THE U.S. RETAIL INDUSTRY

STRATEGIZE FOR SUCCESS IN A CHANGING LANDSCAPE

September 2015
Business Sweden USA
AGENDA

† Executive summary and introduction

† The U.S. retail industry
† Entering the U.S. retail industry
† Business Sweden
† Appendix
THE U.S. RETAIL INDUSTRY HAS GREAT POTENTIAL FOR SWEDISH BRANDS, BUT ALSO HIGH REQUIREMENTS

“The U.S. retail industry is large, fairly consolidated and non-homogeneous”

“The U.S. apparel market is the largest in the world; 50% larger than that of China

The 12 largest retail companies hold over 1/3 of market share – all of them are American

Large metropolitan areas offer the best potential for most Swedish retail companies

A majority of sales still go through brick and mortar, but online sales has the highest growth

Invest enough time and resources, be prepared to start over in the U.S.

Make the necessary strategy adjustments if you want your U.S. business to reach some volume

Be sure to understand the differences in business culture

Make sure that you choose a partner familiar with the industry and provide continuous support

SOURCE: BUSINESS SWEDEN ANALYSIS
OVERALL, THE U.S. WAS SWEDEN’S 6TH LARGEST EXPORT MARKET IN 2014, AND RANKED 8TH IN RETAIL

SWEDISH RETAIL EXPORTS TO THE U.S. HAVE DECLINED

SWEDISH RETAIL EXPORTS, BUSD, 2014
TOTAL SWEDISH EXPORTS, BUSD, 2014

GROWTH RATE RETAIL EXPORTS

<table>
<thead>
<tr>
<th>Country</th>
<th>CAGR ‘09-’14</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>18%</td>
</tr>
<tr>
<td>Poland</td>
<td>10%</td>
</tr>
<tr>
<td>UK</td>
<td>8%</td>
</tr>
<tr>
<td>Russia</td>
<td>7%</td>
</tr>
<tr>
<td>USA</td>
<td>-1%</td>
</tr>
</tbody>
</table>

- Although the U.S. has lost some ground in retail exports recently, this is could be subject to change with the increase in U.S. purchasing power derived from an increased exchange rate on the USD

THE U.S. IS ONE OF SWEDEN’S KEY TRADING PARTNERS AND HOLDS LARGE OPPORTUNITIES IN RETAIL

SOURCE: STATISTICS SWEDEN, BUSINESS SWEDEN ANALYSIS
AGENDA

- Executive summary and introduction
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THE U.S. RETAIL INDUSTRY IS LARGE AND FAIRLY CONSOLIDATED

SIZE AND GROWTH
- The U.S. retail industry is the largest in the world; 50% larger than that of China
- There was a brief decline in the market due to the recession, but has since rebounded
- The health and beauty segment is showing the highest growth with 18%

INDUSTRY STRUCTURE
- The 12 largest retail companies hold over 1/3 of market share – all of them are American
- Foreign brands are struggling with brand recognition and need to focus on building their brand name by adapting to local nuances
- Many companies keep a wide product portfolio to protect the market share and increase the competitive advantage

CONSUMERS
- Densely populated states are the largest retail spenders
- Large metropolitan areas grow faster than suburban areas and offer the best potential
- Metropolitan areas with highly educated consumers offer the highest purchasing power

CHANNELS
- A majority of sales still go through brick and mortar, but online sales has the highest growth
- Online retailers are also growing in areas where consumers previously have been reluctant to buy online
- Department stores are often national and are a good way to reach volume
### THE U.S. RETAIL INDUSTRY IS THE WORLD’S LARGEST AND STILL SIGNIFICANTLY GREATER THAN CHINA

The U.S. has the biggest global retail market at roughly 33 times the size of Sweden’s.

<table>
<thead>
<tr>
<th>Market value</th>
<th>Retail sales value excluding tax, BUSD, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2897</td>
</tr>
<tr>
<td>China</td>
<td>1931</td>
</tr>
<tr>
<td>Germany</td>
<td>613</td>
</tr>
<tr>
<td>Sweden</td>
<td>89</td>
</tr>
</tbody>
</table>

- U.S. retail sales totaled at 2.9 trillion USD in 2014 where 12% was represented by non-store retailing such as vending, home-shopping, internet retailing and direct selling.

- The U.S. retailing environment is changing permanently due to decreasing store traffic, changing demographics and non-store growth resulting in store-based retailers downsizing retail space.

- Nevertheless, consumers are shopping more than ever but are more strategic in their store visits and purchases.

