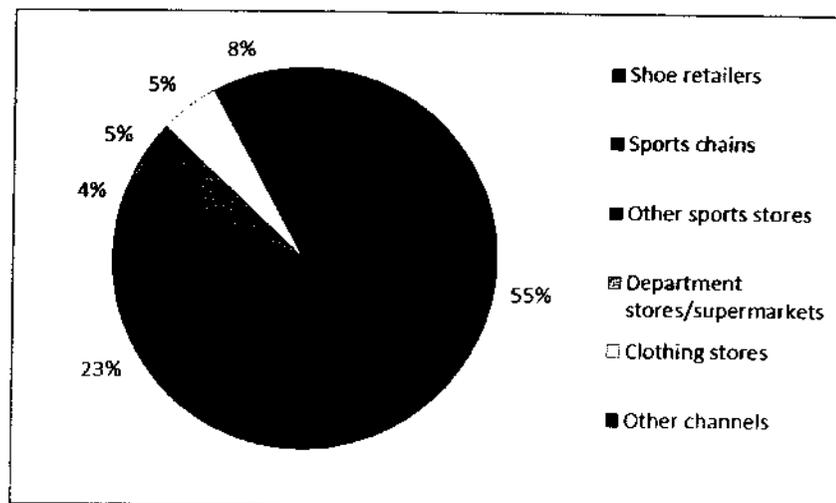
In 2010, sport and leisure footwear represented 34.9% of the consumer market and loafers, ties and heels were the second largest category with 17.5%. Boots increased from 12.3% in 2009 to 17% of the total consumer market in 2010. Gumboots have been more or less steady over the last five years and stood for 12.2% of the total sales in 2010. Sandals came to 9.3% and other footwear to 9.2%.

Women's footwear stands for 63.5% of all total sales and men's footwear for 36.5%. However, men pay somewhat more per each pair of shoes than women do.

4 Distribution Channels and Market Players

The specialized Swedish footwear retail organisation mainly consists of some large chains and several independent shoe stores. Other channels are department stores, outlets, clothing retailers, sport and leisure chains and mail order companies. Internet shops are growing in number and use.

Figure 6: Distribution channels: share in percent of total sales of shoes in 2010



The Buying Days in Varberg have become very important for the established suppliers within the Swedish shoe trade. Once established on the market, the next step is usually to queue up to participate during The Buying Days in Varberg, where important orders are being written. Here, almost all suppliers have set appointments with their customers and many stands are closed. The Buying Days in Varberg are also organized by Agenturföretagen / The Swedish Association of Agents. Please refer to www.inkopsdagar.se for more information.

4.5 Buying Groups

Buying groups can be important links of the distribution chain as a large part of the business is done via buying organizations where independent retailers can be members and in this way through the organisation get better terms than on their own. The most important purchase organisation is ANWR where approximately 90 retailers representing 130 stores are members. ANWR invite importers/wholesalers and agents to show their collections at smaller fairs 2-4 times a year. Eurosko Sverige, mentioned earlier, is operating in the same way. A third buying group is Futuragruppen, a union consisting of five big retailers representing approximately 25 larger stores. Scorett, also mentioned earlier, consists of more than 80 privately or organisationally owned stores organize their buying in the same manner. Please refer to the following webpages for more information:

- www.anwr.se
- www.eurosko.se
- www.futuragruppen.se
- www.scorett.se

5 Trade Regulations and Requirements

As a member of the European Union, Sweden follows the rules and regulations and applies the integrated customs tariff of the European Union.

5.1 Generalized System of Preferences (GSP)

Since 1971, The European Union (EU) granted trade preferences ensuring that exporters from developing countries are entitled to reduction or even duty-free access when importing to the EU. The scheme is known as the “Generalized System of Preferences” and gives developing countries access to EU markets and encourages exports to developed countries, which can contribute to the growth of their economies.

The new regulations pass for 2009-2011 consists of three separate arrangements:

- (A) The standard GSP, which provides preferences to 176 developing countries and territories.
- (B) GPS+, which is an additional stimulus arrangement for sustainable development and good governance to support developing countries.
- (C) The Everything But Arms arrangement, which means that all products except from arms and armaments are granted duty-free and quota-free access to the EU if they origin from any of the 50 Least-Developed Countries (LDCs).

which of course has to be added at the cost. The fast growing Internet stores are challenging the traditional retail business by offering shoes at low prices. As an extension to this, traditional businesses can be forced to bring down their mark-ups. However, sources claim that the costs so far have been underestimated by Internet companies, which could mean that the effect will be somewhat smaller.

