



CBI
Ministry of Foreign Affairs

Exporting apparel to Europe

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Exporting apparel to Europe

Europe offers opportunities for exporters of garments and apparel. On this page you'll find information to help you get your garments or apparel products on the European market.

Sector information

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What is the demand for apparel products in Europe?

Europe is an attractive destination, with a population of 500 million consumers looking for quality apparel goods. The Gross Domestic Product (GDP) for the European Union as a whole is forecast to grow by an average of 1.6% during 2017.

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1- The six most relevant countries in terms of consumption

2- Which countries are most interesting in terms of import from developing countries?

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Table 1: Forecast growth rates for Gross Domestic Product (GDP) across Europe

Above +3%		Above +2%		Above +1%		Below +1%	
Romania	3.9%	Bulgaria	2.9%	Denmark	1.7%	UK	1.0%
Luxembourg	3.8%	Latvia	2.8%	Netherlands	1.7%	Italy	0.9%
Malta	3.7%	Lithuania	2.7%	Austria	1.6%	Finland	0.8%
Ireland	3.6%	Greece	2.7%	Germany	1.5%		
Poland	3.4%	Slovenia	2.6%	France	1.4%		
Slovakia	3.2%	Estonia	2.6%	Belgium	1.3%		
		Croatia	2.5%	Portugal	1.2%		
		Cyprus	2.5%				
		Sweden	2.4%				
		Spain	2.3%				
		Czech Republic	2.2%				
		Hungary	2.1%				

Source: ec.europa.eu/economy_finance

Eastern Europe is interesting if you can compete on price

Emerging markets such as Romania, Poland and Slovakia have rapid growth rates for GDP at over 3%, but they are coming from a lower base than more mature economies in western Europe and pay lower wages. This fact makes these markets attractive to manufacturers who can compete on price.

Western European wages are growing, so people have more money to spend

In Germany, France, Sweden and the Netherlands, the average wages are showing steady growth, so these markets are also highly attractive. Spain's economy is also recovering rapidly and represents an important opportunity for fashion and textiles. However, competition is intense in each of these countries, so your product must clearly stand out from the rest; for example, because of its design, origin, production technique involved or story behind it.

How is the consumer demand?

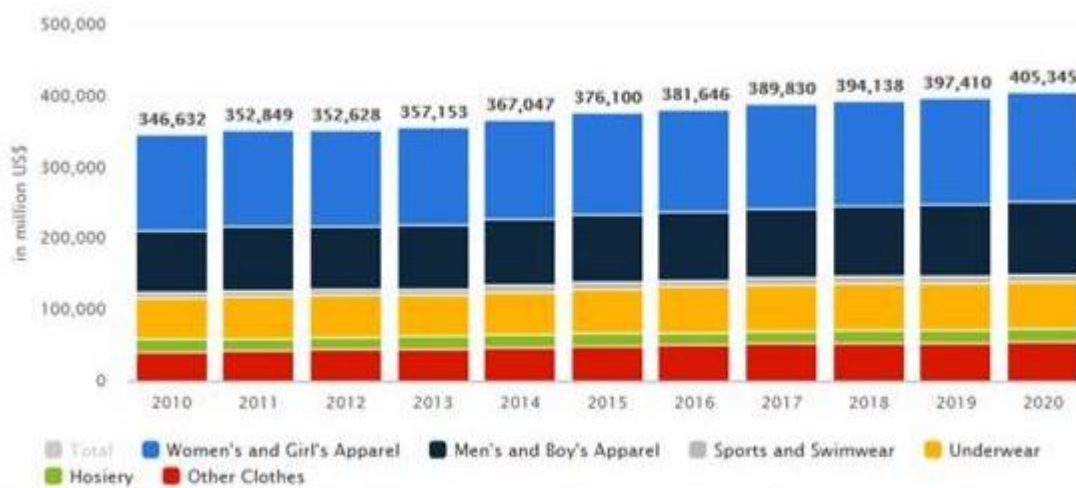
European apparel consumption is forecast to grow from € 350 billion in 2016 to € 372 billion in 2020.

Table 2: EU apparel expenditure, in euros, 2014-2020

EU apparel expenditure in euros						
Actual 2014	Actual 2015	Actual 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
€ 337,075	€ 345,389	€ 350,482	€ 357,998	€ 361,954	€ 364,959	€ 372,246

Source: Euromonitor European market

Figure 1: Expenditure per segment, in million US\$, 2010–2020



Source

e: Euromonitor European market

Consumer demand by product type

Women's and girls' apparel is the largest segment, worth € 135 billion in 2017 and accounting for 38% by value or 20% by volume.

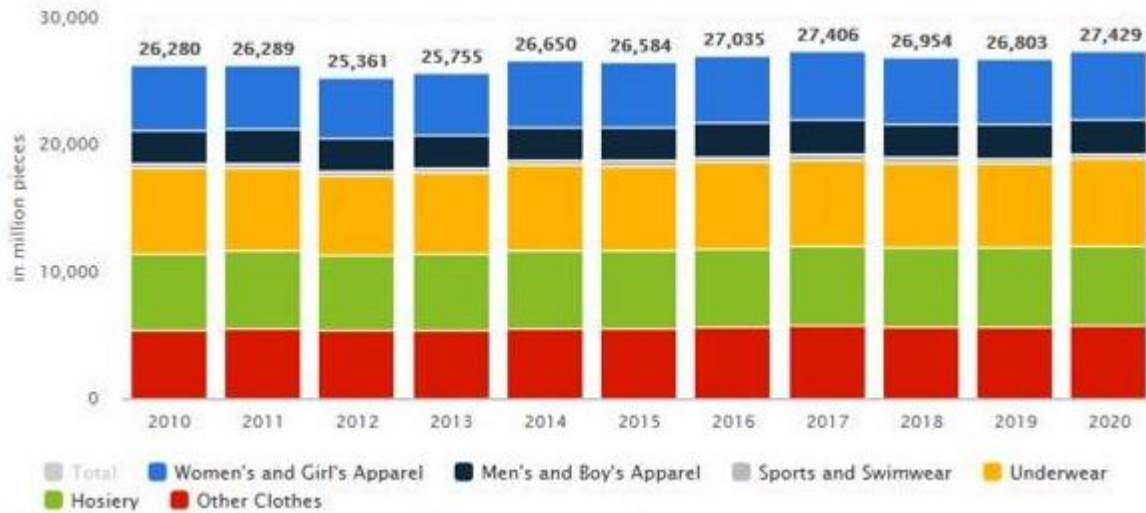
Men's and boys' apparel is the second-most valuable at € 90 billion in 2017, accounting for 25% by value or 10% by volume.

Underwear is third at € 48 billion, 16% by expenditure or 25% by volume.

Hosiery is valued at € 16 billion, 5% by expenditure or 23% by volume.

Sports and swimwear are worth € 9 billion, 3% by expenditure or 2% by volume.

Figure 2: Expenditure in pieces per segment, 2010–2020



Source: Euromonitor European market

1 . The six most relevant countries in terms of consumption

Out of the 28 European Union nations, 5 account for 73% of the European apparel expenditure. These five are the United Kingdom, Germany, Italy, France and Spain. Though much smaller, Sweden is also an opportunity because of its high rate of growth, its appetite for premiumisation – which means that you can aim for more luxury or exclusive product offers – and its interest in new niche brands with an ecological message. Sweden is also seen as a trendsetter in sustainability and increasingly in what is fashionable.

Figure 3: Clothing revenues, in € million, 2017



Source: Euromonitor European market

Table 3: The six European markets offering the best opportunities

Table 3: The six European markets offering the best opportunities	
Largest richer markets (differentiation is key)	Most rapidly growing market (low cost is key)
Scandinavia	Romania
Germany	Poland
France	
Spain	

Source: Euromonitor European country reports, 2016/17

United Kingdom

The UK faces tariff uncertainty and inflationary pressure following the devaluation of the British pound sterling, while the full implications of Brexit also remains unclear.

Consumers seeking out low prices and discounts drive the growth in share for value retailers such as New Look and Primark at the expense of market leaders Marks & Spencer and Next.

Sales of women's leggings and sportswear benefitted from the athleisure trend of blending fashion and performance clothing (for more information on this topic, see CBI's study of Exporting sportswear to Europe).

Typical online retailers such as Asos and Boohoo have increased their share with rapid introductions of competitively priced, on-trend collections supported by rapid delivery.

Germany

The apparel market in Germany remained stable in terms of retail volume sales over 2016, while value sales declined slightly by year as price competition intensified.

Luxury brands such as Hugo Boss added value through a wider product portfolio.

New multichannel and omnichannel services such as curated shopping and mobile apps stimulated some demand, compensating for declines on the mainstream market. For more on omnichannel strategies, read CBI's study of Trends in European apparel.

Zalando and Otto are transforming themselves into multiservice platforms for fashion.

Italy

The decline of Italy's apparel market slowed in 2016, with expectations of modest growth over the coming years.

The high-profile failure of Target in Italy has forced international retailers to move cautiously and adopt a more Italy-specific business model.

Consumers are increasingly looking for premium apparel brands at low prices, with more retailers offer luxury items through off-price retailing.

Fast-fashion players are capitalising on social media trends that incite shoppers to crave frequent new offers – Italy is one of the leaders in this development.

France

After a period of stagnation, with consumers waiting for sale periods and discounts, the French apparel market levelled off in 2016.

Demand has been stimulated by athleisure, customisation and recycled or upcycled clothing trends.

Up-and-coming international brands which often open mono-brand stores, such as aslululemon, Orlebar, Michael Kors, Calzedonia and Primark, reported double-digit growth rates in 2016.

“Made in France” labelling is also becoming important for some French consumers.

Spain

Apparel and footwear in Spain are expected to see record spending growth, consolidating the recovery of the industry that began in 2014, thanks to a projected positive performance for GDP and a decline in unemployment rates.

The apparel industry in Spain is fragmented, but Inditex – the world’s largest retailer, best known for its flagship brand Zara but also owner of other brands such as Massimo Dutti, Pull and Bear, Bershka, Stradivarius, Oysho and Uterqüe – and to a lesser extent Primark and H&M (Hennes & Mauritz) account for an important share of retail value sales.

Spanish customers are seen as very discerning and demand a wide choice at affordable prices in convenient city locations as well as online.

Sweden

Sweden increased its spending on high-quality sportswear and recognisable premium brands, an increase that drove modest market growth in 2016.

Many Swedish people are very fashion-conscious and ready to try new niches, especially those offering sustainability and ecological benefits.

All leading players on this market are Scandinavian and gained share in 2016; in order of importance: fast-fashion retailer H&M, Lindex Sverige (originally a Swedish retailer, now owned by Finland’s Stockmann), KappAhl Sverige and Nilson Group.

Moderately paced growth is expected to continue, supported by the sportswear trend and frequent introductions of new fashion styles.

Tips:

The six most relevant countries in terms of apparel consumption in Europe show similar macro-trends, but the competitive landscape is unique for each one. The best way to

find out which country matches your offer is to conduct detailed research on each country, looking at product segments and price levels.

Tap into the sportswear and athleisure trends with garments offering performance benefits such as breathability, moisture wicking, multiway stretch, or waterproof, quick-dry and smart fabrics that can measure body metrics.

If your country benefits from Europe's Generalised Scheme of Preferences (GSP), try to combine this aspect with highly efficient production in order to offer a cost price advantage over competitors in non-duty free countries or a better product at an equivalent price level.

If you are a fast, flexible supplier operating close to Europe with a vertical supply chain, connect with retailers who buy short runs of on-trend products with a view to selling out before having to reduce prices.

Try to develop styles that can be partially prepared in advance and are only finished according to the final consumer request, possibly at another location closer to the point of sale. This strategy can help to meet the growing consumer interest in customisation and premiumisation.