“The commercial potential in the US market was tremendous. Extrapolating numbers from our successes in other markets made breaking into America a top priority”

Frans Sjö, Country Manager, Daniel Wellington

The sheer size of the market makes it difficult for companies worldwide to ignore.

Source: Euromonitor, Business Sweden Analysis, Business Sweden interviews
THE U.S. RETAIL INDUSTRY DECLINED BRIEFLY DUE TO THE RECESSION, BUT HAS SINCE REBOUNDED

THE MARKET HAS HAD STEADY GROWTH SINCE '09

- Mixed macro-economic signals overall has resulted in slow growth and cautious consumer spending
- High-income consumers have continued to grow their wealth while middle tier retailers from apparel to food have been squeezed as the gap between high vs. low income consumers continues to grow
- As a result, premium supermarkets have seen growth rates between 12-17%
- Low-end retailers have also seen growth is their core consumers have been forced to focus on value
- E-commerce has challenged all store based retailers except for the beauty specialists that succeed in growing traffic with the presence of in-store experts

SLOW BUT STEADY GROWTH IS EXPECTED YEARLY AND REACH 3 TRILLION USD BY 2018

SOURCE: EUROMONITOR, BUSINESS SWEDEN ANALYSIS
THE LARGEST RETAIL SEGMENTS ARE MIXED RETAILERS, HOME & GARDEN, AND HEALTH & BEAUTY

IN STORE NON-GROCERY RETAIL SALES BUSD 2013

<table>
<thead>
<tr>
<th>Segment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed Retailers</td>
<td>399.2</td>
</tr>
<tr>
<td>Home and Garden</td>
<td>329.1</td>
</tr>
<tr>
<td>Health and Beauty</td>
<td>283.0</td>
</tr>
<tr>
<td>Apparel and Footwear</td>
<td>197.8</td>
</tr>
<tr>
<td>Leisure and Personal Goods</td>
<td>168.0</td>
</tr>
<tr>
<td>Electronics and Appliances</td>
<td>95.9</td>
</tr>
<tr>
<td>Other</td>
<td>36.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,509.9</strong></td>
</tr>
</tbody>
</table>

TRENDS SHOW MIXED PROJECTIONS BY SEGMENT

Total in store % of constant value growth 2013-2018

<table>
<thead>
<tr>
<th>Segment</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics and Appliances</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Other</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Mixed Retailer</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Leisure and Personal</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Home and Garden</td>
<td>5.6%</td>
</tr>
<tr>
<td>Apparel and Footwear</td>
<td>7.3%</td>
</tr>
<tr>
<td>Health and Beauty</td>
<td>18.3%</td>
</tr>
</tbody>
</table>

HEALTH AND BEAUTY AND APPAREL ARE GROWING AT A FAST PACE, UNAFFECTED BY INTERNET RETAILING

SOURCE: EUROMONITOR
THE MARKET IS CONTROLLED BY FEW PLAYERS
In store retailer by value in %, 2013
Total: 989 BUSD

The **12** largest companies hold

35% of market share,

with an average U.S. turnover of **82.4 BUSD**

MARKET STRUCTURE AND FOREIGN ENTRANTS

- The U.S. retail market is highly competitive and for most segments, the industry is consolidated
- Few foreign brands are among the top 40 companies. Delhaize (23rd) and Aldi (38th) are exceptions
  - In 2013, Tesco exited the U.S. market after investing over 1.5 BUSD
- Foreign brands often face a recognition problem, but some Swedish companies have overcome this
  - Swedish brand H&M is by far the most recognized foreign retail brand in the U.S. with over double the recognition of the closest competitor, Zara
  - Ikea holds the number two overall revenue position in the furniture category and has a brand recognition of 99%

