THE INTERNATIONAL GROWTH OF SWEDISH FASHION COMPANIES

Lisbeth Svengren Holm & Katrin Tijburg
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The Swedish School of Textiles
University of Borås
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THE AUTHORS

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Katrin Tijburg, research assistant and project manager at the Swedish School of Textiles, University of Borås, since August 2011. Katrin studied Textile Management at the Swedish School of Textiles in the early 2000s and has since then worked in the textile and fashion field. She has many years of experience working in the United States with Swedish fashion businesses and their marketing, sales and international business development. Today Katrin works with external relations and the F:3 program at the Swedish School of Textiles.
FOREWORD

The Swedish School of Textiles at the University of Borås conducts research and educates within fashion and textile design, textile technology and textile management. In October 2010 the university received the rights to award doctoral degrees in textile and fashion design, one within the artistic area of fashion and design and one general for textile technology and textile management. *Fashion, Function, Future (F:3)* is a research program that brings together all the research at the university focused on the fashion sector. The different research projects highlight issues such as Swedish leadership in textile and fashion companies with foreign shareholders, children as fashion consumers, new business models, sustainable textiles and international growth of Swedish fashion companies.

During the investigation of need for training and support among Swedish fashion companies, conducted within the EU financed Baltic Fashion Project, several topics were identified, which is discussed in a separate report: Support and Training Needs among Swedish Fashion Companies, by Svengren Holm, Mouwitz and Radon (2012). One topic mentioned was internationalization. The companies saw internationalization as important for a prosperous growth but thought they lacked knowledge about how to build up a new market. This was also in line with the interest of the Swedish Government.

Under the Swedish Government’s action plan for the Creative and Cultural Industries (CCI), which includes fashion, the Swedish Governmental Agency for Innovation Systems – VINNOVA, has a mission to fund various research studies and projects that contribute to the development of the CCI. The Swedish School of Textiles has conducted two research studies to enable this venture. The first study was a part the program “Creative and Commercial Leadership” and resulted in the book "Creative Capital" (2013) with the editors Emma Stenström and Lars Strannegård. The second study is presented in this report, *The International Growth of Swedish Fashion Companies* and has been conducted together with the
The authors of this report are Lisbeth Svengren Holm and Katrin Tijburg, who have together with Åsa Sertenius Striver, conducted interviews and collected data from the participating companies. Together, we have analyzed all the information and Christine Sundberg Carendi, General Secretary of the Association of Swedish Fashion Brands (ASFB), who initiated the study, has together with Emma Ivarsson at the Fashion Incubator given us valuable support and comments on the report.

We would like to thank all the participating companies and their representatives who we interviewed, for sharing their knowledge and experiences with true candor. The participating companies are: ACNE, Cheap Monday, Filippa K, Fifth Ave Shoe Repair, Hope, House of Dagmar, Hunkydory, J.Lindeberg, Odd Molly, Rodebjer, Tiger of Sweden and WeSC.

This report is a translation of the Swedish report published in February 2013, including all quotes from the people we have interviewed. We are very grateful for the help to correct the language provided by Douglas Torpie.

Borås, 2013 08 15
Lisbeth Svengren Holm
Professor in Fashion and Design Management
Katrin Tijburg
Research Assistant
The Swedish School of Textiles, University of Borås
The time for Scandinavian clothing has come because the elements present in the designers' collections are highly in tune with the way we live and work today.

*Dorothea Gundthof, 2013 "Fashion Scandinavia”*

Several European countries and governments are investing in various aid and development projects, including education and training within what is known as Creative and Cultural Industries (CCI). There is an interesting dynamic with many young and creative entrepreneurs who are expected to contribute to new businesses that can grow and contribute to the countries’ economic development. There are also many creative areas where Scandinavian success is noted, particularly in literature and film, with famous detective writers and filmmakers, but also in music which has led to the talk of the "Swedish Music Wonder".

Scandinavian design has since long been a familiar concept, mostly furniture and interior design with a certain style often referred to as minimalist with a particular color scale. The concept has included all Scandinavian countries including Finland. In the recent decades, however, the company Ikea has made Swedish furniture design famous all over the world. Swedish Fashion has not received the same status as Swedish or Scandinavian design. Few Swedish fashion companies have had international success in the past even if Katja of Sweden, Sighten Herrgärd and Rhodi Heintz were very successful in their time^1^. It is only in the 1990s that some of the Swedish fashion brands became internationally successful which continued into the 2000s with several new designers and fashion brands which has now led to the talk of the "Swedish Fashion Wonder"^2^.

Even if this is an expression used only in Sweden Scandinavian fashion has become recognized for its quality and high degree of fashion (Gundthof, 2013). The

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^2^ ibid
Times (London) wrote an article about Swedish fashion in particular: the “affordable, stylish and cool – there is more to Swedish fashion than H&M…” in February 2012. The question is then how the Swedish fashion design companies have experienced this interest. Does it show in increased export figures? This report does not give a full report of the total Swedish fashion export but look into the experience of a dozen of the leading Swedish fashion brands.

H&M is probably the most known Swedish fashion company internationally but has not market itself as Swedish. However, H&M has been significant for development of Swedish fashion domestically. Not only because of their low prices but because H&M has been an incubator for designers and others who have wanted to start their own businesses.

The international success of some Swedish fashion brands has led to an increased interest in fashion even in Sweden. This applies both to media as well as research and different organizations that promote Sweden as an exporting country. You can read about fashion on both the cultural pages as well as on the business pages and the success stories are quite plentiful. However, there is a risk that the image of the successful Swedish fashion can give the illusion that it is very easy to become successful both in Sweden and abroad. This research study aims to gain a better insight in what is required for an international success.

FASHION EXPORT

Sweden is an export-dependent country. More than half of what we produce is exported. The manufacturing industry accounts for around half of the exports, when combined with heavy industries and along with the other basic industries they comprise nearly 90 percent. The remaining exports “other goods” account for nearly 12 percent, of which textiles including shoes represent 2 percent. In Sweden Statistics’s (SCB) report, textile goods include clothes, shoes and various types of functional clothing such as sport, leisure and work wear. 2 percent can be considered as a low figure but is more than the pulp export (1.5 percent) and it is on the same level as timber, iron ore, trucks (including tractors) and optical instruments. This equals a value of 21 billion Swedish Kronor (SEK). Is this a good or a bad number? Does this make us a successful exporting country? According to the Con-

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1 Resource: Swedish Statistics, International Trade with important goods (Utrikeshandel med viktiga varor) (http://www.scb.se/Pages/TableAndChart__26625.aspx). This figure includes fashion companies and chain stores, excluding H&M which is conducted under a different code.

2 In the report Swedish Fashion Industry (Modebranschen i Sverige) the export is stated to 13 billion and is based on the fashion companies exports, excluding H&M and six other large chain stores.
federation of Swedish Enterprise, Sweden in general has fallen behind and is currently at the 17th place in Europe when export is measured in relation to the GDP. Is the image of the successful exporting Sweden no longer true then? There is an obvious potential for increased exports. In 2010 the Trade Minister Ewa Björling launched the goal to double Sweden’s export within five years. The creative and cultural industries, especially fashion, are expected to contribute to this development.

Although fashion and other industries within the CCI, like music, design and architecture is just a small percentage of the total export, these industries are important from different points of view; not least, they help to create the image of Sweden – both domestically and abroad. Swedish design is sold internationally and international companies hire Swedish designers. A report recently published about the Swedish fashion industry with statistics and analysis shows that the fashion industry has a turnover of 206 billion SEK – 83 billion in Sweden and 123 billion in export. H&M represent half of this turnover and a large part of the export. If we exclude H&M and the big chain stores with sales over a 1 billion, for example Lindex, KappAhl and Gina Tricot, there is still 64 billion that remains in Sweden and 13 billion on export. This doesn’t include what fashion contributes to other industries that benefit from fashion like journalism, advertising, photography, retailing and logistics or what fashion means for the tourism in Sweden. Therefore there is an economic reason for the Government to be interested in the Swedish fashion industry’s continued development.