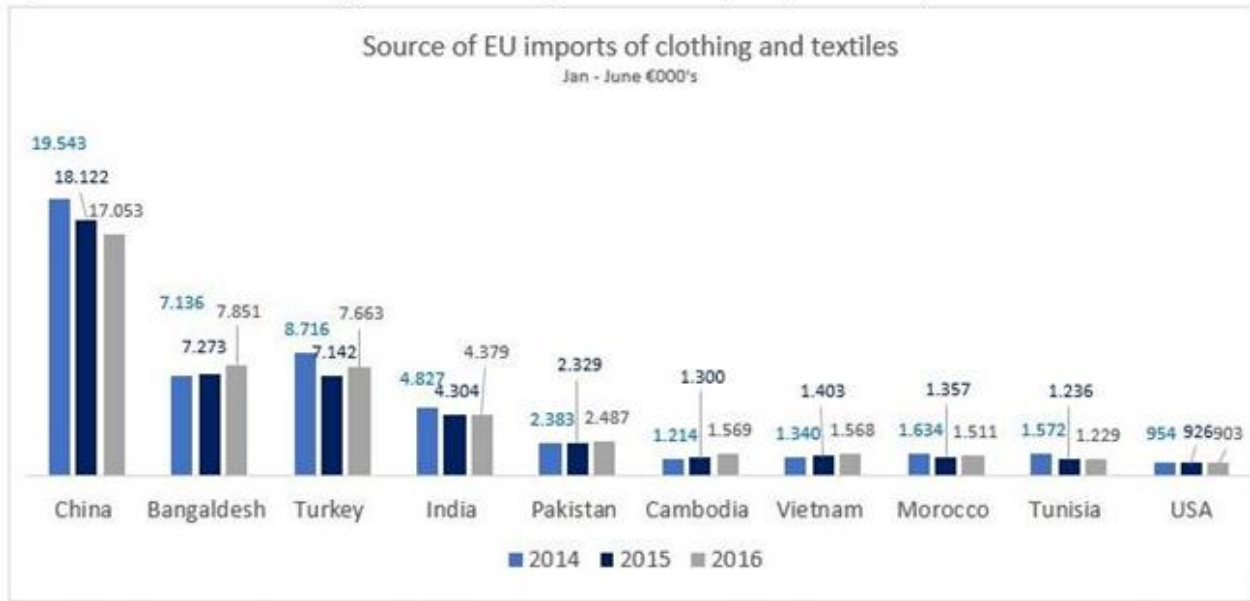
Do whatever you can to improve your sustainability performance. The race is on to industrialise the recycling process and to create a circular economy for clothing.

Invest in innovative processes that consume less water or dyestuffs and generate less waste, as many retailers have committed to 100% sustainably sourced materials within the next decade.

2 . Which countries are most interesting in terms of import from developing countries?

The European Union's 28 member countries together account for 16% of the global apparel imports and exports. Imports of clothing and textiles to Europe grew slightly (by 0.5%) in 2016. This growth is expected to continue, as the consumer demand will strengthen in the coming years. The top 10 source countries together account for 84% of the European imports in this sector.

Figure 4: Source of EU imports of clothing and textiles, in 1,000 euros, Jan–June 2014–2016
Figure 4: Source of EU imports of clothing and textiles, in 1,000 euros, Jan–June 2014–2016



Source: GTIS Geneva converted from \$US into Euro at 0.92, 26-04-2017

European import tariffs are among the lowest in the world. In fact, of the world's markets, Europe is the one most open to imports from Least Developed Countries. Cambodia, Bangladesh and Pakistan's growth figures suggest that they are benefitting from the policy of duty-free access to Europe. After a volume dip in 2015, European apparel imports were up in the first half of 2016.

Cambodia recorded the highest growth of 20.71%, followed by Vietnam and Morocco with 11.71% and 11.32% respectively.

Bangladesh (second-largest supplier) grew by 7.96%.

Turkey (third-largest supplier) grew by 7.29%.

Pakistan (fifth-largest supplier) grew by 6.77%.

India (fourth-largest supplier) grew by 1.76%.

China, the leading supplier, declined by 5.9%.

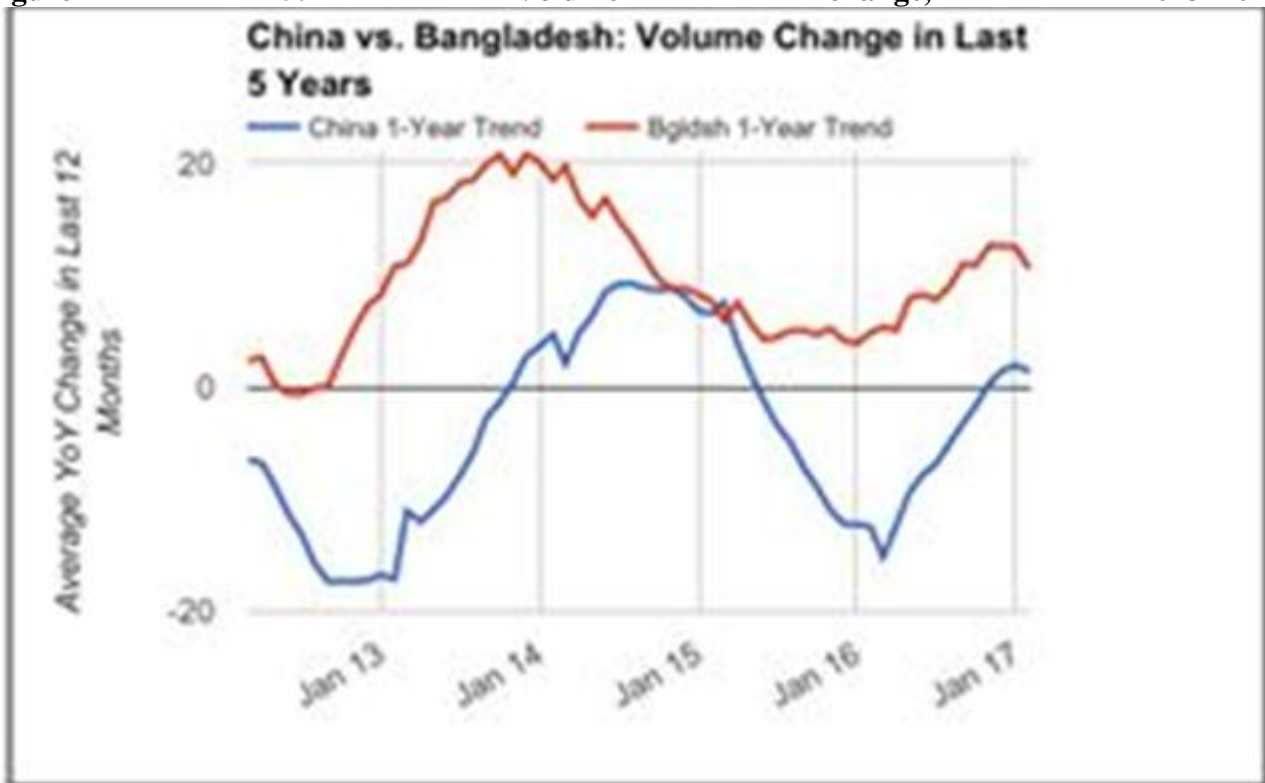
Dominance of China

Flexibility and vertical supply chains help China to maintain its leading position as the largest supplier to Europe. However, China's share declined by 6% in 2016, as rising wages encouraged European buyers to source from lower-cost duty-free sources.

Growth of Bangladesh

Benefitting from its duty-free access and low wages, Bangladesh is the second-largest source of European apparel imports. Bangladesh is steadily gaining ground in Europe at China's expense. By conducting extensive audits for fire and building safety in 1,639 factories – which resulted in prompt remedial action plans – the legally binding Bangladesh Accord has reassured brands to continue sourcing from Bangladesh (see Figure 5)

Figure 5: Volume change, 2013–2017



Source: Emerging Textiles, 18 April 2017

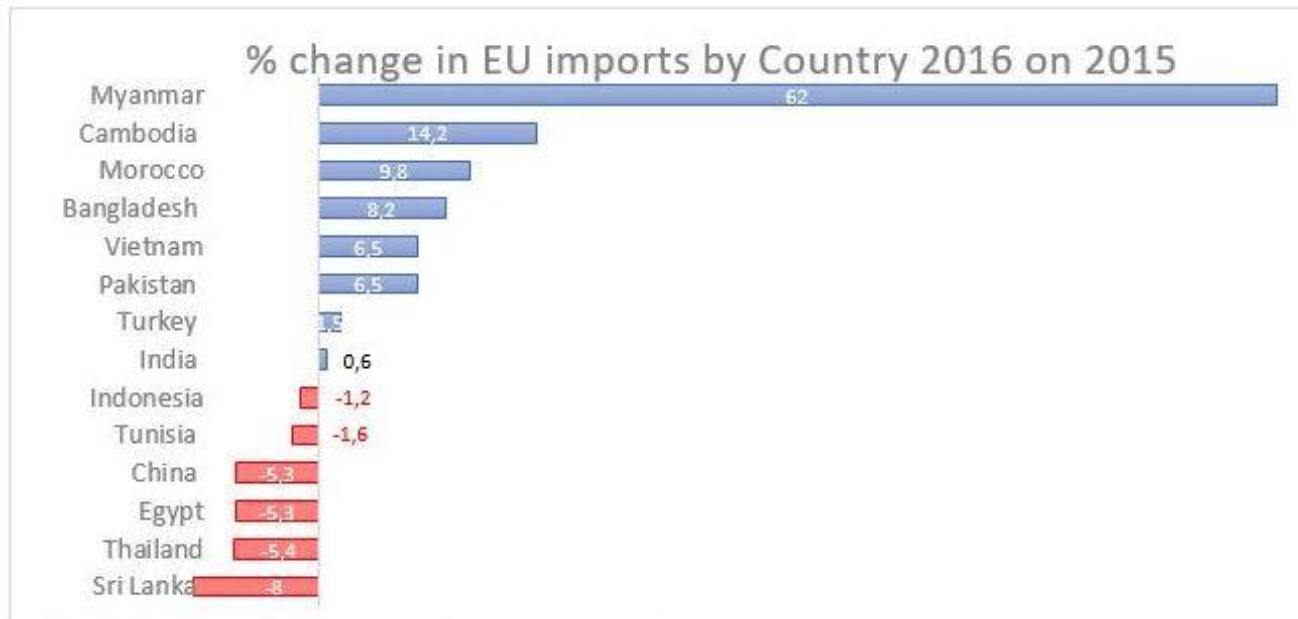
Competition from other Asian sources

Duty-free Cambodia also continued to grow by 14.2%, though it is experiencing rising labour costs at home and facing strong competition abroad from Vietnam, whose share in European imports grew by 6.5%. Vietnam has concluded negotiations on a free-trade agreement with the EU, which is expected to come into force in 2017 or 2018. Europe will remain a very significant market for Vietnam.

Duty-free Myanmar (Burma) is the fastest-growing source market at 62%, now ranking eighteenth. Nevertheless, its role in the long term will likely remain relatively small, potentially benefitting the most from targeting higher segments.

Since Pakistan was given tariff-free access to Europe in 2014, its exports to Europe have grown by 37%. This situation gives Pakistan an important advantage in competing with China, Colombia, India, Indonesia, Thailand and Vietnam, who all face import tariffs to Europe at this point.

Figure 6: Change in EU imports by country, in %, 2015-2016



Source: Euratex.eu

Speed and flexibility

In addition to offering frequent discounts (also see CBI's study of Doing business on the European apparel market), retailers stimulate consumer demand by introducing smaller quantities of new products more frequently.

Tip:

If you can offer the flexibility of shorter production runs and/or quicker lead times, make use of it; such offers are in high demand.

Rise of Africa

While Tunisia, Morocco and Egypt have a strong tradition of supplying to Europe, sub-Saharan Africa is also gaining importance. This growth is led by Ethiopia, whose government is successfully attracting foreign direct investment (FDI) to increase its production capacity in garments and textiles. Ethiopia enjoys low energy costs, an abundant population of young people, and a willingness to address its skills shortage and boost its productivity in order to compete with global prices.

Mauritius has recognised the importance of speed to market and has introduced the Speed-to-Market Scheme (STMS). The STMS will provide a 40% refund on the cost of basic air freight for textile and apparel exports to Europe, including the UK. Effective from April 2017 for a two-year period, the policy aims to promote Mauritius as a speed-to-market source for European buyers.

3 . Which role does export (intra-European trade) play in supplying European demand?

Europe's weakened manufacturing industry has received a boost from a new demand for short lead times, coupled with shoppers' interest in heritage products and a growing patriotism that favours reshoring. Intra-EU trade accounts for three quarters of the European production in this sector. However, Europe still imports far more apparel than it exports. According to the European Apparel and Textile Confederation Euratex, the European Union exported almost € 45 billion worth of textiles and clothing in 2016, while it imported € 110 billion from third markets

Intra-European trade in textiles decreased by 13.5% in 2016. Textiles exports from Asia to Europe also fell by 9.7%. In clothing, the intra-European trade declined by 11.7%. The EU also continued to have a deficit in its textile and clothing trade. China

was the country with the world's largest surplus in the textile and clothing trade, followed by India, Bangladesh, Turkey and Vietnam.