THE RETAIL SEGMENT IS LARGE ENOUGH FOR FOREIGN ENTRANTS, BUT BRAND RECOGNITION IS KEY

SOURCE: NRF, EUROMONITOR, HUGE INC
MARKET LEADERS OFTEN SELL MANY DIFFERENT TYPES OF PRODUCTS IN ONE LOCATION

<table>
<thead>
<tr>
<th>Owner</th>
<th>Sales BUSD*</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wal-Mart</td>
<td>334</td>
<td>Mixed Retailer</td>
</tr>
<tr>
<td>2. Kroger</td>
<td>94</td>
<td>Food/grocery store</td>
</tr>
<tr>
<td>3. Costco</td>
<td>75</td>
<td>Mixed Retailer</td>
</tr>
<tr>
<td>4. Target</td>
<td>71</td>
<td>Mixed Retailer</td>
</tr>
<tr>
<td>5. Home Depot</td>
<td>70</td>
<td>Home improvement store</td>
</tr>
<tr>
<td>6. Walgreens</td>
<td>68</td>
<td>Drug store, convenience store, and pharmacy</td>
</tr>
<tr>
<td>7. CVS</td>
<td>66</td>
<td>Drug store, convenience store, and pharmacy</td>
</tr>
<tr>
<td>8. Lowe’s</td>
<td>52</td>
<td>Home improvement store</td>
</tr>
<tr>
<td>9. Amazon</td>
<td>44</td>
<td>Online retailer</td>
</tr>
<tr>
<td>10. Safeway</td>
<td>38</td>
<td>Food/grocery store</td>
</tr>
</tbody>
</table>

The majority of leading companies are low-cost to mid-range, the luxury segment is absent.

A wide product portfolio protects the market share and increases the competitive advantage.

Grocery stores are one of few retailers who have seen their customers stay steady due to the perishable nature of food.

Store retailers are therefore using groceries to attract store traffic in hopes of selling larger amounts of higher margin non-grocery items.

MARKET LEADERS CARRY A WIDE VARIETY OF LOW-MID PRICED PRODUCTS TO ATTRACT CONSUMERS

SOURCE: NRF, EUROMONITOR INTERNATIONAL

*AMOUNT SOLD IN THE U.S. 2013
OUT OF THE 10 LARGEST RETAIL STATES, MANY OF THEM ARE ON THE EAST COAST AND IN THE MIDWEST

U.S. STATES WITH THE HIGHEST RETAIL GDP 2012

- Densely populated states are also high retail spenders. Overall, metropolitan areas grow faster than suburban, putting focus on consumers with low access to cars
- Retail locations such as Chelsea Market, Saturday’s Surf, and the Nordic-inspired Scandinavia House and Acme Hotel in New York City are combining restaurants, shops, and hotels in order to create a lifestyle experience
- Los Angeles’ Nordic inspired Austere retail space combines Scandanavian designed products with food and a barber shop
- Florida’s flow of tourism and retirees have led to modern retail development projects like Brickell City Centre and Miami Worldcenter

THE TOP FIVE STATES HOLD ALMOST 40% OF RETAIL MARKET SALES AND OFFER UNIQUE OPPORTUNITIES

TOP 5 RETAIL GDP % OF U.S. TOTAL

1 California (12.8%)  
2 Texas (8.6%)  
3 New York (6.9%)  
4 Florida (6.5%)  
5 Illinois (4.0%)

SOURCE: NRF, ICSC, EUROMONITOR
CONSUMERS IN LARGE METROPOLITAN AREAS WITH HIGH ACADEMIC DEGREES SPEND MORE ON RETAIL

Shoppers in large metropolitan areas spend more on retail than in rural areas or small cities. Luxury goods are projected to grow 3 times faster than in Western Europe in 2015, with most purchases made in urban areas.

THE METROPOLITAN AREAS ARE A GOOD PLACE TO START FOR MOST SWEDISH RETAIL COMPANIES

SOURCE: BUREAU OF LABOR STATISTICS, BLOOMBERG OUTLOOK
THE MAJORITY OF SALES IS STILL IN-STORE, BUT E-COMMERCE SEES THE HIGHEST GROWTH

SALES AND FORECAST BY CHANNEL, %, 2008-2018

- Brick-and-mortar stores still account for roughly 85% of retail sales
- Consumer demand for online and mobile accessibility is driving rapid growth, in 2016 mobile internet retailing is expected to make out 18% of overall e-commerce
- Electronics and home appliances have seen the steadiest growth as they are segments where comparison shopping is common and there is a minimal need to try the product before the purchase
- Decreasing shipping rates, times and costs have become much more common, and retailers are also growing in areas where consumers previously have been reluctant to buy online, such as apparel and groceries
- Amazon.com is the largest e-tailer with 17% of market share. The market is dominated by domestic players

A PHYSICAL STORE IS STILL IMPORTANT, BUT IT CAN BE SUCCESSFULLY COMPLEMENTED BY E-COMMERCE

SOURCE: EUROMONITOR

1 GROWTH AND FORECASTED GROWTH 2008-2018
DEPARTMENT STORES CAN BE BOTH NATIONAL AND LOCAL AND ARE A GOOD WAY TO REACH VOLUME

DEPT. STORES VARY MORE IN PRICE THAN IN REACH
Top U.S. department stores, 2013 sales and price level*