The export of fashion is expected to grow to become one of the industries that can contribute to the doubling of the Swedish export. If we exclude H&M which dominates the domestic market as well as the export of clothing, there are many of the smaller fashion companies that have international success thanks to the good growth. The success applies both to the attention of fashion by the media but also because the export figures are showing a positive trend, at the same time there is a discussion about how the fashion industry can continue to develop and what support is needed for both new and established companies to grow internationally.

In the statistical study The Swedish Fashion Industry (Modebranschen i Sverige) an export survey was conducted on 30 fashion companies, 14 established and 16

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1 http://www.svensktarningsliv.se/regioner/kalmar/stora-mojligheter-for-svensk-export_179464.html. Published 2013 01 18
3 ibid. 13 billion is based on what the fashion companies are exporting in contrast of the Swedish Statistic’s calculations. See footnote 3 and 4 above.
so-called Rookies\textsuperscript{8}, which are young companies and therefore have a low turnover, in some cases, about 100,000 SEK. 15 companies responded to the survey, the majority of them were Rookies. The responses therefore have to be interpreted based on the companies’ situation. The majority of these companies started the export primarily to the Nordic and European countries. Some of them are also exporting to North America and Australia. The exports to the Nordic countries are usually done directly by the companies but to the other European countries it is common to sell at trade shows and to agents and distributors who have contacted them. Several of the young fashion companies try to export to North America but it is more common that agents and distributors find the companies because of their online presence. The shortage of capital and the lack of experience is of course a problem for young companies when they begin to export. There are many pitfalls and a great deal of them could be avoided with better knowledge and information.

This report is a result of a research study on how some of the established and successful Swedish Fashion companies have become international fashion brands. How and why they have made different choices, what barriers they have run up against, which mistakes they have made, the lessons they have learned and the knowledge they would like to pass on to other companies in the industry.

**PURPOSE AND AIM**

There is a need for better understanding of what is required when a company plans to increase its exports. The purpose of this research study was to gain a deeper insight into how fashion companies have acted and how they have reasoned when they have expanded abroad and to provide a picture of the successful choices as well as what difficulties the companies have encountered, how these difficulties have been overcome and also give a picture of the different phases of expansion.

Many young entrepreneurs in the fashion industry and other related industries are curious about how the successful companies have reached their position in the market. The Swedish Government and other organizations are interested in getting a more detailed picture of the challenges and difficulties these companies have met during an international expansion and to be able to develop appropriate tools and organize support activities. At the same time, the knowledge of how fashion companies succeed during an international expansion should be a standard part of the education of the students who would like to work in the fashion industry. A more

\textsuperscript{8} Information about Rookies: http://www.rookies.se/rookiesinfo.php
theoretical oriented study is needed to improve the education. This research study is not a manual on how to export. Each company has their own journey for how to become successful. But still, there are common issues and pitfalls to learn from. We hope that exporting fashion companies will recognize that for themselves. This report also aims to provide insights about fashion export to organizations and policy makers that support the industry.
METHOD

The main research approach for this study is a qualitative survey: through interviews with several companies in order to gain information about how and why the companies have acted as they did, the choices they made and their different options. The questions were based partly on theories about internationalization, partly on experience of international activities of businesses by the authors of this report, both in fashion and other industrial sectors. Same questions were asked to all the interviewees and everyone had the opportunity to elaborate on the questions. We interviewed directors and managers, individuals who have been involved in the decision making and who also actively participated in the implementation.

In order to give a broad and varied picture of the Swedish fashion companies, we choose 12 brands. We interviewed their CEO, marketing director or their Executive Chairman. In one case we also had the opportunity to interview a former CEO since he has a better overview and insight of the earlier stages of the company. To get an outside perspective we also interviewed two agents for Swedish fashion brands in Holland and one consultant in the US who has a long experience of working with Danish fashion brands.

To find out what happened can be difficult during interviews of this kind. The individuals who are interviewed do not always remember correctly or try to “put things right”, especially in hindsight. We have guaranteed everyone anonymity, which has been essential for them to share information and participate.

For each company we also collected financial data that has been used during the interviews as a basis for recollection and to gain more information about what hides behind the numbers. The intention has not been to analyze the companies from a financial perspective, only to reflect different stages of the company’s development.

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In addition, we have made various statements to see if we can find similarities and differences among these companies in terms of the countries they are exporting to, their motives, difficulties and pitfalls. Even if there is no pattern, the individual experiences are interesting to highlight.

**CHOICE OF COMPANIES**

We wanted to investigate the core companies of the Swedish fashion industry which are considered to be the leading companies in what is sometimes called the "Swedish Fashion Wonder". An important criterion has been that the companies have their own design, their own brands and that clothing is the main product. Several of the companies also have shoes and handbags. Another criterion has been that the companies have existed on the market for at least five years and thereby have shown some endurance. The companies were selected in collaboration with the Association of Swedish Fashion Brands (ASFB) based on their membership, but also because they belong to some of the most successful Swedish fashion brands. The selected companies have been established on several different markets outside the Nordic countries for several years. This is to ensure that the experiences are not linked to any specific market.

The leading Swedish fashion brands are mostly small to medium-sized businesses. Two of the companies have less than 250 employees but have a turnover of more than 50 million Euros and are defined as large enterprise by the EU. Six of the companies are defined as medium-sized businesses and four of them are defined as small with a turnover between 2-10 million Euros and less than 50 employees. The participating companies in the study are: ACNE, Cheap Monday, Filippa K, Fifth Ave Shoe Repair Hope, House of Dagmar, Hunkydory, J.Lindeberg, Odd Molly, Rodebjer, Tiger of Sweden and WeSC.

These twelve companies had in 2011 together a turnover of just under 3 billion SEK which is almost 4 percent of the total turnover of 77 billion in the Swedish fashion industry, excluding the large chain stores. The companies have shown strong growth over the past five years. The total turnover of these companies was about 1.9 billion SEK in 2007 and 2008. The sales growth has been high, although it varies greatly between the companies and has in some cases decreased. The 12 companies had in 2011 and 2012 an average total export growth of 54 percent. That can be compared to the average of 17 percent according to the report "The Swedish

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Fashion Industry” (Modebranschen i Sverige). The total export from these 12 companies in 2011 is 1.9 billion SEK, which is 15 percent of the total fashion export (13 billion), not including the large chain stores.\(^\text{11}\)

However, the size of the turnover is not related to how long the company has been on the market, but rather on their collections and strategies for expansion. Some have grown rapidly, while others have opted for a slower growth. With one exception, the companies have been in the market between seven and twenty years, five companies in the first half of the 1990s, seven companies after 2000. One company which was founded in the early 1900s, Tiger of Sweden, did a re-start with a new design and new branding strategy in the beginning of 1990s and is today considered as one of the leading fashion brands. The youngest company started in 2005 and two of the companies are listed on the stock market. The majority still has the founder as owner and CEO, even if new partners have joined the businesses.

DATA COLLECTION

Based on the purpose of this study, we identified a number of areas that would contribute to the knowledge of the organization and development of an international expansion: the motive for expansion, sales channels, business models and representatives, which market they find difficult or easy, barriers, financing, mistakes, pitfalls and lessons learned.

Before the interviews all questions were sent to the companies. The interviews were conducted during personal meetings and lasted for about an hour. They were taped and transcribed. All respondents were then asked to read the transcribed interview and had the opportunity to correct errors and add missing information. During the interview the company’s financial figures over the past 5-10 years were discussed to see the developments and various leaps.

ANALYSIS

A case study and an analysis were made of each company, based on the interview and the secondary data about the company. The case study analyses were sent to each interviewee who once again had the opportunity to correct and add information. The first step in the analysis was to look at each company separately. The second step was to compare the different companies to find patterns of similarities or differences. The companies asked to remain anonymous and therefore we only present the combined result and the combined analysis.

RESULT

The result presents an overview of the Swedish fashion companies internationalization processes. Each company in the study has its own story and there are some major differences between them, but there are also some great similarities and patterns which can provide knowledge about the industry. Some of the individual cases have stories and experiences which are interesting and deserve a closer look.

So what leads to success? Why do companies choose to invest in international expansion and does it come naturally? If it comes naturally, when is it time to do it? Which markets are appropriate to begin with? Is it a strategic or random choice to make the decision to even begin to export? These are all fundamental questions and follow with questions about risks, pitfalls, success keys, etc. We have tried to illustrate the companies’ stories by quoting parts of the interviews. The majorities of the quotes is translated from Swedish and are therefore not the exact words of the interviewee.