A trend that may boost intra-EU trade in the coming years is automation. The use of sewing robots, for instance, may level out production costs between Europe and low-wage countries. For more on this topic, read CBI's study of Trends in European apparel.

Which trends present opportunities and threats on the European apparel market?

Major changes are affecting the garment market and manufacturing process. Keeping up to date on these changes is vital for the survival of your business. For example, online and offline commerce are merging into "unified commerce". New digital technologies such as wearable tech, big data, artificial intelligence and virtual reality are also large game changers, often in combination with sustainability and waste management. Opportunities for direct-to-consumer (D2C) sales are greater than ever, while global supply chains are being realigned.

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- 5- Sewing robots and automation
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- 10- Turning waste into a resource
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1 . "Unified commerce", personalised shopping experience, "omnichannel" strategies

The distinction between e-commerce, or online sales, and offline commerce is blurring. The various forms of business are merging into one, which can carry different names: "hybrid commerce", "digital commerce" or "unified commerce". This development means that apparel brands are fusing physical and digital stores to integrate all of their activities in a centralised IT infrastructure. The challenge is to make sure that customers get the same information and have a similar experience at every so-called touchpoint with a brand. Touchpoints can include a brand's mobile website, social media activities, advertising, and brick-and-mortar stores.

For shoppers, the boundaries between off- and online are also fading. Today's consumers expect a unified ("seamless") and highly personalised shopping experience. They expect access to unique, personalised content at home on their laptop, on the go with their mobile devices and in physical shops through in-shop technologies such as digital changing rooms and interactive mirrors.

The result is that many brands are embracing "omnichannel" strategies, integrating cross-media sales and marketing activities with shop activities, inventory management, back-office support and supply chain set-up. This approach calls for stronger and more unified branding, excellent cross-chain communication and centralised IT infrastructures with software bringing all of these business processes together – with the aim of helping shoppers to make a quick, accurate and satisfying purchase.

Company surveys such as this one suggest that omnichannel shoppers spend more money than people shopping only online or only offline (or browsing online and buying offline).

One result of omnichannel growth is that successful e-commerce organisations are opening physical stores. These stores tend to be combine physical items with online selections and presentations. The aim is enabling shoppers to see and buy the entire assortment.

"It is important for clothing stores to understand and implement omnichannel retail methods into their business strategy. Vertically integrated channels and faster fashion are merging to reshape the industry faster than some apparel retailers are able to respond. How retailers overcome these challenges will be the key differentiator between those who are winning and losing market share."
(Apparelsearch.com)

2 . Becoming familiar with the use of big data

Shoppers expect high levels of information and service. This trend is turning the influencing and guiding of shoppers into a separate business model. Using big data to monitor shoppers' online behaviour has enabled companies such as Asos and Zalando to increase their sales substantially. The use of big data to provide online shoppers with precise information on size, quality and more – or accurately predict shoppers' next purchase – will soon be sweeping the sector.

One challenge in this area, especially for businesses with a limited market share, is getting hold of big data.

Social media are a vital part of omnichannel retailing. Facebook is still the leading social media platform in fashion (check these Facebook statistics for leading fashion brands). Snapchat is the fastest grower. It is especially popular among young people aged 13 to 34, logging 8 billion video views daily.

More and more fashion brands are using Snapchat, partly because it centres on real-time, authentic content, which today's consumers like. In addition, Snapchat brings brands into immediate contact with users' smartphones, whereas Facebook posts are only viewed by an average 5% of a brand's followers.

Companies that combine e-commerce and online activities with offline commerce will be the most successful, as e-commerce cannot survive on its own.

Large e-retailers will open offline stores, or service points, to combine online and offline.

Just as the USA, Europe will probably get more large shopping malls dominated by the leading global brands but with room for – usually short-lived – innovators and niche fashion concepts.

Younger generations will do much of their buying online. Older people will continue to prefer offline shopping.

Both younger and older people will view offline shopping not as functional but as an experience, which means that it will have to involve multiple sensory experiences such as food, music, media, and so on.

Brands that until now have relied mainly on offline shops will have to find ways to embracing e-commerce, adjusting their business model, and regrouping their offline and online goals and activities.

Tips:

If you feel that you are behind on e-commerce and omnichannel developments, start catching up now. If your younger staff members know more about the internet and social media than you do, talk to them and ask them for input.

Ask your buyers which threats and opportunities they face regarding e-commerce and omnichannel strategies, and find out whether you can help.

Study the examples set by successful omnichannel retailers such as the United Kingdom's Oasis, Netherlands-based retailer Zalando and sports retail giant Decathlon.

Check the internet and the social media discussed above to see examples of how it all works. Check this social media overview to find out what is there is and how you can use it.

Explore the power and opportunities of social media by becoming an active user. Three more retailers with a strong social media presence are Kiabi (France), Topshop and Oasis (UK).

Provide excellent digital data on your products, add photos or videos, and find out whether your buyer needs different kinds of packaging and logistics solutions for e-commerce. Talk to them about this aspect and try to help.

Make sure that your buyers – whether businesses or shoppers – have a seamless experience, regardless of where or on which channel they contact you. Tell the same story and offer the same mood or conditions on your website as you do on Facebook and Snapchat, at trade fairs, in your PR materials or in your sample rooms.

Read this article on the seamless shopping experience to learn more about shoppers' expectations.

3 . Direct-to-consumer (D2C) sales

The internet has made it easier than ever for consumers to shop further away and for manufacturers to sell their goods anywhere in the world. As a result, direct-to-consumer (D2C) sales offer great opportunities, especially among younger consumers. They are eager – and smart enough – to skip the middlemen and go directly to the brands and manufacturers of their preference. These severely shortened supply lines can go from anywhere in the world to anywhere else.

Many large brands are investing in D2C sales. For example, Nike announced plans to grow its D2C sales by 250% by 2020. This article explains why Nike is investing in D2C. Another article looks at why D2C is becoming an important part of the omnichannel experience. Smaller brands can also tap into this trend.

Online sales platforms such as AliExpress, Alibaba, Amazon and eBay are encouraging consumers to buy directly from factories in Asia, as it is easy and cheap. Alibaba is opening a warehouse in Europe. China has come to an agreement with several parcel delivery services to deliver at reduced cost. All of these developments will boost D2C sales.

Tips:

Try experimenting with D2C sales alongside your regular business-to-business (B2B) activities. You can use your own web shop, an existing online platform or social media.

Empower your staff to become involved in your D2C sales; give them access to the internet, and encourage and train them to “sell” the concept in their own network as well as to grow an online network and share the story.

If this process is too costly or too difficult, consider training just some of your staff or involving their children, some of whom are likely to be more open-minded and tech-savvy.

Add value by investing profit in the local community and in your own future; for example, by providing employees’ children with training in digital technologies, automation and data science.

See our study of Small and medium-sized enterprises (SMEs) and social media for more information on how small and medium-sized enterprises in the fashion industry can use social media.

4 . Storytelling and social influencers

Storytelling is a powerful way to move people. It means using a compelling story in words and pictures so as to appeal to consumers on an emotional level. The story that you use can be about your product's origin, your region, your family-owned company, your design, or an environmental or social project in which your business is involved. Some brands tell stories about moral values in which they believe. It is a great way of connecting with shoppers on an emotional level and thereby creating customer loyalty. Nike's "Equality" campaign is a recent example.

Storytelling is all about increasing consumers' emotional involvement in your brand. You can do so by using social media and content marketing stories. What matters is that you tell your story well and consistently so as to engage listeners by linking product facts to emotions. It is a vital part of the experience that consumers want.

The role of social influencers in adding credibility and visibility to your stories and your brand is also growing. Think of online bloggers, vloggers and brand ambassadors reviewing or praising your products.

Tips:

Check Harper's Bazaar recommendations for which fashion blogs to follow or Fashionista's list of the 20 most influential bloggers on personal style in 2016.

Read this Business of Fashion article on storytelling or Fashion Forward's views on the art of digital storytelling in fashion.

Brainstorm with some of your more creative staff members as to which stories might be central to your branding. Invite some external creative people to share their perspective.

Experiment with the elaboration of storytelling ideas into a marketing concept or campaign, making sure that some aspect of the story is visible in all your communications.

Make sure that your story is not "just a story", but that it communicates beliefs and values which are anchored in your organisation and which guide everything that you do, internally and externally.

5 . Sewing robots and automation

Technology is changing the apparel industry through new production techniques, faster communication and the possibility of scanning sizes. Particularly in fast fashion, labour-intensive production will likely make way for capital-intensive production dominated by new technology and robotics. This development means that Europeans will see near-sourcing as a major time-saving opportunity. For slow fashion, labour intensity remains a leading factor: in this segment, most European buyers will prefer far-shore sourcing.

3D printing, smart factories and robotised manufacturing have set firm foot in the footwear industry, they and are likely to make the leap to apparel. Adidas has launched a fully robotic shoe factory in Germany (you can read about it within [this article in The Economist](#)). The type of sewing robots described in this article have the potential to drive production back to Europe, as cheap robotised production may make outsourcing to low-wage countries less of a necessity.

The use of automation is being pushed forward by rising wages in Asia, as many European fashion companies consider rising production or sourcing costs as a major business challenge. Automation may help to equal out the cost model between low-wage countries and Europe, resulting in Asian production for Asia and European production for Europe.

6 . You as a supplier need to evolve from subcontractor or contractor to partner

Because of technological and other changes in this industry, buyers require new kinds of supply chain services. This means that you as a supplier need to shift from being a contractor or sub-contractor to being a partner.

Virtual designing, 3D technologies and digital showrooms are examples of technology spinoffs in fashion. Digital showrooms and presentations are increasingly being used to visualise products in all their variety without requiring the production of sales or other samples. In [Tommy Hilfiger's virtual showroom](#), which was recently opened, wholesalers can browse collections without the need for physical samples.

As a supplier, you have to be aware of these changes and of the changing service levels for the supply chain involved. For example, buyers will want you to deliver more digital data and presentation material along with your products.

Tips:

Read up on new technological developments; for example, technologies affecting production, logistics, sizing and measurements, and consumer trends.

Look at markets outside your own for new crossovers being facilitated by technology; for example, health and apparel. These crossovers may present your business with new opportunities.

You have to engage in co-creation and problem-solving with your business and export markets.

7. Technology is pushing demand for faster production and delivery

The “need for speed” is evident in the fashion business. Technology and consumer trends are its main drivers, presenting both threats and opportunities. If you want to sell high volumes, you can use IT solutions that speed up your ordering, production and delivery processes. You may also choose to avoid the speed trend, focusing on slower fashion with higher margins.

European buyers in the fast-fashion segment tend to cut down on suppliers in order to gain speed. Instead of having many different suppliers, they invest in stronger relationships. If you are in such a relationship, you benefit from more stable business, but your buyer will also expect you to show more goodwill and to move faster. Setting up a vertical supply chain– in which the buyer owns, controls or strongly influences the other players in the supply chain – increases your speed and is always preferred by the larger customers.

Buyers also seek out factory owners who are willing to take the time in order to discuss needs, wants and options aimed at increasing speed. This process can cost time, but it means fewer difficulties and problems need to be solved. These buyers will see you as a partner and want to share their dream with you, as shared passion will accelerate things.

Another way of increasing speed is to simplify designs. This option will also be sought after by European buyers.

Tips:

Find out how important speed is to your buyer – and to your own business. If you want to move towards fast fashion, connect with buyers in that segment and follow the tips for improving speed. If you feel more confident in slower fashion, aim to highlight other selling points such as quality, design, reliability or uniqueness.

Build local knowledge-sharing networks of fabric suppliers and other manufacturers so you can fulfil the need to increase speed in manufacturing and delivery.

If you want to increase speed, cut down on the number of suppliers with which you work yourself and invest in stronger relationships to create more goodwill.

Look for creative ways of simplifying designs (but beware of designs that are too easy to copy).

Look carefully at your sourcing as a potential time-saver, assigning the right materials to the right locations.

Use an enterprise resource planning (ERP) system to accelerate ordering and communication. To get a good idea of how this aspect works, check this [short online presentation of ERP in the textile industry](#).

Look for IT solutions that accelerate production and delivery. An Excel file is no longer enough!

Find alternative solutions for fabrics/trims in order to shorten cycles.

8 . Ageing population continues to grow, but the millennials are coming

There are more and more older people in Europe. As younger target groups tend to dominate fashion and general consumer trends, it is important to follow the trends that they set. However, older groups of consumers offer a growing opportunity for business as well. Demographic changes differ significantly within Europe. In general, eastern European countries have high rates of population growth and lower standards of living (although they are improving).