<table>
<thead>
<tr>
<th>Name</th>
<th>Sales</th>
<th>Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macy’s</td>
<td>27.8</td>
<td>the “great American department store”</td>
</tr>
<tr>
<td>Sear’s</td>
<td>26.6</td>
<td>leading “broadline” retailer</td>
</tr>
<tr>
<td>Kohl’s</td>
<td>19.0</td>
<td>“value-oriented” department store</td>
</tr>
<tr>
<td>Nordstrom</td>
<td>12.3</td>
<td>“fashion specialty retailer”</td>
</tr>
<tr>
<td>JC Penney</td>
<td>11.8</td>
<td>“America’s favorite” store</td>
</tr>
<tr>
<td>Dillard’s</td>
<td>6.4</td>
<td>“the largest name in fashion apparel retailing”</td>
</tr>
<tr>
<td>Neiman Marcus</td>
<td>4.6</td>
<td>“renowned specialty store”</td>
</tr>
<tr>
<td>Saks Fifth Ave</td>
<td>1.5</td>
<td>“pre-eminent specialty retailer”</td>
</tr>
<tr>
<td>Bloomingdale’s</td>
<td>1.1</td>
<td>“upscale” department store</td>
</tr>
</tbody>
</table>

*PRICE LEVEL BASED ON BRANDS CARRIED AND STORE POSITIONING

MOST DEPARTMENT STORES CATER TO DIFFERENT CONSUMER GROUPS WITH A WIDE PRODUCT OFFERING

SOURCE: DUNN AND BRADSTREET, NRF, COMPANY WEBSITES
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THE U.S. RETAIL MARKET REMAINS ATTRACTIVE, BUT WITH MANY CHALLENGES AND HIGH REQUIREMENTS

BRAND BUILDING, COMPETITION, AND LEGAL DOCUMENTS ARE AMONG CHALLENGES IN THE U.S.

“Even if you’re very well known in the Swedish market and Scandinavia—the biggest challenge in coming to the U.S. is that you’re a newcomer here competing against so many established brands. It requires a lot of PR, branding, and marketing that you don’t necessarily have to do a lot anymore in Sweden.”

Josephine Svedmark
Finance Manager, Odd Molly

“When we started, we realized that we also need a lawyer to be in the U.S. It’s important to be prepared for the paperwork and documents. It also works the same way with distributors and paperwork.”

Anonymous
Sales and Marketing, Swedish retail company

“The American retail market is the biggest retail market in the world but also the most competitive. The potential to grow your business in U.S. is huge as long as you keep expanding and build your business in an organic and trustworthy way. If you want to enter the U.S. market you have to prepare to meet the needs of the market in terms of production and brand building.”

Sara Nory, Partner; Per Magnusson, President
Galore Groupe

SWEDISH COMPANIES SHOULD PREPARE WELL FOR CHALLENGES WHEN ENTERING THE U.S. MARKET

SOURCE: BUSINESS SWEDEN INTERVIEWS
INVEST TIME, ADJUST YOUR STRATEGY AND CHOOSE YOUR BUSINESS PARTNERS WITH CARE

SUCCESS FACTORS WHEN ENTERING THE MARKET

- Investing enough time and resources is crucial to become established in the U.S.
  - Invest to know the market and your strategy, to support your local partners and being present
  - Be prepared to start over in the U.S.
- You cannot translate your strategy from Sweden or sometimes even Europe to the U.S. market
  - You usually need to adjust product range, marketing and price as well as the channel strategy, logistical expectations, and review your local hire strategy
- The business culture in the U.S. is quite different from the Swedish one
  - Understand how payment terms differ, develop relationships in business, and follow the rules outlined in contracts and agreements
- Your U.S. business partners can make or break your success on the market
  - Make sure that you choose a partner familiar with the industry and provide continuous support
  - A regional sales strategy offers a more cost efficient and targeted approach to entry

CHANNEL SPECIFIC FACTORS

- Your U.S. business partner expects basic export and compliance to be ready before you start
- Trade shows may initially help you build your networks, but they may be costly
- Know how to effectively select and collaborate with partners in the U.S.
- Becoming a vendor to U.S. department stores is a demanding process and not for the beginner
THE APPROPRIATE TIME AND RESOURCES MUST BE INVESTED TO BUILD A BRAND IN THE U.S.