PRIME FACTORS IN SUCCESS

The easiest question to answer is probably what the main success factors are. These factors are not different than in any other industry, it is about good quality to the right price. The companies have emphasized a few different factors, but everyone agrees that a good product with a high degree of fashion is the key to success. That is the hallmark of the Swedish fashion brands: good quality with relatively low prices and as one company added – that can be sold to a luxury store. The timing is of course essential and that the products meet the market demand, whenever and wherever the demand is.

It is important for companies to position themselves in the market. In order to do so they have to have a good insight of their own brand, what it stands for and if it brings anything new or unique to the market. It requires a high level of confidence on their own product, something that was a common theme among the companies we interviewed. They don’t change or adapt their products to a new
market, although some adjustments of garment sizes can be necessary. The company’s own style is the most important thing and it should be the same everywhere in the world. 

It also requires a good ability to communicate the brand to the market, a market that rarely has a shortage of different fashion brands. A high level of marketing creativity can help to create the attention and the position that the company is looking for.

To establish the right connections and relationships with the international partners it is important to be a good supplier. You have to deliver the right products, with the right quality at the right time. Every mistake along the way will be used by the competitor and may have consequences. If there are many pitfalls, choices and decisions along the way these issues are interesting to take note of and learn from.

MOTIVES TO EXPAND INTERNATIONALLY

It goes without saying that most companies take for granted that they have to immediately start to export their products since it is the most common way to grow. There is no conflict between having a creative design and being commercial at the same time, on the contrary. To grow and expand the business gives more resources to develop the design. There is also a curiosity about how other markets appreciate the design; the companies want to test themselves and their abilities outside the domestic market. It is a kind of competition but also because they consider themselves to be a part of the global fashion industry. For some companies being international is a must and to be ”Born Global”, an expression which was created by engineering companies that became international within a few years after they were founded. This seems to apply to today’s fashion companies as well and it is reinforced by the time we live in, with more people working and traveling abroad. The fashion industry was perhaps the first international industry also in a historical context, with an early relocation of production which was followed by the fashion itself.

Several of those who currently run their own fashion businesses in Sweden have worked at H&M, where they have gained valuable knowledge and experiences about other markets and export. For that reason H&M is an important incubator for Swedish fashion entrepreneurs. Meanwhile, Swedish design is generally attrac-

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tive abroad and there is a constant search for new Swedish brands. In retrospect, some companies believe that it would have been better to build a strong foundation in Sweden before expanding internationally.

Many of the companies in the study saw Sweden as a limited market, especially those who offered a very special and innovating design with a high quality in a high price segment. Therefore, some companies looked to export already from the start. Other companies were surprised that the Swedish market was more favorable to their products than they expected and therefore they have expanded in Sweden are continuing to do so.

“... we thought Swedes did not appreciate the quality in the same way we do, that the international market appreciated and accepted a higher price because of the quality.”

The Swedish denim market is large and also internationally well-known. An interesting aspect is that other fashion products, despite higher prices than the chain stores’, sell quite well in Sweden. The Swedish fashion brands are in an intermediate price segment. Several companies point out that the proportion of foreign brands in Sweden has declined and that there is more room to the Swedish brands, especially in the smaller cities.

The companies in the study have an average export of 54 percent of their gross sales; the company with the largest share is exporting 90 percent of its sales, while the company with the smallest share is exporting 24 percent. The two companies with the lowest turnover export 24 and 30 percent. The two companies with 90 and 85 percent exports also have a relative high turnover, almost 300 and 400 million SEK. However these companies are not the ones with highest turnover in the study. The companies with a turnover of over 500 million SEK have an export share of 50-65 percent. The other companies export between 40 and 65 percent. This shows that there is no connection between the turnover and the share of export. All companies are focusing on export and they have worked actively to establish the right connections on the new markets. Most of them believed that the Swedes were not prepared to pay the price for the quality and design they were offering. They underestimated the Swedish market and therefore the market has also grown more than they expected. Still, the companies are focusing on growing internationally even if the financial crisis has lowered their export, something that be seen in the figures presented in Habits’ analysis of the Swedish fashion industry in 2009 and 2010\textsuperscript{13}. However, all companies in the study are not represented in Habits’ survey.

MARKETS FOR SWEDISH FASHION

The Swedish fashion brands are represented in nearly 40 countries, in some cases only in very small volumes. All companies in the study export to Denmark and Norway, where some of them have their own stores and subsidiaries. Almost all of the companies are exporting to Finland but only one company claims to export to Iceland.

Beside from the Nordic countries Germany and Holland are markets which appreciate Swedish fashion. Almost all companies export to these two countries. In Germany some of the companies have their own stores but Germany is also by tradition Sweden’s largest export country in all categories of goods.

More than half of the companies are represented in the other European countries like France, Belgium, England, Ireland, Switzerland, Austria and Spain. Less than half claims to export to Italy, something that is discussed further under “Difficult Markets”. Only very few export to other European countries like Poland, Czech Republic and Russia.

If we look at the Asian countries more than half of the twelve interviewed companies are exporting to Japan. A few of them sell to South Korea and only one company sells to China. One company also sells to Hong Kong which has for a long time been the gateway to China but has been overtaken by Shanghai as the future fashion capital. Shanghai is the city where many international brands go for a direct link to the Chinese market.

Australia is also a popular market for Swedish brands. Over half of the companies are exporting to Australia but only a very few to New Zealand. Chile is the only market in South America, which few are exporting to. Only one or two companies are exporting to South Africa and the Middle East.

ACTIVE AND PASSIVE CHOICES

To choose a market is not always an active choice, it can also be done randomly or by an outreach from an agent or distributor. This applies particularly to more remote countries like those mentioned above. There is an interest for Swedish Fashion, in allowing buyers, from example, the U.S. to buy collections directly from the companies. It can also be of a personal interest for Swedish fashion which makes an agent want to carry the Swedish brand.

“...I started by learning a little bit of Swedish, because I liked the language, I really loved their movies. It was just the whole, like... I want to... do something with that Swedish thing.”
This also applies for countries that are not major fashion countries, such as Poland, Czech Republic and Russia. The exports to these countries are not very large, and companies are not actively trying to expand to these markets. It depends entirely on the agent or the distributor’s ability to sell the brand and its products on the market.

To find a specific market to be attractive seems to be linked to the fashion degree and the country’s fashion status globally, particularly to countries like USA, France, Italy and England. There is an enormous competition in these countries but that doesn’t seem to scare of the Swedish fashion brands. If you can establish your company in these countries you are successful. Almost all of the companies in the study are exporting to England but only half of them to France. Italy, one of the more traditional fashion countries seems to be the most difficult market to establish a fashion brand in. It does not depend on the market and in addition the consumers are hard to reach but also the corporate culture and the business environment which sometimes can be perceived as uncertain with a high risk.

It requires the presence of the company’s management to choose a market. All the interviewees talked about the importance of traveling and spending time in the markets they are active on. It is natural to travel to the international fashion cities to look at the latest trends and to establish contacts and create relationships. It is considered to be more fun to travel to Paris than to a city which lacks the fashion status.

When it comes to the choice of a market, it is actually the cities that are more important to look at. The fashion industry is urban and the fashion trends are born in the cities. Here are the people who are looking to follow or create new trends. Here are the large and prestigious department stores, which bring in designs which many of the unknown brands would love to hang next to. Even the Swedish journalists have noticed this and are reporting back about the international success which also strengthens the image of a brand on the domestic market.

France is an important market from a different perspective as well, it is the gateway to Asia and Australia. Agents and distributors from Japan and China go to Paris for the trade shows to find new potential brands. The Swedish companies don’t find it worth going to these countries to find customers on their own, for them it is better to show the collections in Paris.

Several of the companies that are expanding in one market choose to focus on one city only and not spread to other cities around the country. It is easier to keep control and see the progression of the brand in one city with several locations. One company that had presence in several cities in Germany decided to change their
distribution and only sell to stores in Berlin. All the companies seem to agree that focusing on one city is preferred over being present several cities. However, each country has its own specific circumstances with some containing more than one attractive city, such as Spain.