The percentage of people aged 65 years and older is projected to increase from 17% in 2010 to 30% in 2060. Likewise, the number of people who are 80 years and older is expected to increase from 5% to 12% in the same period. Another important change is that older people are becoming more active.

All of these developments mean that older people are becoming more and more important as a consumer group. While many clothing brands traditionally focus on children, young people and families, the “oldsters” offer important new opportunities to suppliers.

Of course, younger consumer groups are still important as well. In the coming five to ten years, baby boomers (individuals born in the period 1946–1964) will come to dominate apparel consumption. After that, millennials (individuals born in the period 1980–2000) will become an important consumer group.

These two groups of people are likely to develop new outlooks on fashion and design, as well as on such aspects as sustainability. For example, it is likely that millennials will easily adopt garments with integrated gadgets and wearable technology.

Tips:

Be aware that different age groups have different needs and wants in apparel. Identify the segments or niches that are best for your products. To gain a better understanding of this aspect, see our [study of Channel and segments on the European apparel market](#).

Understand and cater to the needs of specific consumer groups. For several examples, see [our studies of specific apparel segments](#) such as [the 50-plus consumer segment](#).

Most suppliers from developing countries work in the business-to-business (B2B) segment. If you are a B2B supplier, your European buyer will determine which consumers groups they target. Many buyers target a mix of consumer groups. You can help your buyer – and distinguish yourself from your competitors – by knowing what these different target groups need. Actively keep in touch with your buyer and make sure that you understand their goals and ideas.

For more information on ageing, check this [European Commission study on Population ageing in Europe](#).

9 . Sustainability, transparency and waste offer new business opportunities

In terms of social, environmental and economic responsibility, the reputation of the fashion industry is far from perfect. The industry has been known for using toxic dyes, polluting rivers and farmland, and causing harm to people. In addition, it uses too much water. Labour conditions are often rough, with poor wages, long hours and underage workers. Millions of tons of unused fabric go to waste each year when dyed the wrong colour. All in all, the apparel industry is thesecond-largest polluter in the world.The push to change this situation is growing stronger. Drivers behind this push for sustainability are non-governmental organisations (NGOs). Their many reports and media campaigns are making consumers and buyers in Europe more aware than ever of the need for sustainable, responsible business – and the damage that is done without it.As a result of this trend, most consumers and buyers in Europe know that the three Ps of corporate social responsibility (CSR) – people, planet, profit – have to be in harmony. To a growing extent, they assume that the industry will make it happen. As a supplier, you will increasingly be expected to play a part in this development. It also offers good opportunities to become more competitive.

European market parties are looking for sustainable solutions

Consumers expect fashion businesses to clean up their act regarding the environment, animal welfare, labour conditions, community welfare programmes, fair wages and more. For example, cotton is one of the most water-intensive crops to grow, while textile dyeing and leather processing involve highly toxic chemicals that put workers, local water supplies and ecosystems at risk.

As a consequence, European players are looking for materials, fibres and techniques that are sustainable and functional, such as raw, natural, synthetic, renewable or recycled materials.

Consumers are usually unwilling to pay for sustainability

It is important to realise that most consumers and buyers, even in 2017, are unwilling to pay higher prices for any of these changes. This situation means that progress in this area is gradual rather than automatic.

It also means that there is a lot of confusion about corporate social responsibility (CSR) in this industry. As a supplier, you may often be that told a good CSR performance will give you a competitive advantage. However, because of the many different standards in use, it is difficult to know where you should start.

There are many examples of how good storytelling can boost more conscious buying behaviour, such as this [video on T-shirt production](#).

Tips:

Investing in sustainability or CSR as a supplier from a developing country is an opportunity that you should not miss. However, going over the top on CSR will cost a lot of effort and money without necessarily improving your business. Aim for co-developing realistic CSR policies together with your buyer(s). Investing in and developing measures together will help you to avoid missteps and strengthen your business relationship.

Embrace gradual change, targeting small, gradual improvements rather than aiming to change the world overnight.

Set clear priorities; you cannot tackle child labour, human rights violations, unfair labour practices, health and safety risks, environmental harm, corruption and supply chain traceability all at once.

Do everything that you can to make your CSR performance as good as possible. A good CSR performance means less risk for your buyers. This argument is perhaps stronger than the argument of actual environmental or social impact.

Decide whether you want to be among the early adopters or whether it suits you better to follow the trend and wait until best practices are widely established.

If you are a manufacturer, expect questions about your own (Tier 2) suppliers and the conditions under which they produce your buttons and zippers, fabrics, and so on. Spread the CSR message, and inspect practices and standards all the way down to the beginning of your supply chain.

Create a basic, clear CSR standard for your own company and use it as a selling point. For inspiration, consider the example of [Plummy Fashions](#).

Look for CSR measures that will not just attract buyer interest but also improve your efficiency and possibly even your margins. A good example is [lean manufacturing](#); while it may initially slow down production during implementation, it can result in 20% to 40% efficiency gains.

Find out how you could adjust your production process to provide a cleaner product; for example by using natural and low-impact dyes or by applying more efficient dyeing techniques, eliminating chemical additives and finishes, and improving wastewater treatment.

Follow social media, as they can influence trends in a matter of hours. For example, a viral clip of an angora rabbit being skinned can suddenly freeze the market for this material.

See our [study of Buyer requirements](#) for information on verification and certification.

To get an idea of how buyer requirements are addressed in contracts, see our study of [how importers list their requirements in contracts](#).

10 . Turning waste into a resource

Another aspect of your environmental performance which is often scrutinised by non-governmental organisations, and which is therefore of increasing interest to buyers and consumers, is how you deal with waste. European consumers currently use 16 tonnes of material per person per year, of which 6 tonnes become waste, according to data published by the European Commission. This fact means that better waste management offers huge potential for improvement and for a more competitive market position.

In Europe and the USA, we have vast amounts of waste clothing, so it seems inevitable that recycling will grow strongly in the coming years. The prospect of a circular economy will strengthen this development. In some countries such as Italy, quality waste materials are already a commercial hit.

There are many examples of fashion companies tackling sustainability problems and generating new business as a result. In the USA, Evrnu is taking on the waste problem with patent-pending technology that turns old clothing into fibres for new clothing. Bionic Yarn produces denim from ocean plastic. Eco-friendly dyeing technologies are also emerging. See, for example, DyeCoo's solution. Levi Strauss has modernised and transformed its brand partly by emphasising sustainability.

For such market parties, waste is no longer a problem but a resource. They understand that they can turn “waste” into a viable resource. As a supplier, you can tap into this trend by exploring new waste management solutions yourself. If you communicate it effectively, a strong or innovative performance on waste management can significantly improve your market position and competitiveness.

Governments in Europe are pushing garment manufacturers to take full responsibility for their waste. Cotton and cheap fabrics considered to be waste in Europe are currently being recycled in three ways:

What is wearable is being sold to Africa and, to a lesser degree, to eastern Europe.

Some waste is being shredded into insulation materials for the automotive industry.

The remainder is being landfilled.

A lot of new initiatives are being taken to encourage the recycling of waste into new yarns or garments. As viable recycling methods are emerging, this trend may indeed have a strong influence on moving manufacturing back to Europe, as it may be cheaper to process recycled materials in Europe than to ship them to outsourcing locations.

Tips:

Realise that waste is not a burden but an opportunity; minimise your waste, but also be aware that the remaining waste flow has value.

Look for creative examples of waste reuse, such as waste cuttings made into simple toys in community projects (social enterprise), leather shavings pressed into shoe soles, leather shavings or other waste ground into floor tiles, and so on. For more examples, read this [article on the rise of sustainable fibres in fashion](#).

Think holistically about your resources. Waste is not just about leftover materials or unsold products; you can also waste time, machines, people, capacity.

Unsold products are another opportunity. Find a market for them!

If your production waste is relatively costly, fix it; if not, repurpose it.

Make sure that your designs allow for maximum efficiency in material usage (for example, avoid fabric designs that are so intricate that cutting up the fabric renders large amounts of it useless).

Aim for waste-friendly packaging.

11 . Improved sustainability also means greater transparency

Large retailers, non-governmental organisations (NGOs) and governments are pressuring European businesses not only to operate in a more sustainable manner but also to be more transparent. This trend applies both to individual businesses and to entire supply chains.

A good example of the push for transparency is the [Fashion Transparency Index report](#) published in 2016 by NGO [Fashion Revolution](#). This index ranks 40 high-visibility fashion brands on the basis of their supply chain transparency and governance practices. The average score was 42%, with only three brands receiving a “top rating” of up to 77%. High performers make their supply chain policies available to the public, and have auditing and reporting policies in place. Most low performers merely have a code of conduct available on their websites.

For suppliers, increasing transparency is inevitable; if you cannot offer the kind of transparency that your buyers want, they will find other suppliers. At the same time, it is a good way of attracting more business; the better your performance in this area, the more attractive your company will be to suppliers in higher segments.

Tips:

Pursue transparency both within your own organisation and in the supply chain of which you are part. Trust that transparency will win the day. For example, buyers increasingly want to inspect your suppliers' companies as well as your own. This development means that you should stop buying fabrics at the cheapest fabric supplier if they are not transparent or certified, and instead focus your sourcing on transparent suppliers.

Be as open as you can about your production process, labour conditions, sourcing, and so on. If you know that you cannot comply with CSR standards in some areas, communicate this aspect with your buyer and suggest co-developing an improvement plan. Show your willingness to improve; it may keep you in business.

Use your website and promotional materials to share the story behind your business.

What competition will you face on the European apparel market?

The European apparel market is back to the same level as before the recession that began in 2008. However, it has changed drastically. Margins are minimal and competition is at its fiercest. Buyers no longer travel as much as before, instead expecting you as a supplier to visit their local office. This situation means that you need a professional marketing team with, preferably, a local representation who can service the buyer almost daily.

Contents of this trend

- 1- Which opportunities and barriers will you face when you want to enter the European market?
- 2- Product competition: which products can compete with yours as substitutes?
- 3- Company competition: what is your position and negotiating power in the supply chain?
- 4- Company competition: what is your position on the market and who are your rivals?

1 . Which opportunities and barriers will you face when you want to enter the European market?

The European market is difficult to enter

The European market is one of the world's most difficult apparel markets to enter. Europe has very strict legal requirements, while European businesses have many non-legal requirements that you must meet as well. These non-legal requirements are customer-specific; you can usually read up on them in the suppliers' manual provided by your buyer

Tips:

Study the requirements laid down in your customer's suppliers' manual carefully; once you have signed your agreement, you will be expected to keep to them rigidly.

Sometimes, requirements laid down in a manual are unrealistic; in these cases, make sure that you discuss them before signing.

Also study the claim procedure well, as this aspect can have a major impact on your profit in the event of a delay or problem.

Most buyers update their suppliers' manual every year. Make sure that you view the manual as a legal contract in which the customer will always try to shift all responsibility onto you as a supplier.

It is getting easier for buyers to switch suppliers, but good CSR performers are hard to find

Nevertheless, market entry is getting easier. With large numbers of suppliers offering more or less the same in terms of speed, price, flexibility and quality, it is getting easier and cheaper for buyers to switch from one supplier to another. This trend provides opportunities for new suppliers to enter the market.

One of the challenges which buyers face in finding new suppliers is the fact that Corporate Social Responsibility (CSR) requirements and expectations in Europe are getting tougher. Suppliers who can match buyers' legal and non-legal requirements as well as their service levels and speed are rare, especially in developing countries. If you can develop your company to meet these demands, your chances are good.

There are more factors creating opportunities for you to enter the European market such as the following:

The rise of online distribution methods – web shops, trade platforms and shop-in-shop concepts – creates new opportunities for buyers to try out new suppliers (also see the section on omnichannel strategies in our study of Trends on the European apparel market).

The rising cost of labour and materials in important producing countries, notably China, is leading European buyers to look for new suppliers in other countries and to become more serious about automation and robotisation (see the aforementioned Trends study for more on this topic).

More and more garment manufacturing organisations target consumers directly via business-to-consumer (B2C) sales. Using the internet, social media and Big Data, you can create continuous volume with profit margins that are much more interesting than those in the conventional channels (see the aforementioned Trends study for more information).

Lesser-known sourcing countries are becoming more interesting

Many buyers look for new suppliers in established supplier countries, such as Bangladesh or India. However, more and more European buyers are interested in relocating to new and less expensive regions. Usually, these countries offer low wages or duty-free price benefits through Europe's Generalised Scheme of Preferences (GSP), such as Cambodia, Myanmar (Burma) and Vietnam (see next section).