1. Invest time and resources
   - Support your local partners
   - Be present
   - Be prepared to “start over”

   "Our strategy was to sell small scale to build the brand—we decided to go to New York then LA. We focused on getting good press and then became recognized for having an interesting product."  
   CEO, Swedish Beauty Retail Company

2. Adjust to the U.S. market
   Our potential retailers took little notice of what we achieved with reputable European and Asian retailers and flagships, such as Selfridges in London. Effectively, one’s track-record is what you do and have done in America. Forget about your international footprint — you are your U.S. successes.
   Frans Sjö,  
   Country Manager, Daniel Wellington

   “In the beginning, building the brand requires a lot of money especially if you want to use a PR agency. It can be difficult for small companies, but once you get bigger accounts, maintaining the brand becomes easier.”  
   Marketing Manager, Swedish Fashion Company

3. Be prepared for business culture
   “We travel to stores [our clothes are in] and meet the associates so that they know who we are. You may think your brand is unique, but everyone thinks they’re unique too. You have to give [the stores] a reason [to sell your products] and them liking you is a pretty good reason.”  
   Erik Ulin  
   President, J. Lindeberg, Inc. USA

4. Choose business partners with care

REGARDLESS OF SUCCESSES ABROAD, SWEDISH BRANDS NEED TO REBUILD THEIR BRAND IN THE U.S.

SOURCE: BUSINESS SWEDEN INTERVIEWS
YOU MUST ADJUST YOUR STRATEGY WHEN ENTERING THE U.S. MARKET FROM SWEDEN

1 Invest time and resources

“You must adjust your strategy when entering the U.S. market from Sweden.”

2 Adjust to the U.S. market

- Adjust the product range
- Adjust to accommodate logistics
- Adjust to hire locally
- Adjust marketing and price

“We’re a global company so we also select a part of the assortment for each market—we don’t necessarily pick everything to send to each market.”

3 Be prepared for business culture

“Many of our retailers in Europe are also consolidators—the big difference with working with U.S. retailers is with transportation of our products to the U.S. since they don’t provide transportation like our European consolidators do.”

4 Choose business partners with care

“In the U.S., brands typically have smaller, more focused collections. We usually try a larger collection at the first trade show and adjust it to be smaller based on feedback at the show.”

IN ADDITION TO ASSORTMENT CHANGES, SWEDISH COMPANIES SHOULD RETHINK LOGISTICS STRATEGIES

“Adapting to a country where presentation, negotiation and verbal skills are nurtured from an early age has proved challenging[…]. We would have planned for using more local hires, or mixing to a greater extent in the hiring process immediately after our market entry.”

Frans Sjö
Country Manager, Daniel Wellington

“We’re a global company so we also select a part of the assortment for each market—we don’t necessarily pick everything to send to each market.”

Erik Ulin
President, J. Lindeberg, Inc. USA

“In the U.S., brands typically have smaller, more focused collections. We usually try a larger collection at the first trade show and adjust it to be smaller based on feedback at the show.”

Josephine Svedmark
Finance Manager, Odd Molly

Pär Berglund, Sales Manager, Skultuna Messingsbruk

SOURCE: BUSINESS SWEDEN INTERVIEWS
THE BUSINESS CULTURE IN THE U.S. IS QUITE DIFFERENT FROM THE SWEDISH ONE

1. Invest time and resources
2. Adjust to the U.S. market
3. Be prepared for business culture
4. Choose business partners with care

“The American, on average, is very social. You may leave a meeting and think it’s going to be the deal of the century, but that doesn’t mean that they like [the deal]. You have to develop a relationship—there’s a business portion but the relationship and figuring out what the motivations are is very important. Erik Ulin
President, J. Lindeberg, Inc. USA

“Externally we would have kept a more watchful eye on our retail partners; social capital and the payment terms we have in Sweden are very different from the U.S. Factoring is used to a higher degree and credit control—getting paid for your goods—is an important part of the sales process we take for granted in Sweden. This is linked with the ability of the satellite entity to endure periods of negative cash flow and take on losses.”
Frans Sjö, Country Manager, Daniel Wellington

• Follow business rules
• Payment processes differ from Sweden
• Approach deals carefully

“[Doing business in the U.S.] is not difficult, but you have to think differently and follow the rules. Sweden has a forgiving culture and does not separate between business a personal matters in the same way. In the U.S. business is business—if it’s past the deadline then you deal with the consequences. The culture is polite and welcoming, but you have to be willing to learn, be flexible, listen and follow the rules.”
Emy Blixt
Founder, Swedish Hasbeens