"... we have actually said no since we didn’t get the two largest cities the first time we tried. They couldn’t guarantee us enough space, so we turned them down. We lost one year, but now we are there again so now we can start over. We wanted to begin with the right city, in our case it was Spain, and we wanted to start with Barcelona and Madrid. Now it looks like we are there, but one year later. It can be a good investment to sometimes say no and not say yes to everything all the time.”

The companies are keeping an eye on each other to see where the other Swedish brands are when they are choosing new markets. One company said that they look at COS and try to establish themselves close to them, but this strategic outlook was an exception in the study. No other company claimed that they directly follow any other brand. However, they keep themselves updated on the other Swedish fashion brands since the industry is small and most people know each other.

"... I am probably a competitive person, when you hear that others have been successful on one market, you become irritated and feel ‘Damn, why are they so much better than us?’”

There is not only intense competition and rivalry; there is also a spirit of collegiality. Several of the interviewees believe that they can call each other for advice. They don’t call each other to ask which producers or agents the other company is working with. No one reveals information like that but if someone calls and asks about what experiences they have from a certain producer, customer or market people are willing to share that information.

It is easier to choose markets which are closer to your home market, especially within the EU where the trade restrictions are limited. By tradition, Sweden has far more cultural and historical ties to countries in Northern Europe than with the countries in the south. Even if countries like Poland and the Czech Republic have a strong and stable growth there are only a few companies that are exporting to these countries. Reasons for this seem to be related to the fashion status of these countries as discussed before. Russia which has a strong growth only attracts a few companies. A master’s thesis at the Swedish School of Textiles investigated the differences between the Danish and the Swedish fashion companies' attitude towards Russia. The Danish companies show a large and more continuous export to Russia compared to the Swedish companies and have a more positive attitude towards

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exporting to Russia. There are many trade restrictions that are the same for the Swedish as well as the Danish companies so that is not a difference. Although the Russian fashion industry has a turnover of approximately 65 billion USD and is increasing at a rate of 12 percent, only a few Swedish companies are interested and looking to export to Russia even if the country was mentioned as an interesting future market. The thesis suggests that one reason for the differences between Sweden and Denmark may be the psychological distance to Russia, by tradition and historical reasons.

The Swedish fashion companies are relatively small and during the last years of recession the companies have adapted a focus strategy rather than expanding. They overlook the countries, or rather the cities, they are exporting to, decide which ones to withdraw from and which key markets to concentrate on. This may have an indirect effect on other markets, like the Swedish.

“We have deliberately chosen some markets, like London,... It is a global marketplace and what happens in London is being picked-up by Swedes and Scandinavians which gives a spin-off effect on the Scandinavian market which is our main market.”

What makes a market important is the countries’ or the cities’ fashion degree, in a global and financial perspective. All companies stress the importance of a financial analysis before investing in a new market.

To choose a market not only requires a physical establishment but also an online presence with e-commerce. This of course requires an investment in the development of webpages and distribution, which is easier within the EU-countries.

“In all markets, the e-commerce is growing the most, and it is completely without boundaries. I am thinking, if there are good e-retailers with good image or the right image and the right profile for the brand, it is also a pretty simple way to launch in a new market. It is a good complement, in the beginning you are not a well distributed brand, maybe only present in a few big cities. But of course, if someone in a small city in Germany has some knowledge about you they will find you on the internet. There are easy ways to set up your own webpages etc.”

FUTURE MARKETS

Although many of the companies say that they nowadays withdraw from a market rather than seeking new ones, mainly because of the financial environment, some of the companies still are looking to expand into new markets. The Asian countries, especially China and Japan, are being mentioned as potential future markets for

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15 Ibid
expansion. South America is also on that list together with Russia and, if not already there, the U.S. and France are new future markets. The impression is that the companies have a positive outlook on the future even if some are expressing some concern. Several of the companies have always had a relatively cautious approach to expansion. There is definitely a "before and after the recession" mindset which affects the continuing expansion. Most of the companies have been affected by the financial crisis and have made cutbacks, stopped recruiting, closed stores or pulled out from certain markets. The word "focus" has been the most common word during the interviews about expansion and new markets.

CONSEQUENCES OF EXPORTING

It may seem like some markets have been chosen randomly but all companies are emphasizing the importance of being prepared and to know your market before expansion. All companies stress that they want to visit the places, get a feeling about the market, see which brands the stores are carrying and look at how the people dress. It is important for a company to see if their own design fits the market. To get a sense of that they have to experience it, it is nothing the design and marketing department can read about in a book or magazine.

Some companies still do more in-depth and structured surveys and analysis. Some of them have done interviews and studies on their target group to see how big the potential group is and how to best reach it, even if fashion is global there are still some national and cultural differences and feelings about what attractive fashion is. This is especially important when it comes to colors which sometimes can have cultural codes.16

There are also examples of companies that do not do any major analysis of the market since they prefer to learn as they go; by visiting the country to gain knowledge on their own. They also rely on the agents or distributors on the market. Everyone emphasizes the importance of finding the right partner and to have the right people involved.

Besides knowing if that the market is right in a design and lifestyle perspective, many of the companies are looking at various financial key figures and which sales and distribution channels are available. Potential growth is an important factor to evaluate. Other factors like culture, the economy, competition, consumer behavior,

16 A study on fashion-conscious women in Shanghai showed the importance of making the garments look whiter since that signals a higher social class. Color scales of Gray was considered to make the skin look darker, which made the Swedish collection that was tested completely wrong. (Yu, Siyan & Maria Åkerfeldt. Odd Fashion? A study of how the responses a fashion receives in a new market. 2010. Stockholm University, School of Business).
price index, logistics and distribution are also being evaluated. Something that all companies stress is to have the knowledge about the customs procedures and legal issues as well as how to draw contracts and terms of business. The agents and distributors are expected to have this knowledge and that is the reason why many companies hire them. It is also important for the companies to have the knowledge about how to draw a contract with an agent or distributor before they hire them. Eventually, when the company grows, it will be important to have the knowledge about the technical and legal conditions in the foreign market.

"Internally you need the experience of working internationally. To find the business abroad and the legal competence to draw a contact with an agent. The different payment terms, logistics, all those things are important. To be able to evaluate a risk you need the competence internally. Externally, if you say so – you know your own market the best. It is important to have a local competence on the market. To live close to your market. Even if you are working with a press agent you still need to be there. In the same time zone etc. So, internally you need a team that has worked internationally, maybe a board and an owner who knows what it takes. Externally you need the legal competence, agents with distribution and logistics."

What kind of different types of business and payment terms there is in a market is a valuable knowledge to have. All companies can tell bitter stories about invoices with long credit terms or invoices that are not being paid at all. There is a distinct difference between the Northern and Southern Europe, some people says it is because of the different business ethic.

To find information about a specific market it is important to have a good network of industry contacts, both on the local market and at home, people who can talk both to each other and exchange experiences. The industry cohesion is strong and there is a collegial atmosphere when it comes to these types of questions. To find out other kinds of information the companies travel and visit the different markets. The Internet is of course another apparently unlimited resource at first glance, but to be able to evaluate the risks it requires your own experience of the market. Large companies can buy services from international consultants. At the same time specific market knowledge is needed when the company’s volume on the market is growing. This has led to some changes of business models like working with agents or distributors rather than doing it internally. In one case one of the companies formed a new venture with a distributor, which increased the responsibility and commitment on both parties.

Another aspect when the organization is growing is to adapt to the new demands of being an international company. The level of service has to be high and
has to be able to quickly respond to customers in different time zones. Production and deliveries have to be on time otherwise there are major consequences also financially.17

"We prepare ourselves to provide a higher service level. To be able to answer quickly when you work in different times zones etc. You need to ensure the production and the deliveries. Nothing can go wrong, in some markets you don’t get paid if you deliver too late. It is all about delivering a really good product and to deliver it on time."

Some companies have appointed a special internationalization group with both internal and external experts, in one company for example with experts from the Swedish Trade Council (Business Sweden). The CEO, usually also the owner, always takes part in the internationalization process, s/he visits the countries, meets with the agents, distributors, customers and the sales team. Other functions involved in the internationalization process depend on the size of the company. In smaller companies it is usually the CEO and a sales representative. In large companies the product, production and logistics managers travel with the CEO to research and investigate different trade requirements.