As a new entrant, you may benefit from the Generalised Scheme of Preferences (GSP)

Although much apparel will continue to be sourced in Asia, European buyers are widening their horizons with regard to alternative sourcing destinations. In some countries, exporters to Europe can benefit from the European Union's Generalised Scheme of Preferences (GSP). Effective since 2014, this scheme allows developing countries to pay fewer or no duties on exports to Europe.

The GSP has caused some shifts in global supply chains. Countries that in the past did not have to pay import tariffs in Europe – such as China, Morocco and Tunisia – no longer have that advantage under the new scheme. This development has improved the competitive position of countries still benefiting from GSP arrangements, such as Cambodia, Bangladesh, Myanmar (Burma) and Pakistan.

China is still one of the largest suppliers to the European apparel market, but its export numbers are decreasing every year. This fact is due to rising wages and domestic demand in China. It creates good opportunities for factories in other developing countries capable of manufacturing the same product groups at the same service levels. In addition to the countries mentioned above, think of countries closer to Europe where the apparel industry is still emerging, including Ethiopia, Tanzania, Kenya and other sub-Saharan countries.

Tips: If your country enjoys free trade under the GSP, make sure that you communicate this aspect with potential buyers, as it means that you can offer very competitive prices. Keep up with the European Union's online GSP updates, as any changes may have a significant impact on your competitive position. Always keep in touch with European market access requirements. For additional information on requirements that apply to apparel, see our study of Buyer requirements. See our study of Trends on the European apparel market to keep in step with today's market.

Selling to smaller, independent multi- or mono-brand speciality shops is a good option. Focus on quality and set yourself apart by using exceptional style detailing, fabrics and design. For several examples, see our studies of specific apparel segments, such as Sportswear, Sustainable apparel, or Cradle-2-Cradle and conscious design.

If you are new to the European market, visit trade fairs and conferences first to make business contacts. See our studies of specific apparel segments, such as Denim or Children's wear, for more information on segment-specific trade fairs.

Invest in your CSR standards, as this process will help you to diversify and open doors to new buyers.

2 . Product competition: which products can compete with yours as substitutes?

China remains the world's largest apparel supplier, but it is facing a substantial increase in labour costs. Because of this development, buyers are looking for alternative sources. In this manner, they can move part or all of their production from China to lower-cost GSP countries or even back to Europe, as this 2017 Reuters news article states. The first products to be moved are high-value, labour-intensive products; the higher the export value, the higher the GSP benefit.

Tips:

To get a foothold on buyers currently sourcing to China, focus on labour-intensive products to create a greater price advantage.

Be alert to automation trends, as these developments may cause labour-intensive production to be taken over by robots over time. Two ways to keep ahead of this trend: invest in technology, or invest in finding other ways to add value that robots cannot copy.

To find out more about technology and automation, read our study of Trends on the European apparel market.

Substitution levels differ from one segment to another

Some consumers can decide more easily than others to refrain from buying a certain apparel product because they want some other non-apparel product instead. This process is known as substitution. The level of substitution in specific market segments depends largely on demographic factors such as age, income, gender and education.

For example, young consumers with medium to high levels of education may easily buy high-quality, sustainable products at the expense of conventional apparel. On the high-end market, apparel is a luxury item that can be substituted by gadgets such as smartphones, tablets or other luxury items.

Avoid being substituted by knowing your segment

As a supplier, you must know which segment you are targeting and what matters to that group. This information will help you to avoid being substituted and will make you more competitive. It will also create new crossover opportunities. For example, you might offer garments with integrated gadgets and wearable technology.

Tips:

If your product is easily substitutable, you need to look for ways of adding value. Competitors – whether apparel or non-apparel – will have a hard time replacing value-added products.

Sustainability is a good way to avoid substitution. If you can use new, sustainable fibre garments or innovative, man-made fibres and fabrics, you will enjoy an advantage over competitors in the industry.

Stay up to date on new techniques (for instance, dyeing processes), and form alliances with fabric makers who often visit trade fairs in Europe and who have state-of-the-art materials. This strategy is another way of keeping your product from being dismissed by buyers.

Stay up to date on the latest trends in Europe in terms of fabrics, colours, style details and accessories by following fashion websites and blogs or visiting fashion and fabric trade fairs in Europe.

3 . Company competition: what is your position and negotiating power in the supply chain?

With a good offer, it is easier to compete in the upper-middle segment than at the lower end

Competition is fierce in the apparel industry. It is usually worst in segments offering “much of the same”, or undifferentiated products. These segments are dominated by large suppliers who can deliver large quantities at fixed low prices.

As a small or medium-sized enterprise in a developing country, you may not be able to compete with these large players at the lower end. The middle and higher segments offer more room for product differentiation and value addition. Consumers in these segments focus less on price and more on aspects such as quality, design or sustainability.

Tips:

Do not focus on price negotiation. Be aware that your success lies in selling your organisation, its reliability and service levels, not the cheapest product. The value of on-time delivery and top service levels is very high. By focusing exclusively on price, you run the risk of losing out, as buyers will always be able to find another supplier with an even sharper offer.

Do not be afraid to say ‘No’ to a buyer whose demands are too high.

Niche markets, or higher market segments, offer better margins and less competition than the low-end mass market. If you have a unique product or some other distinguishing feature – such as excellent craftsmanship, ethnic designs or sustainability – the higher segments are a good target. If you believe that you can grow as a low-cost, high-volume supplier, the lower end is probably more suitable.

If you find a niche area with growth potential and fewer competitors, be aware that you cannot reach that niche overnight. It is a gradual process that requires significant experience on the European market.

In every segment, buyers are under pressure with regard to margins and are looking for cheaper alternatives. Tap into that need. At the same time, as we saw above, you will never be the cheapest for very long. For this reason, do not try and compete only with basic styles, but focus on features that add value to the buyer’s collection. Eventually, reliability and good results will lead to orders over and above your basic collection.

Competition from within Europe is a potential threat

Some European manufacturers are beginning to compete with suppliers from developing countries. They have built up competitive advantages, including higher flexibility, shorter lead times, quality and design, higher productivity and innovation. As a consequence, production of high-end, ultra-fashionable clothing is more and more likely to remain within Europe – Turkey, Portugal, Spain, Italy or eastern Europe. The growth of competition from inside Europe has several drivers, such as a need for shorter lead times or more control over design and production in some higher segments. Particularly in segments that rely on fast fashion or high quality, this development is a threat to you as a supplier from a developing country. For example, a lot of high-end leather fashion is being relocated from the developing world to Portugal.

Another threat is automation. To find out more about this topic, read our study of [Trends on the European apparel market](#).

Tips:

Reduce your sample lead times by setting up a sample room near your largest customer. More and more suppliers are doing so (see also CBI's study of Doing business in Europe). It is a good way to compete with European players.

Another option is to arrange for local representation with easy access to your buyers' offices. This strategy is a good way of building the relationship and ensuring good service levels.

To strengthen your competitive position, build relationships with buyers. You can do so by offering extra services and/or competitive prices. Think of pre-production services, sourcing, collection proposals, forwarding advantages and capacity bookings.

Distinguish your products from those of your competitors by innovating or improving features.

Compete with European suppliers by helping buyers reduce their time to market. For example, work with them to exchange data more efficiently and to speed up decision processes in the organisation of your supply chain. Reducing time to market can increase the likelihood of a good, profitable resale.

If you have a mid-sized operation, you can cooperate with buyers and other supply chain partners in design, production and logistics so as to reduce lead times and strengthen your competitive position.

Another approach is to avoid fast fashion and focus on slower, more labour-intensive products for niche segments; for example, sustainable products, unique designs, ethnic craftsmanship, and so on.

For more information on the trend for higher speed and how to respond to it, see our study of Trends on the European apparel market.

Most of the buying power in the supply chain lies with large retailers

The most powerful players in the apparel supply chain to Europe are large corporations such as Inditex, H&M and Primark. The consolidation efforts of these retailers are putting a lot of pressure on smaller players.

If you have a strong offer, negotiating with smaller, independent buyers is easier

As an exporter from a developing country, you will be up against significant buyer power if you do business with these large retailers or department stores. Negotiations will be easier if you focus on smaller, independent speciality shops that mainly serve the upper-middle income segment. In this segment, buyers are less price-sensitive; their main goal is to find special garments with good designs, made from quality fabrics. For many suppliers, this approach means moving out of the lower end towards the middle and higher market segments.

Use innovative or scarce materials to trade up

There are different ways for you to trade up, or to develop more selling power as a supplier. One is to work with less common materials; for example, in-demand, scarce materials such as organic cotton, bamboo, flax and hemp, or bio-based materials. More innovative materials and higher quality – as well as a deeper understanding of quality – will also give you more power.

You need to have experience on the European market in order to deal with niche-market players. They often have higher demands in terms of product quality and design. You also need a good understanding of their market, as their customers are more demanding than those of the retail giants.

Tips:

When focusing on a specific market segment, such as the upper-middle income segment, consider distributing your products through alternative channels such as web shops, social media, home parties and pop-up shops. For more information, see our study of [Channels and segments in European apparel](#).

Make your communications and service programme stand out, and promote your product in a unique manner. For example, tell a story about how the garment was made and who made it, focusing on the aspects of sustainability and social responsibility. These aspects are good ways of adding value and reaching higher market segments.

Look for original, affordable materials that can compete with mainstream materials in terms of look, feel, durability, and so on. If a buyer normally purchases cotton, they will always compare the quality and price of alternative materials with cotton. Make sure to look for a variation that is more attractive to, but ultimately cheaper for, your buyer. Sourcing fabrics in countries such as China is a perfect way to obtain a competitive advantage. Create a set-up in which new materials are sourced monthly and sent to buyers.

Some other good selling points that will increase your power and your margins include your efforts for the environment, the use of organic or biological materials, the use of fewer chemicals; technical additions such as [Gore-Tex](#), or the use of recycled materials.

With the increasing importance of transparency in the supply chain, it is becoming even more important for you to know the origins of your raw materials and the conditions under which they are produced. Map out your supply chain, identify and mitigate risks, and invest only in suppliers with ambitions that match your own.

4 . Company competition: what is your position on the market and who are your rivals?

Some supplier countries are more competitive than others

When a buyer starts looking for a new country in which to start production, they will use several search criteria. Does the country have a low minimum wage; low or no import duties (GSP); a tradition in producing apparel; access to good raw materials; safety and political stability? The more of these criteria your country meets, the stronger your competitive position is.

Factors that make your company more or less competitive than others

In addition to your country's competitiveness, one of the most important competitive criteria in future will be your performance on Corporate Social Responsibility (CSR). Consumers and governments are putting more and more pressure on apparel brands to stay away from factories with poor CSR standards. Most European buyers who engage in outsourcing take this matter seriously, making a point of visiting and auditing supplier factories frequently.

Of course, any European buyer will also look at the competitiveness of your company. They will be especially interested in your speed, price, labour costs, flexibility in terms of volumes and design, MOQ (minimum order quantity), ability to offer different quality levels and to mix qualities in one product or to produce several categories of products (knits, t-shirts, woven textiles, trousers, tops, and so on), and your degree of specialisation.

Tips:

Look at the above country criteria to assess the competitive position of your country. In communicating with potential buyers, emphasise the strong points that your country offers. Develop a company CSR culture and regulations that match the standards requested by your buyer, while also including a long-term growth plan for CSR.

Read our study of [Sustainable apparel in Europe](#) for more insight into how to improve your CSR.

For details on the trade position of your country in relation to Europe, check the European Union's website on the [Generalised Scheme of Preferences \(GSP\)](#).

Regard and use the company criteria in the same way. Be aware of your weaknesses, but always focus on your strengths in communicating; these aspects are your selling points.

Be aware that you have to "sell" your organisation before selling products. This process means convincing a buyer with arguments such as your country, your factory, your performance on corporate social responsibility (CSR), or your vertical set-up, for example (a company with a vertical set-up is an organisation in which each factory involved in the production process – from yarn to fabric and final product – is linked to the same organisation).

Being competitive is one thing, communicating competitiveness is another

It is one thing to know all about your competitive strengths and weaknesses – and those of other players on the market. However, it is another thing to communicate your competitive strengths effectively. On the European market, this ability to communicate your competitiveness is as important as the competitiveness itself.

Tips:

When you start communicating in relation to doing business with a buyer, make sure that you highlight in your introduction the distinguishing features of your country and your company, as discussed above. If these features meet the client's wishes, a meeting will follow to discuss products and price.