The following example gives an idea about common mark-ups and margins within the Swedish shoe trade:

Price ex factory	100	
Freight & insurance, duty etc	20	20% (customs duty is 5-17%)
Landed Cost	120	
Importer/Wholesalers mark-ups 25-30%	36	Equal to a margin of 20-23%
Price to retailer	156	Discounts are common
Retailers mark-up 90%-120%	156	Equal to a margin of 50%
Consumer price excl. value added tax	312	
VAT 25%	78	Equal to 20% of the retail price
Consumer price at retail ink VAT	390	

Full service shops in city locations will have higher mark-ups, perhaps 120% plus VAT, which in the example above would result in a price to consumer of 429. Low price shops in low-cost out-of-town locations use lower mark-ups. A 90% mark-up would give consumer price of 370 in the example above. The mark-up also varies according to the type of footwear. Expensive women's winter boots would not have the same mark-up as a cheap leisure canvas shoe. When calculating export prices from the prices in the shops, calculate with a factor of about four for most footwear.

7 Production Standards, the Buyers' Expectations and Routines

7.1 Basic Requirements

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

Corporate Social Responsibility (CSR) and Environmental Policies

After demands from consumers as well as the press, many companies have introduced codes of conduct. The large chains are leading this development to improve working conditions in their supplier's factories. Many companies use their codes as means of promotion and marketing. During the beginning of 2011, a group called Swedish Shoe Environmental Initiative (SSEI) was formed and discussions regarding specific criteria suitable for the footwear trade are being held. Please refer to www.svenskhandel.se/stil.

More information can also be found in the Swedish Chamber's publication "Corporate Responsibility – How to do sustainable business?"

7.4 Buying Routines

The Swedish footwear trade basically work with two seasons per year; autumn/winter and spring/summer. The Nordic Shoe & Bag Fair opens each season in February and August together with event days at Stockholm Shoe House and other events held during Stockholm Fashion Week.

In the immediate time after the fair the majority of the retailers visit different kinds of buying fairs/groups or stores directly. The most important event after the main fair is The Buying Days in Varberg, located in the southwestern part of Sweden in the town of Varberg. This trade fair is open for any supplier, but since the majority of all business is done via pre-booked appointments it is a difficult fair for those who are not yet established on the Swedish market. Buying groups such as ANWR also arrange their smaller fairs during this time for accepted suppliers having signed an agreement with ANWR.

The most important international fairs for Swedish buyers are the GDS Messe in Düsseldorf (Germany) and the Micam Fair in Milan (Italy) as well as the Middle fair in Paris (France). The more fashion-oriented retailer sometimes prefers to visit these fairs before placing the order back in Sweden. Please refer to the websites www.gds-online.com and www.micamonline.com for more information.

Footwear can sometimes be ordered at any time during the season, but at much smaller quantities. When buying during the season, there is always a risk not to receive your order. As an example, the winter of 2010 was very cold in Sweden, and the winter boots were completely sold out before Christmas.

8 Summary and Recommendations

Sweden is an open society that always wishes to encourage free trade. There are good opportunities for new companies and brands that wish to establish themselves on the Swedish or Scandinavian footwear market.

Any company or brand trying to find a market in Sweden is strongly recommended to be well prepared and look at this commitment in a longer term than one or two seasons.

New suppliers and overseas exporters trying to enter the Swedish market are recommended to participate in the Nordic Shoe & Bag Fair, where it is possible both to take orders and to find agents/distributors to represent their brand in the future.

Since Sweden or Scandinavia is a limited market, close contact and building relationships are recommended. Contact prospects before participating in a trade fair and are active in communicating and informing about your participation.

To contact importers/agents and hear their comments on their prospect is much recommended.

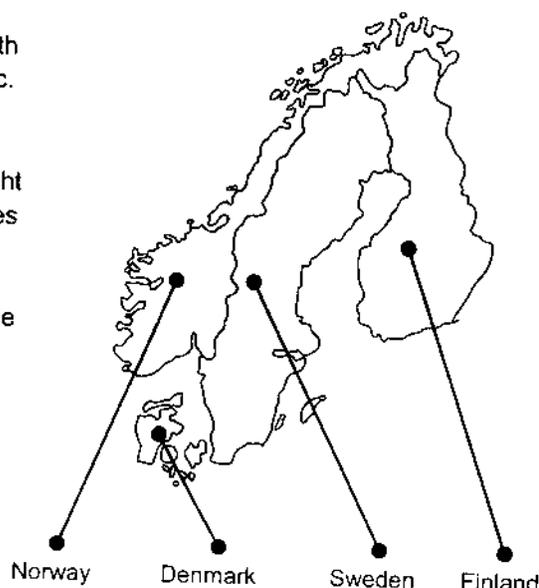
The Nordic Market

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

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

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

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



Denmark

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

Norway

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

Contact details:

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

Finland

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

Contact details:

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

Sweden

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

Contact details:

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