"While we are looking for a distributor, we look at production and logistics at the same time to check the different laws, rules, labeling and similar details. That way we get information from two sources, because the local distributor knows these rules and will tell you how to proceed. But we try to find out on our own too. It usually takes a long time until you have reached your goal, you have made a production cycle on x amount of months and after that delivery and then the selling period of x amount of months. And then you have to talk and draw up contracts, and meet. It is a long-term planning of one to one and a half year."

BUSINESS MODELS FOR EXPORT
There are several ways to establish a company in a new market: through a distributor, agent, with their own sales representatives, wholesalers or direct export to consumers like e-commerce. What kind of business models to choose depends on the market and the development phase of the company. The business models change over time, along with the market growth. It is common to start with an agent to later continue with own sales representatives, or to increase the cooperation with the agent or distributor. Some companies have joint ventures with a distributor in a separate enterprise. The companies in the study are relatively small and only one of them has a licensee, in this case in the U.S.18 There are always advantages and

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17 One of the persons interviewed said that especially in New York and in the big department stores the delivery times are critical and the fines are high if deadlines are missed even with an hour.
18 Licensing is a common business model for expansion within the fashion industry. However, since it is not common among the interviewed companies we are not discussing this further in the report.
disadvantages with all types of business models but in the beginning, agents or distributors can be the only possible way to enter a market.

It is common for the distributor to have their own wholesale business and warehouse. The distributor’s profit is the difference between the selling price and the wholesale price from the exporter\textsuperscript{19}. An agent\textsuperscript{20} represents the brand and sells it to the retailers or wholesalers. Unlike the distributor, the agent is not the legal owner of the imported goods. The agent is an intermediary that receives and handles the exporter’s merchandise and trades it on the market. The exporter is still responsible for what the agent does\textsuperscript{21}. The exporter pays the agent a commission in advance or sometimes a provision after the merchandise is sold.

Most of the companies have or have had agents to first launch their brands on different markets. It is often the agent who contacts the company to ask to become a representative of the brand. The main advantage of working with an agent is to take part of the agent’s knowledge, experiences and network on the market. It is a way to keep the investment costs down, which is sometimes the main reason to choose an agent. Another advantage is that the agent negotiates and sells on behalf of the exporter. The exporter still has control over to whom the collection is sold to and can say yes or no to different stores or regions. A downside is that many agents are representing more than one brand which can cause certain conflicts of interest. Many of the companies choose to sell to distributors that purchase the goods and take over the legal responsibility or they send their own sales representatives to the market. The main argument for having own sales representatives is to keep the control over the positioning of the brand and to which retail stores to sell to.

To use a distributor as your business model applies mainly for exports to countries that are geographically far away. Far distant markets require more time and resources and it is more difficult to have a presence on these markets, the customs and trade restrictions are also more complex. A distributor has the necessary knowledge and is therefore a good solution. However, most companies choose to have a combined solution with agents, distributors and their own sales representatives on the different markets.

Within the fashion industry it is common for a company to license their brand but only one company in the study has done so in one of their markets. It is busi-

\textsuperscript{19} Hollensen S. 2004. Global Marketing (3rd edn), Harlow: Prentice Hall.
\textsuperscript{20} With agency means a company which has the rights to sell goods for another company in their name. The agency is called an agent. If the company (importer) has the exclusive rights to sell in one country, that company is called concessionaire. Resource: http://www.expowera.se/mentor/forsaljning/agent.htm.
\textsuperscript{21} Dotevall B. 2007, Export Marketing (Exportmarknadsföring), Lund, Academia Adacta AB.
ness model which requires more resources and a well-established brand. Another business model that requires a large turnover is to set up a subsidiary abroad. At least 10 million Swedish Kronor is required in that market and maybe up to 200 million for the company as whole, as one company stated. Therefore only a few companies have set up their own subsidiaries on their most important international markets.

It is not self-evident to start with an agent or a distributor. There can be different strategies and context sensitive tactics. One company’s owner started by going to cities where they wanted to establish a presence, looked for retail stores as potential customers, analyzed their own brand and style, then worked hard to sell to those retailers directly. Another example is one company that started to sell to two reference stores and then handed the business over to an agent or distributor, which was considered as a strength against the other party.

“When this company started they chose to enter the key-markets by selling directly to the retailers. They went to one or two cool stores which was selected beforehand and tried to sell to them. And then left it to the distributor to continue – which was of course a strength because you are sitting there with the distributor and can say ‘I have already sold to the two coolest stores in this country, and they think this is good. These are the products they chose, are you willing to take it on?’”

It is still possible to see a certain pattern; most companies start with an agent or a distributor because of their market knowledge which is essential for a successful establishment. There are however examples where working with an agent or a distributor hasn’t been very successful. This could be because of the sales result or how the other party has marketed the brand. If the reason has been on a personal level, like the lack of personal chemistry, the agent or the distributor has been replaced. In some cases a company’s sales representatives have taken over the market, probably because of the control but also because the company considered itself ready for it. It is of course possible to make a long list of advantages and disadvantages with different types of business models and representation. But in the end it all comes down to the personal chemistry between the company and the agent or distributor. Which representation to choose can be a question of attitude and the own need for control.

“... when we finally decide to invest in one market, we take over the control completely. I believe, if you want to invest in one market you need full control. ... to be honest, that is really important. ... to allow an agent to run the start-up is possible but later you want control. Otherwise you will never get it right.”
DIFFICULT AND EASY MARKETS

There is one market which most companies consider to be "The market": the U.S, particularly New York. However, it has proven to be one of the most difficult countries to export to, especially because of the custom duties and other bureaucratic obstacles. One company which has had success in New York, said that the most difficult thing is not to build the brand, it is to get the merchandise over the border.

"We had one type of sweater, ... a whole order to Barney's worth a million, ... It was stopped in customs, you have to fill in a bible, and there is one sweater with a blend of alpaca, ... they ask us: ‘Where is the alpaca from?’ ... Well, we have to check. We checked with the producer – the alpaca came from Peru, the yarn I believe. The sweater was knitted in Italy, but what yarn did they use in Italy? They told us they wanted to know the name of the alpaca producer, the name of the farmer. After some research we gave them the name. They still didn’t let go of the merchandise – they ask us what sex the alpaca was. Is it a male or a female? We ask the producer who said: ‘it is impossible to answer; we shave all of them and spin all of it to yarn.’ The customs says: ‘Then we won’t let go of the merchandise.’ ... The whole thing ended with us asking if we could open up the boxes, take out the 8 alpaca sweaters out of x amount of hundred or thousand sweaters. They still didn’t let us take them out, they locked the whole shipment. Is there any possibility ...? No, we had to fly the whole shipment back to Sweden, take out 8 sweaters and fly it all back again. It cost an enormous amount of money and we lost about 3 to 4 weeks. It resulted in a delayed delivery to Barney’s who wanted a rebate on the merchandise ... it never ends. So, if you are going to work with more complex products and have a collection of shoes, leather, fur, bags, you know, the U.S is a very complex country. We have looked at other options like having a domestic buyer with a stock. It is possible but we are too small for anyone to be interested in that."

Of the twelve companies in the study, eight are exporting to the U.S. For those companies that had someone with previous experience from the country, like a CEO who resided in the country before, started off easier than others. For two of the companies the founder and the executive chairman are currently living in New York. This can be of a great value, even in a cultural way since there are many differences between the U.S and Sweden. The American business culture is tougher and more hierarchical than what people can imagine; it is something you learn by becoming a part of it.

The major markets such as the U.S, Germany, France and England are sometimes perceived as difficult markets. Mostly due to the tough competition since these markets are attractive to all international fashion brands. Some feels that Germany and the U.S try to support their domestic companies. The U.S is also very price and volume driven which makes it even more difficult for small and medium size companies. Australia seems to have a positive attitude towards Swedish fashion brands and many companies export to the country even if the reversed seasons require more resources.
All companies state that the distance is significant and that it is of course easier to do business with countries closer to your home market. Not only because of the cultural similarities but also because there are fewer trade restrictions, especially within the EU. Some companies pointed out nearby Norway as difficult since they are not a part of the EU.