Building good relationships with buyers is key. This aspect means that how you communicate is as important as what you communicate. For example, stand out from competitors by always answering questions quickly (within 24 hours) and correctly. Clear and efficient communication which radiates a sense of confidence can be crucial to bringing in new business – and keeping it.

Your first contact with a prospective buyer is vital. Look online for good examples of business introduction letters in Europe.

Which buyer requirements will I face on the European apparel market?

If you want to sell apparel on the European market, you have to comply with strict demands regarding safety and quality. Especially the use of chemicals is strictly regulated. In addition to that, non-legal requirements related to sustainability are also becoming more important.

Contents of this trend

1- What requirements must my product comply with?

2- What additional requirements do buyers often have?

3- What are the requirements for niche markets?

1 . What requirements must my product comply with?

When exporting to Europe you have to comply with the following legally binding requirements:

Product safety – applicable to all products

Chemicals – specific for textiles, leather and accessories

Labelling – specific rules for textiles

CITES – applicable to products made from wild plants and animals

Intellectual property rights

Product safety

The General Product Safety Directive basically states that all products marketed in the EU must be safe to use. It provides a framework for all legislation regarding specific products and issues. If no specific legal requirements have been established for your product and its uses, the General Product Safety Directive still applies. If specific requirements do apply to you, the General Product Safety Directive applies in addition to those: it covers other safety aspects which may not have been described specifically.

Safety of clothes for children

In addition there is a specific standard regarding the safety clothes intended for children up to the age of 14. Many clothes are rejected by custom authorities due to risk of suffocation, strangulation and causing injuries. This applies especially to the clothes for children up to 7 years old.

Tips:

Study the specific legal requirements listed here, but also use your common sense to ensure the product does not tear, catch fire or cause any other danger in its normal use as this may not be outlined in specific legislation, but is covered in the General Product Safety Directive. You can read more about the General Product Safety Directive in the EU Export Helpdesk .

In practice, European buyers often provide supplier manuals in which all buyer requirements (legal and non-legal) are described. Ask your buyers to provide you with such a manual.

Ireland , the Netherlands and the UK have additional national legislation regarding the flammability of nightwear. To get an idea, you can check the RAPEX database where all EU products that are rejected at the border or withdrawn from the market are reported. Fill in “Textiles” in the product category.

For children clothing, do not use cords in the neck areas or with long free ends that can be become trapped and parts (e.g. buttons) that can be easily be detached and swallowed by children. There are small parts cylinders to determine whether accessory of garment is too small that it may cause choking hazard to children.

In children’s clothing, including children’s nightwear, small parts that can be easily removed and swallowed by children, such as buttons, beads or tassels, are considered a serious safety risk. The same applies to cords and drawstrings, especially if they’re located around the neck areas or have long free ends. There are strict European regulations as to what is allowed and what is not allowed in these areas. In general, the rules that apply to the safety of toys also apply to children’s apparel.

To find out whether the small parts you are using are allowed, you can perform a small parts cylinder test, such as this online example of a small objects tester. The goal is to determine whether an accessory of a garment is so small that it may cause choking hazard to children.

Chemicals

REACH legislation

The European Union has restricted a great number of chemicals in products that are marketed in the Europe. Most restrictions on chemicals are listed in the so called **REACH** regulation (Regulation (EC) 1907/2006). The legislation on Persistent Organic Pollutants (POPs) may affect you as well, for example, if you use certain flame retardants or waterproof materials.

Which chemicals are of relevance for you will depend on the product and material you use. Several risks for commonly used materials and chemicals are described below. Please note that if you are using other materials or techniques (for example innovative techniques, such as 3D printing), you must still ensure that your product complies with all legislation regarding restricted chemicals.

Tips:

Familiarize yourself with the full list of restricted substances in products marketed in the EU by checking out [restricted chemicals in textile products in the EU Export Helpdesk](#) .

Many EU buyers provide their suppliers with a 'Restricted Substances List' (RSL). To obtain an idea of what these RSLs look like: an internet search for 'RSL' and the name of a major brand often returns a link to the RSL of that brand.

Refer to [CBI's REACH information](#) to determine how you are affected by REACH.

Note that there is also a lot of attention for chemicals in garments from non-governmental organisations and consumers. This may lead to buyer requirements that are even stricter than the legislative requirements. Check the section in this study on additional requirements, particularly the information about the Greenpeace campaign.

Textiles

Azo dyes

If you dye your textile, make sure you do not use any of the azo dyes that release any of the 22 prohibited aromatic amines. Because the EU legislation lists the aromatic amines, not the azo dyes that release them, most azo dyes are legally acceptable. Moreover, most reputable dye manufacturers only produce legally accepted dyes. However, border rejections and market withdrawals do show that azo dyes still are an issue causing problems on the EU market.

Flame retardants

In textile products that come into contact with the skin, flame retardants are restricted. Commonly used flame retardants are Tris (2,3 dibromopropyl) phosphate (TRIS), Tris(aziridinyl)phosphineoxide (TEPA) and Polybromobiphenyles (PBB).

Organotin compounds

If you use PVC in your products, know that organotin compounds are also restricted. Organotin compounds Dioctyltin (DOT) compounds and Dibutyltin (DBT) compounds can be used in textiles products (e.g. print on T-shirts and other garments). However, their use is restricted as they can pose a risk to human health. For example, they can suppress the immune system and damage reproductive functions.

Perfluorooctane sulphonate

Perfluorooctane sulphonate (PFOS) is a substance used to make textile (and leather) resistant to water and dirt. It is a persistent organic pollutant, restricted in the EU through regulation (EC) No. 850/2004 (Stockholm Convention). The maximum limit for PFOS is 1 µg/sqm.

Tips:

If you use dyes, make sure your products do not contain any of the azo dyes which release the forbidden aromatic amines. This includes checking your suppliers. To test your products, use the official tests. You can find the tests on the CEN website:

CEN Leather – Chemical tests – determination of certain azo-colourants in dyed leathers. Reference: CEN ISO/TS 17234:2003.

CEN Textiles – Methods for the determination of certain aromatic amines derived from azo-colourants – Part 1: Detection of the use of certain azo-colourants accessible without extraction. Reference: EN 14362:2003 / EN 14362-1:2012.

Follow new developments in the field of flame retardants, as new alternatives are being developed. You can do so for instance through the European Flame Retardants Association (EFRA).

Always check for specific national regulations in the countries you are targeting, as some EU countries have additional or stricter national restrictions on chemicals substances used in apparel. For example, formaldehyde in textiles (Austria, Germany, Finland and the Netherlands) and PCP (Austria, Denmark, Germany, the Netherlands) and disperse dyes in textiles (Germany).

Check this video on the use of persistent organic pollutants (like PFOS and SCCPs) in textiles and read up on the EU policy concerning restrictions on the use of POPs.

Leather

Azo-dyes legislation also applies to the colouring of leather. In addition, please be advised that, effective 1 May 2015, the EU has put restrictions on the use of chromium (VI) in leather as it can produce allergic contact dermatitis. Leather articles, or articles containing leather parts coming into contact with the skin may not be placed on the market if they contain chromium VI in concentrations equal to or greater than 3 mg/kg (0,0003 % by weight) of the total dry weight of the leather.

Short-chain chlorinated paraffins (SCCPs)

The restrictions on the use of short-chain chlorinated paraffins (SCCPs) is another common reason for recalls. These substances are persistent organic pollutants that are often used in the leather industry.

Tip:

For Chromium VI in leather, the EN ISO 17075 standard method is the only internationally recognised analytical method currently available for detecting Chromium VI in leather, including leather in articles.

Metal

Metal parts and accessories (e.g. zippers, jewellery, buttons) coming into direct and prolonged contact with the skin should not release more 0.5 µg/cm² nickel per week.

PVC

The organotin compounds mentioned under textile products also apply to articles made from PVC (e.g. gloves, childcare articles). In addition, specific legislation exists for phthalates in childcare articles and toys. They are used as a softener of PVC and can have an adverse effect on human health. The restriction for each phthalates is 0.1% by weight.

Tip:

Find out more about the restrictions of PVC in the [EU Export Helpdesk](#) .

Labelling

Textile products must be labelled with the fibre composition and using the fibre names in accordance with EU rules. The aim of this common set of labelling rules is to ensure that the consumer knows what he is buying.

Made-in labelling

The European Commission is working on mandatory origin labelling (the 'made-in label') in Europe for all non-food products including textiles. Currently made-in labelling is voluntary.

Washing instructions

There is no EU wide legislation on the use of symbols for washing instructions and other care aspect of textile articles. This, while consumers consider care information the second most important information on a product's label (after size). You are therefore advised to follow ISO standards on this matter ([ISO 3758: 2012](#)).

Tips:

Know your own product and study the EU labelling rules to find out how it should be labelled. Find out more about [textile labelling rules in the EU Export Helpdesk](#) .

Find out whether your target market already requires made-in labelling or wants to experiment with it in the upcoming years. The EU parliament has yet to decide when it is to become a requirement, but you may have an advantage if you start now.

Also make sure you know whether your products require additional information to be included: for example, if your garment comes with a print that is easily damaged, or if the colours are very dark and need to be washed separately. An eye for these details will give you a good reputation with your buyer.

CITES- products from wild plants and animals

If you produce products (partially) made from wild plants or animals, you need to make sure that these do not fall under the restrictions of the Convention on International Trade in Endangered Species (CITES). The EU has implemented the requirements in Regulation 338/97 and lists restricted species (including products thereof) and special procedures where applicable.

Tip:

If you are not certain whether your products fall within CITES or not, you need to find out. You can read more about the legislation in CITES in the EU Export Helpdesk and check out the links to find out whether or not CITES is relevant to you. The EU Export Helpdesk also provides information on the different procedures applicable to the different categories within CITES.

Intellectual property rights

When selling your own collection to EU buyers, you must verify that you are not violating any intellectual property (IP) rights. These rights may apply to the design of the product, as well as to any trademarks or pictures used. If the client provides a design, he or she will always be liable if it turns out that the design is not unique or has been registered by a third party.

If you develop your own designs as a manufacturer, it is fairly easy to protect them in order to prevent copying.

Tip:

Find out more about the European Commission and IP rights in the fashion industry.

When you draw up a contract with a buyer, make sure each party's specific responsibilities are clear.

Find out how designs can be patented in each EU country. For example, in the Netherlands, every design can be sent to the tax department, where the envelope containing your design will be marked with a dated stamp. In the event of a disagreement, you can present this stamp as proof of authenticity.

Contact Open Trade Gate Sweden if you have specific questions regarding rules and requirements in Sweden and the European Union.

2 . What additional requirements do buyers often have?

In addition to the legally binding requirements, you must also comply with the non-legislative requirements in order to be able to find buyers. Different buyers apply different requirements. Here are some important ones to look out for.

Corporate responsibility

Buyers in the EU (especially those in the West and the North) are increasingly keen on corporate social responsibility and their social and environmental impact. This also affects you as a supplier. Common requirements related to this include signing a suppliers' code of conduct, in which you declare that you conduct your operations in a responsible manner (for example that you and your suppliers respect local environmental and labour laws and that you avoid corruption).

Tips:

If you have several different clients, be aware of the fact that each certification/code of conduct request costs money – not only for the application and the audit, but also for its annual renewal. You can solve this problem by asking each buyer to agree to a standard certification/code of conduct, instead of accepting a new one for each client.

Labour conditions

Some of the social aspects, like basic labour rights, are major issues in the garments industry. Major accidents in textile factories in recent years (for example a factory

fire in Pakistan and the collapse of a factory building in Bangladesh) have received considerable media attention. As a result, EU buyers have sharpened their focus on requirements concerning labour conditions and health and safety in the workplace. For example, several new initiatives have been launched focusing on fire and construction safety in Bangladesh factories.

Fair wages

Wages are another issue. Several initiatives that concentrate on fair wages for garment industry employees have been launched. Note that they do not aim for minimum wages, but for fair wages. Fair wages are often determined on the basis of what a labourer has to spend in order to enjoy a decent standard of living. A growing number of organisations are joining this effort. They want to be able to guarantee that the people involved in the production process earn a salary that meets their basic spending needs.

Tips:

Make sure you stick to the relevant laws regarding wages, working hours and so on.

On top of that, make sure you know what your European buyers expect. According to European regulations, workers in Europe are not allowed to work more than ten hours a day. While this may not apply in non-European countries, European businesses may require you to stick to it anyway.

Fair wage initiatives

Several initiatives have been gaining ground in this area, especially in western European countries. The Ethical Trading Initiative, ETI is used by large buyers in the UK. Retailers/importers and producers also participate in the Business Social Compliance Initiative (BSCI) and the Fair Wear Foundation which have a strong presence in the other European markets.