"The EU-countries are easier, but you shouldn’t underestimate the differences. We believe we are similar to the Brits, but there are differences. And we also think we are similar to the Norwegians and the Danes, but there are some differences too."

No market though is easy, everyone agrees on that. However, all companies also agree that being close to the market makes it easier to export and position the brand. Some say that even Denmark can be difficult because the culture differs more than you think and the country has its own fashion industry which makes the competition fierce. Outside the Nordic countries (except Norway) Holland is the market which many companies begin to export to. The consumers are perceived to be quite similar to the Swedes and they are open-minded about trying new brands. The downside of Holland is the difficulty to sell large volumes since the distribution network mainly consists of small shops. There are very few department stores.

In general, the EU markets are considered to be easier due to the lack of trade barriers. However there is a difference between the North and the South from a business cultural perspective. This applies particularly to the expectations of timely payments which is often not met and affect cash flows. The recent financial crisis which hit the Southern countries clearly has not made the situation any better.

Markets that are geographically distant, like Asia, Australia and the U.S, have been considered as difficult markets because of the trade restrictions, cultural difference and the difficulty to always be present. In most cases, this results in a contract with a distributor. A distributor who buys the merchandise and has control over the domestic sales, where and how it is being sold is a common way to overcome the barriers.

**Trade Shows and Fashion Weeks**

To exhibit at or visit trade shows is often the first step in a connection with an agent or distributor. All the major fashion cities have several trade shows and fashion weeks and there are many more cities in line to become fashion cities which starts up new trade shows. All the organizers of trade shows and fashion
weeks are keen to become international players, both with exhibits and runway shows. At the same time it is expensive to participate in these shows and therefore Stockholm has become the base for many of the Swedish brands. The different trade shows and fashion weeks in Paris are also important since they draw buyers from many countries, especially the Asian countries which prefer to only place their orders in Paris. Bread & Butter in Berlin is another trade show which has become internationally important as well as serving as an entrance to the German market. Even Copenhagen, London, Amsterdam and New York are cities in which many companies like to showcase their collections. The perceived value of participating in these events differs among the companies. Some companies say that it doesn’t give an extra value, while others claim that it is essential to participate, it is where you create your networks. Some companies also say that Stockholm has become very international and that the city replaces the need for participation in other countries.

One company in the study claims to participate at 12–15 trade shows a year which is very rare. The cost to participate is high and drives many companies to carefully evaluate each trade show. It has become more common to rent a showroom where they can present their collections instead.

“If we had seen a great result from Bread and Butter, we would have been there every season, but we haven't. When we ask our agents and distributors if we should participate or not, they just shrug. It is all about showing off, writing orders and making connections. In our case they know they will meet the sales rep in the showroom later so they don't need to do anything. They just stop by for a quick look and then they come back to the showroom to look more carefully. We get some new customers at the show but not to pay it off.”

One conclusion is that the role of trade shows and major fashion runways have changed. The showroom sales have taken over from the trade shows and the trade shows have become more marketing oriented rather than purchased oriented. The trade shows are still good for the retailers and media to get an overview of the new collections and trends and remain good places for networking. The number of visitors at the trade shows is still high but the privacy is lacking and the spaces to showcase the collections limited. Many retailers do not want to write their orders while their competitors are sitting at the table next to them.

Some companies arrange their showrooms at their local PR agency or rent an office or space which is located at a convenient place in the city. It could also be a temporary pop-up showroom. The companies invite their buyers and retailers as well as media to their showrooms. This gives them a better opportunity to show-
case the collections and discuss sales statistics and future possibilities in a space that they themselves control.

FINANCING OF INTERNATIONAL EXPANSION

The main prerequisite for an expansion is to have the capital to finance both the marketing and the production. It requires a larger investment to participate in the trade shows where you can meet the agents and distributors. There is no exact figure, but data shows that it cost between 300,000 to 400,000 SEK to participate in a trade show.

If a company exports to a distributor or directly to a retailer who pays for the merchandise in advance, the establishment costs are not as high. Then it is more about being able to finance the large production volumes.

Another cost is the financing of long-term credits; it takes time before you receive your payments when you export. Sometimes it can take up to three seasons, which is one to one and a half year from production until you have been paid.

A third aspect is the credit risk. Many companies have had customers who either pay after long credits or do not pay at all because of bankruptcy. Especially with the recent economic situation it has become more important to check the customers’ financial strength in advance. Overall, many companies believe that it is difficult to keep the control over the customers and partners abroad.

Given the rapid internationalization of all these companies, it is surprising that all companies claimed that they financed their international expansion with their own funding, that there has been an "organic" growth.

"Completely organic. Each earned krona we have also invested. The good thing by growing organically is that you become cost-conscious. You know you have worked hard for the money you are about to invest with and you want to do it right."

When the companies talk about their own funding that usually means the shareholders, which is equal to the company’s founders in most cases. A company investing with its own resources results in a more cost-conscious approach and all companies stated that during the financial crisis, they flipped every stone to bring down the costs without cutting back on the business. In some cases new shareholders have bought shares in the companies, sometimes large groups and corporations. All companies that were interviewed have new partners like venture capitalists or investment companies. Examples of companies that have been bought out by a large corporations or external venture capitalists are: J.Lindeberg which is partly owned by three Danes who also own the fashion company Bestseller; Tiger of
Sweden is owned by the Danish company IC Company, Cheap Monday by H&M and Filippa K by Novax.

In another study\textsuperscript{22} we have examples of how a producer in Asia has helped the Swedish company to start up by giving them long credits. In that way, the company could start to sell their products and receive payments before they had to pay their producer. This type of relationship to a producer is however unusual.

The discussion about financing an expansion led to the question about what resources that are really needed to succeed. It is not only about the money, perhaps more about the human resources and the management’s resources.

"Yes, maybe not so much (money), it could be that too. It is more about the time and the human resources. Because it is usually someone in the management who has to do it. A senior sales person, the CEO or a marketing person. And all their attention is needed, especially if you start from the beginning in a new country. Then there is a lot that has to be ..., you need to work with marketing and the sales representatives are screaming after help and support. They need the right tools."

Some of the key investments in the beginning of export regardless of the country are the planning, marketing material in the specific language and samples. The preparation list of what it takes is long. The interviewed companies started to export early, but had a low turnover and few resources, many started by visiting the trade shows abroad and connected with agents and distributors who started to sell the brand on their own markets. The first investment has therefore been the travel costs to the trade shows and to produce the sample collections. It is required to have a sample collection to be able to show the buyers and the media.

The return on investments in new markets varies between the companies but also between the countries. It is not a question that has been easy to answer and it is possible that the companies haven’t analyzed it themselves. The answers are therefore dependent on how they perceive the progress. Several companies estimated three seasons, or three years before they would reach a break-even on a specific market. When the companies have reached a certain size of business, it has also been possible for the start up their own stores. We wanted to ask the question of the leading people in the company with a good insight to the financials to get a better idea about the return on investments. However, it is a question which requires a more comprehensive research.

RISKS AND THREATS OF INTERNATIONAL EXPANSION

All business involves a certain risk, but the risk increases when transactions are being made outside the company’s own comfort zone, which by definition means that internationalization is a greater risk. As distance increases, so do the costs. It becomes more complicated and you lose control. Even estimating sales volumes is difficult if you don’t have the experience in those markets. There is an uncertainty even if agents and distributors can help in many cases. It also seems like the fashion industry has become more demanding and the retailers expect the merchandise earlier and earlier, which also increases the risks in regards to volumes.

“What we have noticed over the last three years is the shorter time to produce. Abroad, they require getting the merchandise in the stores earlier than in Sweden. This means that we have to place the order before the selling season is over which means that we need to make more estimates, which is a risk in that it may not be correct.”

On top of the economic risks and other issues, there are risks that in the long term may have economic consequences. This not only could be legal aspects of agreements with agents and distributors but also the positioning of the brand. A certain risk element is however necessary to be able to get started. Many companies learn along the way that some mistakes can provide valuable experiences, that are hard-learned.

“Yes, for example in the U.S. We showcased at a trade show and received a lot of orders but we never planned out the payment process. The delivery – the merchandise from China was quoted at that time (2006) so we had to buy a warehouse in the U.S to be able to bring the goods directly from China, re-pack and re-send. The custom duties outside the EU countries are a bit more complicated, requires more work but it is good that you learn a little bit about the customs procedures.”

What most companies mentioned regarding the risks and pitfalls was the loss of customers and credit risks. There are different business terms and business cultures and the most common problem is the countries’ different payment terms. In Sweden it is common with 10 to 30 days but in other countries it can be shorter or longer.

“Another pitfall, ... is the different terms of payments, how you as a Swede thinks it works the same as at home... And even if you have agreed on something... – you talk to Germans and they expect a discount if they pay within 10 days. Even if you don’t offer that you are forced to do it...and in other countries, like the U.S and Italy, you can forget about thirty days...”

But once again, there is a collegiality in the industry. There is no competition when it comes to how to get paid in Italy, or if you ask about the trustworthiness
of a customer. In today’s financial climate, the risks are increasing and the forms of payment are different, usually to the disadvantage of the seller. Consignment, to only pay for what is sold for, is one of the payment forms.

“It is becoming more and more modern, that customers are demanding consignment, when you as the seller own the stock. And the stock is in the store which they sell on an ongoing basis. This is also a risk that you have to be aware of, it means that ... Let say the stores have 25 % of the merchandise on consignment and 75 % is paid for, or 50-50. He knows that he can send your products back, or that he doesn’t have to pay for what he sells. Then he keeps a lot of stock of a brand that he doesn’t have on consignment. It is easier for the other brands to get a better sales spot, and you are being kept in the back. So that is also something to be aware of and to negotiate a good display in the store, go and have a look. Or include everything in an agreement.”

To be present in the market, to physically visit the customers, is important in many aspects even when it comes to payment terms. It is easier to have someone on site that can call and take care of payment issues, someone who knows the language and the business culture. But regardless of whether a company has an agent or their own sales team it is important to evaluate each customer’s credit. Large orders are less and less celebrated.

“These days we don’t celebrate a large order, instead we become worried and wonder if they will be able to pay. Of course we are flattered and excited, but oh no, this will be tough, we really need to check this.”

To work with the right person is the most important factor for success. Things can go badly when negotiations break down with an agent. It can be expensive to trust the wrong people, but also not to trust one who you should have. To terminate a contract with an agent is also expensive and it requires legal expertise. Another aspect is to make sure the agent is right for the brand, has the right contacts so that the products are being positioned correctly on the market.

“... sometimes you might move too fast with the distribution. It takes longer than you think to establish yourself as a brand. Most brands have a peak, and after a few years they are gone. Or live on in some markets. It could be a deliberate strategy from the customer, because they want to carry some other brands and tickle the consumer. Their plan is to keep you on a certain level and then drop you when the next brand comes. Then it is important to know your distribution and move on.”

Another pitfall is when the distributor or the retailer gets the exclusive rights to the brand. The brand is locked in and become dependent upon them. If the retailer goes out of business you will have to start all over again on that market. It could be a better choice to say no or wait to enter that market until sales can be made to more stores.
Another important aspect is to deliver the correct quality that has been sold which requires that you have the ability to make quality controls. If the quality is not as promised the other party can use it against you and it can become an expensive lesson. The deliveries are of course sometimes incorrect and that is something that all companies need to be prepared to handle.

"Production is difficult – and with production I mean the right qualities and not a box with 15 different washes, or mixed up etc. We still make those mistakes even if we are big and have people controlling these things, it is almost impossible to avoid, but they are deadly if you are in your start-up phase of business."

"The thing with the quality we have come across, sometimes we have to cancel ten thousand pair of jeans because of something. And then you need the money back from the factory. But sometimes they have already been delivered to the stores. Then you need to take care of the shipping cost to the warehouse and all the handling. After that you need to ship it back to the factory, and sometimes it takes time before they accept it. We have one example when things have been in stock for a year. And then you need to carry the cost in the meanwhile, it can be minor or major things, that is one mistake that I have made, but that is a part of the game."

Many fashion brands have been named after their founder so perhaps it is not too common for these brands to be copied, but it is generally important to register your trademark in your different markets. It is even more important if the brand is not named after a person and could be perceived as smart and clever. One company in the study brought addressed this as one of the pitfalls.

"You shouldn’t wait too long to register your trademark, someone can pick it up quickly and the carousel has started. And one takes it all, more or less. And registering the trademark is good, you notice that when there are discussions about the brand. There are companies today that try to take our trademarks and claims that they were first, or they start something similar and says ‘We have never seen your brand on the market’. And then you always get to the thing ‘Ok, prove it, when did we start to sell the products in the market, do we have a press clip or can we show which customers we are selling to?’ It is very good to document these things, if you believe in a long life after the start."
THE MOST COMMON MISTAKES
AND ADVICE TO OTHER SWEDISH FASHION BRANDS

Here is a summary of the mistakes the interviewed companies shared with us and the advices they would like to give to other Swedish Fashion brands:

• To do your homework and create a stable foundation at home. Even if you want to become an international player immediately there are benefits to have a foundation on the domestic market, it creates credibility with potential agents and distributors
• To prioritize profitability over growth
• Not to enter too many markets at the same time, focus your resources
• To make sure large orders can indeed be met
• To have a good business model
• To have the time and resources to be present in the market and to give the agent/distributor the right compass
• To remember that fashion is a field which attracts more people with passion than reason, meaning not being able to control or being interested in the finances. This also includes people working with the agents.
• To check the customers’ credit. To always do the research and to set standards with the people you are working with.
• To understand that new market development is not as easy as it may seem
• Endurance is important
CONCLUSION

The internationalization process usually develops over different phases in which the business models also can change:

The first phase usually starts with the agent or the distributor that you connected with at an international trade show. The trade shows have changed over the recent years, with more of a marketing focus rather than with a sales focus. However, they are still important from a network perspective even if the companies prefer to sell from the showrooms – usually during the same time as the trade shows are taking place. The first phase requires a large resources base, especially in terms of the time the management needs to spend on visiting new markets but also to finance large volumes during a longer period of time. The investment to acquire knowledge and information about the future partners and their credit is necessary.

The second phase is a cross road – an enhanced collaboration with the first partner, the agent or the distributor is often a question that needs considerations. This phase still requires the time investment from the management to deepen the relationship with the different partners. With larger volumes the risks are greater and the need for more control and proliferation is also necessary.

The third phase is often where a business decides to open up brand stores or and subsidiaries. For that to be possible a turnover of 10 million SEK is necessary on that specific market, and a total turnover in the company of 100 million, some say 200 million SEK. At the same time the organization is growing they are also increasing their control over the distribution but it also creates new demands on leadership, more resources and stability, all without losing the creativity and dynamic which once lead to the company’s success.

It is important for the companies to know the players in the industry in their different markets as well as agents and distributors, it is equally important but also which fashion brands are established and where they are. The status of each store and its location can be both official and unofficial; it is usually more hidden when it comes to places under development. The companies find their partners and rep-
representatives at trade shows and industry events but they are required to always stay updated on what is happening in the market. Regardless of the stage the companies are in, it is important to quickly be able to get information about the market such as industry data, tariffs and important regulations.

The time aspect in the fashion industry is important to be aware of - the fashion cycle and the time before you receive any payment are long. It usually takes up to one and a half year from production to sales and therefore it takes time before any revenue is generated.

The companies have knowledge about the different countries and cities from a fashion perspective. It seems like the companies are guided by how fashion develops and how it spreads globally, at the same time the “old fashion cities” seems to keep their attraction. However there are new fashion cities that aspire to become international fashion centers, especially cities like Shanghai, despite the fact that these cities usually are located in countries quite distant with a different fashion culture. Despite the aspiration to become a part of the international fashion industry there are many cultural codes that still affects the market and the consumers’ attitude to design and their buying behavior. One can assume that although it may become easier to sell the collections in countries far away, it is still just as important to find and build the relationships with the right business partners. The knowledge about the country and its infrastructure requires both time and financial investments. One question is whether the companies should make these investments on their own or if there are any synergies and knowledge that can be coordinated and shared with other companies in the same business climate, information which doesn’t reveal on the companies’ business secrets.