Implementing a management system such as ISO14000 (environmental aspects), OHSAS 18001 (occupational health and safety) or SA 8000 (social conditions) is a way to address sustainability and possibly gain a competitive advantage. Research with your buyer whether this is appreciated.

Tips:

Look into the possibilities of improving your sustainability performance. This may not always include immediate certification or application of a label (read the information in 'Niche'), but it is important to familiarise yourself with issues.

If you are targeting the UK market, familiarise yourself with the ETI base code to check what ETI members require from their suppliers.

Check CBI's study on the market for sustainable apparel in Europe.

When targeting other EU markets, consider assessing your company's current performance by doing a self-assessment, which you can find on the BSCI website.

Be aware that many of the environmental and social sustainability issues take place upstream in your supply chain (factory, collector, farm). Think about ways of assuring responsible business on the premises of your suppliers.

Interesting sources of additional information on this matter include the websites of the International Apparel Federation (IAF) and the Sustainable Apparel Coalition. The latter site contains the 'Higg-index', a self-assessment standard used in the apparel and footwear industry for assessing environmental and social sustainability throughout the supply chain.

For more information about standards, please turn to the ITC's Standards Map where you can search 'textiles'.

Bankruptcy

More and more frequently, companies are faced with bills they can't pay, and so they end up bankrupt. The trend among European governments and banks is to protect companies on the edge of bankruptcy from creditors and give them a chance – and the money – to reorganise. This applies especially to larger corporations, whose bankruptcy might destabilise markets. You can read more about that in this Wall Street Journal article and this Mondaq article.

At the same time, some countries also have legislation that helps creditors get their money back. For example, in the Netherlands a recovery law exists for these situations. The law stipulates that if you deliver goods but are not paid, you can retrieve those goods within sixty days of delivery ('seize and retrieve'). It is important to know that this rule only applies if the manufacturer has included it in the contract.

Tips:

Use the following bankruptcy checklist if you face a buyer going bankrupt:

- immediately contact a lawyer in the country where your client is based;
- collect and save all communications relating to orders and outstanding invoices;
- collect and save all contracts between the client and your company;
- lay claim to the delivered shipments.

Washability preferences

There is no EU-wide legislation on the use of symbols for washing instructions and other care aspects of textile products. By contrast, consumers consider care information the second most important information on product labels (after size). This means it makes sense to follow the ISO standards on this matter (ISO 3758: 2012).

Tip:

Try and make sure all the products you deliver are easy to care for and machine-washable. Retailers much prefer this, as it is most convenient for consumers. Delivering dry clean-only products will soon put you out of business – unless you have special arrangements with a buyer on this issue.

New: the Greenpeace standard

Because REACH is the standard set by the government, it is not optional: if you do not comply, you cannot do business in Europe. However, there is another standard that is also important to know about. It was launched during a recent campaign by Greenpeace: the Detox campaign toxic-free future. The standards Greenpeace proposes in this initiative are higher than those of REACH. The purpose of the initiative is to eventually create an industry that doesn't use harmful chemicals. Many large companies, such as Nike, Puma, Inditex, H&M, Mango, Esprit and Uniqlo, are already affiliated with this campaign.

Tip:

Read up on the new Greenpeace standard and make sure to check what your buyers expect of you in this area.

3 . What are the requirements for niche markets?

While sustainability is gaining ground, the market for apparel sold as ‘fair’ or ‘sustainable’ can still be considered a niche. Note that brands marketing their products as fair have their own criteria for you to comply with, which can include certification.

Fair trade cotton textiles

Among the niche initiatives, FairTrade and Better Cotton Initiative are the best known and available for cotton products.

Eco-labelled apparels

There are several different eco-labels used for apparel and as this is a means of showing sustainability, there is an interest from buyers. The Global Organic Textile Standard (GOTS) and Naturland (Germany) are examples of textile processing standard for organic fibres; OEKO-TEX and Bluesign stand for no use of hazardous chemicals in textiles; the EU Ecolabel and also look to chemicals environmentally-friendly options.

Leather labels

Organic labels may also be applied to leather Leather Weather Group and Naturleder are popular eco-labels in the leather segment..

Tips:

- If you are looking to focus on the ethical niche market, you need to find business partners. This could range from large companies with sustainable product lines as well as specialized apparel buyers. Familiarizing yourself with the initiatives and how they work is an initial step in finding out whether or not your company would be a good match.
- For more sustainability initiatives for textiles, see ITC’s Standards Map.

Through what channels can you get apparel onto the European market?

The European apparel market has a lot of different segments and niches. At the lower end, price, speed and volume are important and the margins are low. The middle and upper segments are more specialised. They offer higher margins, provided you can deliver uniqueness, added value and extra services – for example, by expanding your pre-production services and trimming supply abilities. The more experienced and specialised you are, the higher you can climb on the market segment ladder.

Contents of this trend

- 1- Which European market segments to target?
- 2- The best opportunities are in the middle segments
- 3- Large retailers are gaining control, small retailers have to specialise
- 4- Different segments dominate different European countries
- 5- Brands offer higher margins, but you have to have a sample room
- 6- Through which channels can you get apparel on the European market?
- 7- Different ways of reaching European buyers
- 8- Working with representatives, distributors or wholesalers can give you a good start
- 9- Direct trade with retailers and chains is a growing opportunity
- 10- Online sales channels are growing
- 11- Factory-to-consumer sales are interesting, but still challenging
- 12- In the lower segments, speed is important
- 13- Sales through non-apparel channels can offer interesting quick wins

1 . Which European market segments to target?

The apparel sector can be divided into six segments (see also Figure 1).

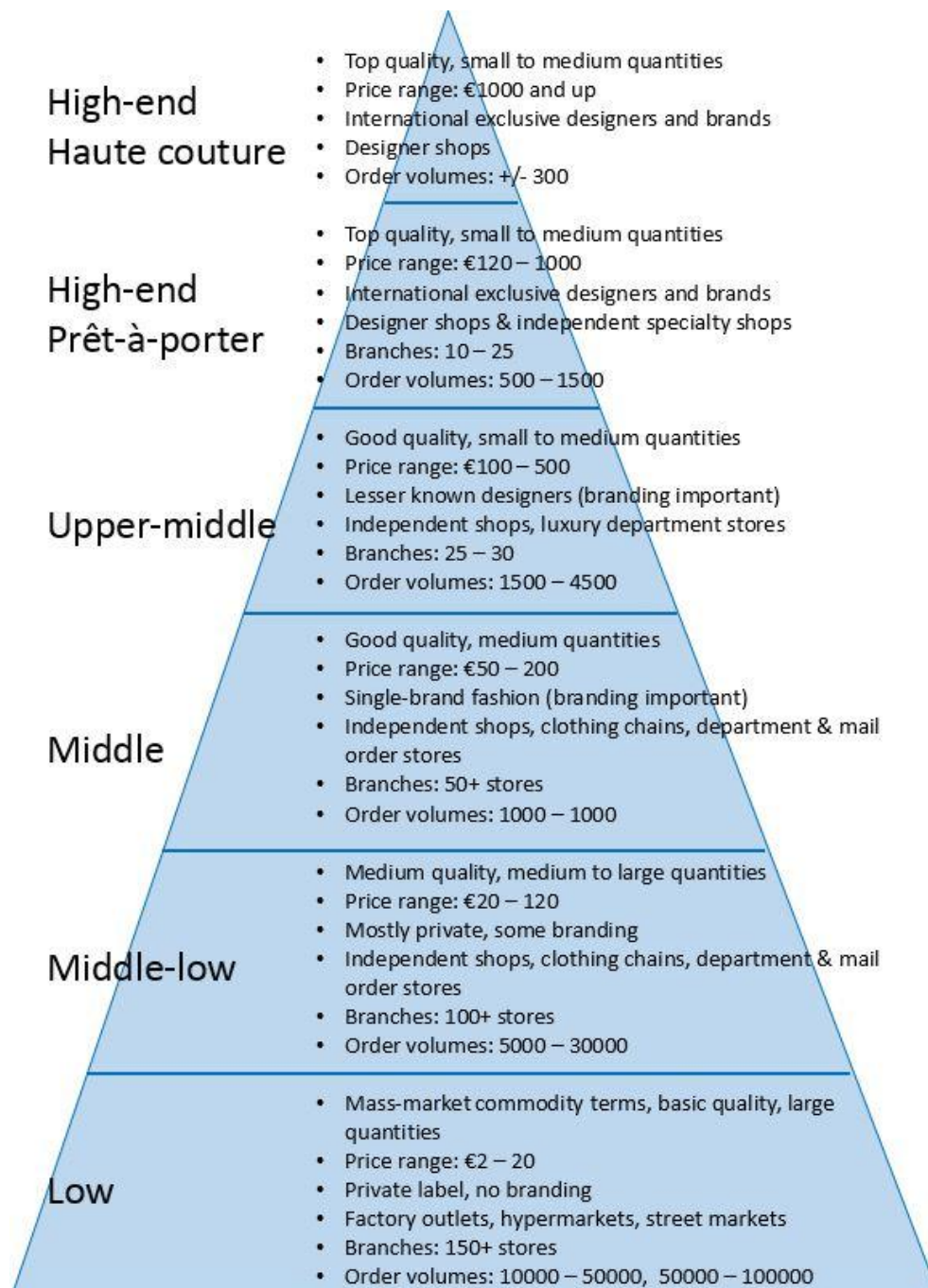


Figure 1. Segmentation in the European apparel sector

The low segment

The low segment offers basic quality clothes at very low prices and in large quantities. These products are retailed by hypermarkets, outlets, discounters and at street markets. Retailers in the middle-low segments – clothing chains, department

stores, mail-order companies and independent retailers – offer medium quality items at a medium-low price in medium to large quantities. Competition at the low end is extremely fierce.

Tips:

- If you can deliver high volumes at low prices, the low end may be a good segment for you to get started in Europe. As you gain export experience, you can start looking for ways of adding value and trading up to other segments with higher margins and less competition.
- If you are a new market player, try to gain experience catering to retail chains at the low end before turning to middle and niche segments.
- For more information about competition, see our study on [competition on the European apparel market](#).

The middle and middle-low segments

The middle segment offers medium to good quality in medium to large volumes; the middle-low segment offers medium quality, usually in larger volumes. The two segments have almost the same retail channels, except that independent specialty shops are rare in the middle-low segment. In the middle segment, quality and volume requirements are higher and prices are also a little higher.

Tip:

- Moving from low to middle-low or middle is a good way to try and trade up. To succeed, you have to work on refining your offer and ensuring you stand out from the mass of other low-end suppliers.

The upper-middle segment

In the upper-middle segment, independent specialty shops and luxury department stores offer good quality garments. Unique standard products are produced in small to medium-sized quantities that are not particularly season-based.

Tips:

- If you can meet the quality and design requirements of the upper-middle segment, this is a good segment to aim for. The fashion cycles here are slower than in the higher segments, giving you more time to deliver high quality.

- Because price pressure is lower here than in the lower segments, you will have competition from European manufacturers. Make sure you research the competition, so you can find out how to distinguish yourself. For more information, see our study on [competition on the European apparel markets](#).

The high-end segment

At the high end, prêt-à-porter and haute couture designers mostly sell exclusive and unique top-quality garments through their own shops and channels.

Tip:

- The high end is very difficult to access as a supplier from a developing country. Requirements here are very strict in terms of quality, delivery service and design. If your company has outstanding technical skills, you may be able to get small orders.

2 . The best opportunities are in the middle segments

If you are a small or medium-sized exporter from a developing country, the best opportunities lie in the middle and upper-middle segments. In these segments, good quality and well-priced garments are offered by independent specialty shops, fashion retailers, brands and luxury department stores.

One advantage of doing business with independent shops is that it does not involve extensive supply chain processes. Also, the quantities required are low to medium and delivery times are often reasonable.

Tips:

- Work on a clear offer: consistent quality, service and prices and distinct collections. Fine-tune this package with your buyer so you are sure you are delivering what they want.
- Develop a strong relationship with your buyer. This is good for them and for you. Talk and listen to them, understand their needs and wants – and those of their customers – and adapt your offer accordingly.
- Be a problem solver. If you anticipate problems in the market, bottlenecks in production or delivery or any other challenges, be proactive and work hard to resolve them. This will impress your buyer and make you stand out from other suppliers.

3 . Large retailers are gaining control, small retailers have to specialise

Buyers can be divided into many categories. Small retailers, such as boutiques, have only one sales point, or maybe a few more. Large retailers, such as clothing chains and mail-order wholesalers, have many sales points. More and more, large retailers are controlling the supply chain. Independent retailers – for example, mono-brand and multi-brand retailers – are having difficulty competing with them.