The information about a country’s economy and consumption within different segments can be valuable knowledge for a company to have to improve their business decisions, especially in terms of which markets to enter. This applies in particular to countries that lack fashion status but are considered to be interesting from an economic perspective. Companies that have hired internally employees with financial competence to develop these interesting export markets find the employees limited in their capacity since they are busy solving other urgent problems.

Expanding through export is not only economically beneficial; it also reinforces the organizational mentally and strengthens the brand in the domestic market, especially since the Swedish journalists are reporting home about the international success. All the companies in the study are brand driven. In addition, as already
discusses, the presence in other markets gives knowledge and inspiration that will benefit the products, both in terms of design, the regular business as well as the business models.

"I believe it is being reinforced in a positive way. Especially if you are present in some “marketplaces” like London, New York, Paris etc. Yes, it absolutely does. You get new influences, maybe in a more nuanced perspective. The negative thing is that you get lost, that you think that you become big by just being international. You start to run towards the wrong targets. It is important to always consider the consequences."

All the companies have different experiences in what they consider as difficult and easy export markets. That seems to be linked to the individual company, its relations to each country and market, which networks they have, the timing and the products they are competing with. It often seems to be coincidental that a company connects with a really good agent – or if the opposite, that instead of success, the entry to the market becomes slow and difficult. Personal experiences from visiting or living in a country may play an important role. Many of those we interviewed have worked or been involved in different setting abroad before they started their own businesses. The knowledge about internationalization will improve in the future considering how many people that are currently studying abroad.

This research study has reinforced the impression that there is a possibility for the fashion industry to continue to grow and contribute to increased exports. The companies are more focused towards international expansion, even if some have experienced a negative result during the recent years. The average turnover has increased over the past five years but there are variations, from over 100 percent growth in a few years to a negative result over a few years- within the same company. All companies have had a varied growth of their business and there is no steady trend that can be seen during the same period of time. Nor it is possible to say that the financial crisis has changed the development of the companies. Some continues to grow strongly while others have felt the financial crisis and have make cutbacks. The years before the financial crisis in 2008 some of the companies had a growth of 28 percent while some over 70 percent. Even after the financial crisis in 2010, one company has shown a negative while others have a growth of 60–70 percent, some 20–30 percent and a few as little as 3–4 percent. With larger export shares the sensitivity becomes greater while the risks are being spread over several markets. However, to be able to keep many markets going at the same time large resources are required.

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THE INTERNATIONAL GROWTH OF SWEDISH FASHION COMPANIES
For those organizations that will help to promote the Swedish fashion industry, including the continuing internationalization, there are some lessons to be learned from this study, especially the difficulties but also the knowledge that is required to be able to analyze and understand the situations in which these fashion companies are in. There are several areas and activities where these organizations can be engaged to support the Swedish exports that can exploit the synergies in the fashion industry and the collegiality that exists.

FUTURE STUDIES

It has been interesting to get a better insight into the Swedish fashion industry and it has been of great value to take part of the fashion companies’ statistics in the research *The Swedish Fashion Industry (Modebranschen i Sverige)*. It gives a picture of the current situation and it is important to continue to repeat surveys like this to see the further development of the industry.

At the same time there are different areas and issues that have not been highlighted in this study. There are two areas that need to be further investigated which are important for future studies and research. The first area is e-commerce from an international perspective and the second concerns sustainability.

E-commerce is considered to be a fantastic possibility to sell all over the world without any physical presence. It could be just a matter of having the consumers finding you. From experience we know that it is not that easy – not without having an already famous and established brand. There is no study on how these companies organize their international e-commerce and how it affects the other distribution channels. There is also a lack of statistics on how large the e-commerce business share is, which results in the uncertainty of how important the channel is for these companies.

Sustainability issues are becoming increasingly important but there are no companies that are using sustainability as an argument in their marketing. We know that several of the companies have hired competence internally to work with the sustainability issues, including the small companies, and that they actively chose their materials from an ethical and sustainable perspective. Sweden is known as a country with good quality and a strong environmental commitment. However, we also know that Sweden is not the leading country when it comes to sustainability. To incorporate sustainability in the business process requires resources and it is an issue on which the entire industry can work together on to achieve a more sustainable fashion. But it requires both development and more education.

CONCLUSION
REFERENCES

SCB. Utrikeshandel med viktiga varor
http://www.scb.se/Pages/TableAndChart____26625.aspx
APPENDIX
Interview guide for companies

The questions have been divided into themes followed by proposal for how to formulate the questions. Some questions are similar and were designed with slight differences to trigger more nuances and reflections if a deepening of the answer was desired. All interviews were done in Swedish.

IMPORTANT ISSUES FOR SUCCESS

- Adopting to market conditions
- Knowledge about the new market
- Creating successful collaboration with agents, distributors, etc
- Finding the right people to work with
- Resources
- Experience and broad competence (internally and externally)

QUESTIONS

1. What knowledge is necessary about a new market before you enter it?
2. How does your company or did your company search for this knowledge?
3. What competence – internally and externally – has been the most important for the company’s internationalization?
4. What countries do you think have been the easiest to enter? The most difficult ones?

RISKS

- High costs
- Liquidity and cash flow
- Not finding the right people to collaborate with
- Control of agents and distributors
QUESTIONS
1. What pitfalls have you experienced when entering a new market?
2. What are the largest threats?
3. How do you finance export?
4. What are the differences regarding payment terms compared to Sweden?
5. How do you raise capital for internationalization – internal or external money?

DIFFICULTIES/CHALLENGES
- Cultural differences – values, consumer behavior, language, etc
- Praxis – misunderstandings
- Distribution and infrastructure

QUESTIONS
1. What are the largest difficulties you have experienced when entering a new market?
2. What problems have you experienced regarding economic issues, accounting, currencies, customs, fees, etc?
3. What mistakes have you made?
4. What mistakes do you think are the most common ones that Swedish fashion companies make when expanding internationally?
5. What countries do you plan to enter within the next 3 years and beyond – in case this is not a business secret?

WHY CHOOSE TO EXPORT?
- Swedish market is too small for growth and profitability
- Fashion market and trade shows are increasingly international with more international actors beside the traditional fashion market (e.g. France, England, Germany and the US)
- Within the EU trade barriers have been removed and made export easier
- Internet and new technology have made it easier to act abroad

QUESTIONS
1. What was the motivation when you decided to export?
2. Which market was your first and which country was the first one outside the Nordic countries? Which ones followed?
3. Are you going to search for new countries? If yes, what motivates you to continue to grow internationally?

HOW DO YOU DO IT?

- Work with agents or distributors
- Own stores
- Licensees
- Combinations

QUESTIONS

1. How do you choose new markets?
2. Are you looking at your Swedish competitors to see which market they enter?
3. What form of representation do you use?
4. How do find the right people to work with?
5. Same form in all markets?
6. How have you organized the company to prepare for exporting?

ADAPTIONS TO THE MARKET

- Fashion industry is international and standardization can work
- Some markets are very different both in size and cultural codes which might need some adaption of products and promotion strategies.
- Advantages of being unique

QUESTIONS

1. How is the company’s brand adapted to the international markets?
2. Does the internationalization of the brand have an impact on the identity of the brand in Sweden and within your organization?
3. What adaptations of the marketing or brand communication have been necessary when entering new markets?
4. Do you have different messages in different markets?
5. Do you have the same target group in all markets? If not, what is the difference?
6. Is your brand perceived equally in all markets?
7. Do you use any market as a test market for new products and collections?
8. At what fashion weeks and trade shows do you participate?
9. What is the result of these?
FINANCE

• Facts and figures

QUESTIONS

1. What is your export rate of your total turnover?
2. How has the turnover of export developed? The last 5 or 10 years?
3. What are the investments for internationalization – in terms of money and personal efforts

SUCCESS FACTORS

QUESTIONS

1. In the market where you have had a great success – what were the most important factors that led to this achievement?
2. What are the most valuable conclusions you have made from internationalization?
3. Can you rank what is most important for achieving success:
   1. Product design
   2. Marketing/communication
   3. Agent’s or distributor’s capacity and network
   4. Your own knowledge of the market
   5. The maturity of the market
   6. Others – what?