Tips:

- Independent, smaller buyers are an interesting target for you as a small or medium-sized exporter from a developing country. You must have experience on the European market to supply to this segment.
- If you are a new market player, you should try to gain experience catering to larger retail chains. The margins there are low, but you will learn a lot and be well prepared should you decide to turn your attention to niche markets.

4 . Different segments dominate different European countries

The different countries across Europe are characterised by different kinds of buyer categories. Hypermarkets are prevalent in France, while specialty shops are stronger in southern European countries than in most northern countries. Department stores are relatively important in Germany and the Netherlands, but their position is under pressure.

Tips:

- Realise that Europe is a mix of many different countries, each with its own culture and market structure. The best way to familiarise yourself with the differences is to visit the European countries you want to do business with.
- If you can arrange a visit, make appointments with as many different players in the market as you can, from buyers to traders, importers and CBI market experts.
- For more information on legislation, buyers' demands and how buyers address these demands in contracts, see our studies on buyer requirements on the European apparel market and on how importers list their buyer requirements in contracts.

5 . Brands offer higher margins, but you have to have a sample room

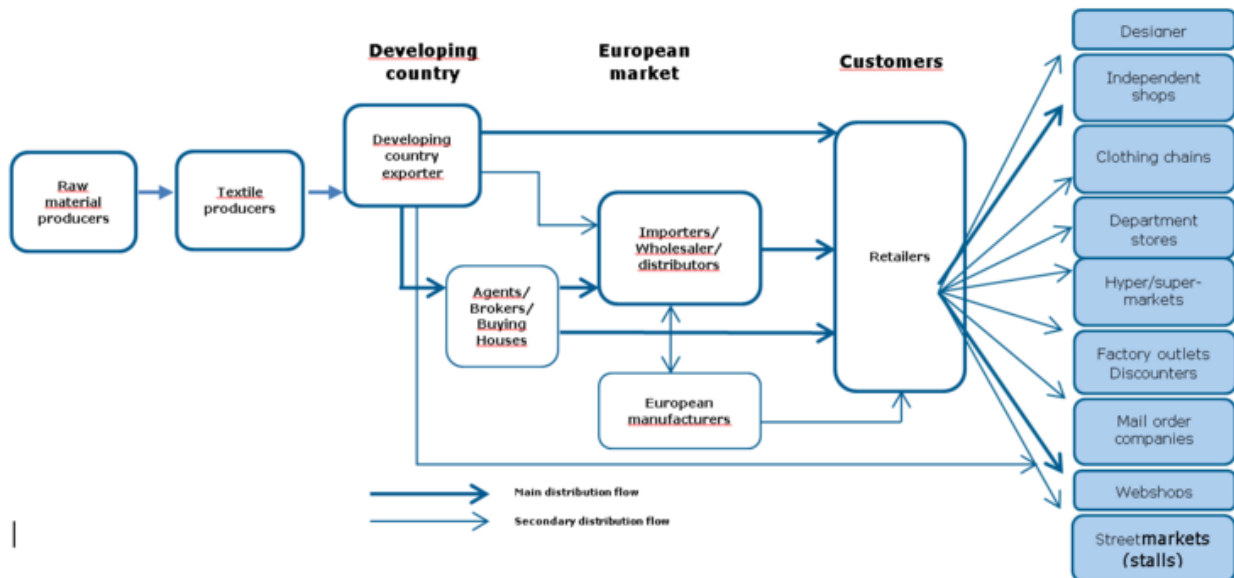
Brands are another category of buyers. They exist in different segments from mid-market to high-end. Brands work differently to retailers. For retailers one sample item is often enough to place an order, but a brand will want salesmen samples (SMSes). These are samples you have to make (often for a fee of FOB x 1.5 or 2) before the brand places an order. With these samples, the brand's salesmen go and collect orders that will then be placed with you as a supplier.

This way of working has its advantages. One is that you have approval from the buyer before producing samples. Another is that once an order has been placed you can immediately begin production. Also, you will enjoy higher profit margins than you will in retail. The downside is that you have to have a sample room in order to serve these clients. This is often a pricy inve

Tips:

- Each and every segment in each country needs a different approach. Adopt your distribution strategy per target market.
- Be aware that each segment and country has its own ways of communication and marketing.
- Study the differences between channels and segments and the companies that operate there and find the best match for your business.
- Visit trade fairs in Europe to familiarise yourself with trends, segments, buyer behaviour, country differences and more. See our studies about specific apparel segments, such as denim or children's wear, for more information about segment-specific trade fairs.
- For more information on general market trends, see our study on trends on the European apparel market.

6 . Through which channels can you get apparel on the European market?



7 . Different ways of reaching European buyers

The most commonly used channel in Europe is that of specialist apparel retailers. In most European countries this channel accounts for 40 to 60% of distribution. Non-store retail, for example online and through direct selling, is the second largest channel, taking 10 to 20% in most countries. Hypermarkets and supermarkets, along with specialist retailers in leisure and personal goods, also account for up to 10%.

There are different ways to reach the European apparel market as a supplier from a developing country:

1. Indirectly, through an agent, broker or buying house in your country or region;
2. Indirectly, through a European importer, wholesaler or distributor;
3. Directly, through a European retailer;
4. Directly and indirectly, through your own web shop or an online trading platform.

8 . Working with representatives, distributors or wholesalers can give you a good start

If you want to start in a new European market area or niche, it may be a good idea to begin with a representative. This person knows the market and the buyers, so you don't have to invest heavily straight away. All you do is agree to pay a commission for any orders that are placed. The disadvantage is that the representative will want a percentage of 3-5%, which will make you more expensive as a supplier.

Tip:

- Work together with your partners in the value chain, as this is vital to being able to serve your target group effectively. Together, you can come up with new services. And if you team up with specialists near you, you can create attractive sourcing hub for buyers. You will also benefit from each other's channels.

9 . Direct trade with retailers and chains is a growing opportunity

There are growing opportunities for you to sell (more) directly to buyers in Europe. This means cutting out agents, distributors, importers and/or wholesalers. More and more department stores, other large retailers and apparel chains are doing this. Vertical integration and 'fast fashion', along with demand for faster and more flexible product delivery, are driving direct trade.

This 'disintermediation' does not just result in a faster, more flexible supply chain, it also cuts costs. And it means the buyers can get as involved in production as they want to.

A direct approach means higher margins, as no intermediary agents are involved. It can also give you more first-hand market insights. This will help you keep up with European developments. But it can also have disadvantages. For example, you may have to spend more money on distribution, promotion and sales activities. If you use an indirect trade channel you will have lower margins, but also low marketing and distribution costs – and possibly higher sales volume.

Tips:

- Depending on your product portfolio and production capacities, consider approaching European retailers directly. Think, for example, of department stores, big apparel chains and multi-brand apparel chains.
- If you do this, make sure your presentation, your proposition and the organisation behind them are in tip-top shape. If they are not, it will be difficult, if not impossible, to get a second chance.
- Work on every aspect of your offer: product uniqueness, pricing, marketing, organisation et cetera and prepare a strong, credible and realistic marketing message.
- Make sure you include all costs (including marketing and sales costs) in your pricing calculation.

10 . Online sales channels are growing

Online shopping is growing in Europe. When consumers order a product online, the brand owner delivers it directly. This can be through a pick-up point, home delivery or a drop shipment at a marketplace or e-fulfilment centre.

The growth of online sales is especially strong in Germany and Denmark. The share of online shopping is smaller in southern European countries than it is in the north of Europe. The importance of e-commerce will keep growing.

The growth of online sales in Europe will have growing implications for you as a supplier. For example, your buyer may require different packaging, or greater volume flexibility.

11 . Factory-to-consumer sales are interesting, but still challenging

In some cases there is the possibility to sell directly to retailers or even final consumers. Consumers in Europe are certainly open to this option. They are familiar with online shopping and the Internet reduces the distance between consumer and manufacturer.

Selling directly to consumers through your own web shop is a possibility, but consumers in Europe may never find you. Findability is difficult for small to medium-sized companies on a global market. Even if they can find you, consumers may not feel they can safely make a purchase, as they know nothing about you.

Another way to sell directly to customers from your factory is via a collective buying site. Groupon, for example, offers online platforms where manufacturers can present their goods to consumers who want to buy the same item as a group. That way they pay less. One advantage for you as a supplier is a higher margin. But distributing directly to consumers in Europe can be troublesome, as return shipments may result in extra costs and logistical problems.

Most online purchasing from the manufacturer happens on big web platforms such as Alibaba and AliExpress. These are gaining popularity in Europe, especially among young people seeking cheap products. These platforms can be a good place for you to start experimenting with online sales. They are well-known and they have a good distribution network.

Tips:

- For more information on e-commerce and social media, see our study on trends on the European apparel market. This study contains a lot of information on how e-commerce is affecting business and how you can benefit from it. It also deals with the pros and cons of trading on existing consumer platforms, like Alibaba.
- It is likely that your buyers will be doing more e-commerce. This means they may have need for different kinds of packaging, logistics and software solutions. Talk to them about this and try to help. Be prepared for the directions your clients will be taking.
- As you become more visible to consumers online, you will need to invest more in marketing and, possibly, in branding. Invest in your website, and make sure to adapt your product presentation and communications to your target groups. In addition, be sure that your website can be viewed on mobile devices.
- The future importance of e-commerce cannot be understated. If you fail to integrate your business in the (online) logistical processes of European buyers within the next few years, you are likely to lose business. Take time right away to invest in meeting this challenge. Among other things, this means faster production and delivery, smaller but far more frequent orders, and more focus on individual items rather than entire collections.

12 . In the lower segments, speed is important

Many European buyers are looking for faster deliveries from low-cost countries. Of course, flying your products to Europe will save you a full three weeks of time, but it is also expensive. There are several alternatives.

The approval process prior to the production of fabric and products takes a lot of time. If you can get your quality, lab dips or fits approved at the beginning of the season, you can stock fabrics that will be readily available on demand the moment the buyer places an order.

This option can save you a lot of time – up to two months. Another advantage is that it involves a long-term arrangement with the client, in which sales are guaranteed. So there is a sense of mutual dependency and continuity. However, there is always the risk that buyer pulls out and you are stuck with the stock.

Another time-saving option is to lay up stock in Europe, allowing your buyers to quickly access it. This option does require a sales guarantee. The advantage for your client is that he will not have to reserve capital for holding stock (which often involves large volumes of basic products). The risk for you as supplier is that the products may not all be purchased from you in the end. This is quite a big risk, as these styles often feature the buyer's brand name, which means they will be difficult to resell.

A trend that is growing strongly at the moment is to finalise production in Europe. Chinese companies, especially, are working on a system in which the half-finished product is delivered from Asia and then finished in Europe – according to buyer wishes. This approach creates greater flexibility and also increases the speed of delivery and response to trends in the market.

Tip:

- As a supplier you can speed up production and delivery in many ways. You can also choose to avoid the speed trend, aiming for slower niche market. For more ideas and insights, see our study on [trends on the European apparel market](#).

13 . Sales through non-apparel channels can offer interesting quick wins

Garment sales through channels not related to the apparel industry are growing. Think, for example, of supermarkets, petrol stations, building companies or restaurants. More and more of these companies are selling clothing.

These non-apparel retail concepts have a lot of visitors, which means their turnover rates are often high. Their goal is to sell large amounts in a relatively short amount of time. A successful example of this in Europe is supermarket chain Lidl.

Tip:

- Selling batches of basic, unbranded goods to non-apparel retailers can yield quick wins. They usually involve low margins, large volumes and fast turnover. The downside of selling to these channels is that they offer very little continuity.

How to deal with changes in the apparel supply chain?

This paper examines a key trend in apparel supply chains: the changing map of apparel sourcing. China is Europe's largest apparel supplier. However, wage inflation in China and other low-cost sourcing nations is posing significant challenge for apparel companies; social risk is also a growing concern. Seeking to optimize the cost/risk ratio, apparel companies are exploring new sourcing locations and sourcing strategies are becoming more complex. While companies are evaluating potential new frontiers, they are also exploring source countries closer to home. Proximity sourcing is favoured for the fast fashion segments and some national government initiatives are encouraging reshoring. Low-cost sourcing is favoured by companies offering products that are less fashion-forward. Turkey is a key competitor for all countries in today's European sourcing landscape; DC exporters need to focus on speed to market, just-in-time deliveries and preproduction services in order to best compete in the changing sourcing landscape.