IF YOU ARE AWARE OF THE DIFFERENCES, YOU ARE ABLE TO PREPARE FOR THEM

SOURCE: BUSINESS SWEDEN INTERVIEWS
U.S. BUSINESS PARTNERS ARE CRUCIAL IN THE SUCCESS OF YOUR BUSINESS

1. Invest time and resources

“Finding the right business partner was difficult. We started with one agent that approached us but realized she wasn’t familiar with the business. We realized we needed a partner that really knows the business and switched to a distributor that can be at the right [trade] shows for us and is able to show our products consistently.”
Anonymous
Sales and Marketing, Swedish retail company

2. Adjust to the U.S. market

• Right network for you
• Right partner for right phase
• Support your partner

“Finding a distributor is a vetting process done by talking to references, other companies, and asking whether these are people you want to do business with.”
Erik Ulin
President, J. Lindeberg, Inc. USA

“First we went to one of the biggest trade shows in Las Vegas and met agents and large customers there. We also started a cooperation with a great agent based in LA as well as a PR agency that works with social media, magazines, celebrity gifting and a lot of bloggers.”
Emy Blixt,
Founder, Swedish Hasbeens

3. Be prepared for business culture

“A previous distribution agreement proved a double-edged sword. It established us in the market place – during a 2 year period over 100 active retail accounts were added to our roster. However, it also exposed our brands to the whims of someone without the company’s best and long-term interests at hand.”
Frans Sjö
Country Manager, Daniel Wellington

4. Choose business partners with care

CHOOSE YOUR BUSINESS PARTNERS WITH CARE AND INVEST TIME IN THE RELATIONSHIP

SOURCE: BUSINESS SWEDEN INTERVIEWS
A REGIONAL SALES STRATEGY OFFERS A MORE COST EFFICIENT AND TARGETED APPROACH TO ENTRY

CONSIDERATIONS IN DEFINING SALES STRATEGIES

Geographical Research
- Define how you will reach your target audience, and who and where your existing customers are to determine the geographic focus

Financial Resources
- National strategies are typically more costly than regional strategies with promotional activities that reach a larger area and higher staff expenses

Market Segmentation
- The U.S. is highly diverse with areas of the country even utilizing bilingual marketing—a regional focus allows a more precise approach

Sales Territory Alignment
- Align salespeople with appropriate geographic reaches—a salesperson with too large of a focus is unable to reach all valuable customers

PRECISION IN ENTERING THE MARKET
- When defining a sales strategy, keep in mind that New York City, Los Angeles, and Chicago each have larger economies than the entire country of Sweden, requiring the attention of a qualified and experienced salesperson in that region

“"We have done a couple of popup shops in order to test and understand the market without the long-term commitment”
Josephine Svedmark
Finance Manager, Odd Molly

“"One misconception is that the U.S. is a very homogenous market or similar to your home country, but you have to realize that the U.S. is a compilation of countries and cultures. It’s a market that needs precision”
Erik Ulin
President, J. Lindeberg, Inc. USA

TOO LARGE OF A SALES AREA MAY CAUSE REGIONALLY MISSED SALES OPPORTUNITIES

SOURCES: NORTHWESTERN UNIVERSITY, THE HOUSTON CHRONICAL
GENERAL RETAIL SALES AND DISTRIBUTION CHANNELS INVOLVE MANY INTERMEDIARIES AND SUPPLIERS

U.S. SALES AND DISTRIBUTION CHANNELS

Swedish AB (Swedish retail company) → Trade shows → U.S. representation:
- Sales representatives
- Sales agency
- Brand management
- PR agent(s)
- U.S. Subsidiary

Points of sale:
- Physical Resellers
- Online Sales
- Own store(s)
- Retail Chains

End consumer:
- Consumers

SALES AND DISTRIBUTION RARELY TAKE THE SAME PATH UNLESS THROUGH A U.S. SUBSIDIARY
BASIC EXPORT AND COMPLIANCE ISSUES NEEDS TO BE MANAGED BEFORE SELLING ANYTHING IN THE U.S.

1. Terms and conditions should be adapted to U.S. standards and delivery, risk and payment terms agreed upon
2. Product might need modification according to local regulations, such as labeling or safety measures
3. Exports must be reported to Swedish customs. Apply for EORI-number from them and know your HTS codes
4. Consider who pays for transportation and when risks transfer. Use trade terms according to Incoterms 2010. Insurance for freight should be considered
5. Use of registered customs broker is required for apparel imports. U.S. HTS codes vary slightly from Swedish codes
6. Payment can occur at different times but consider securing payment before shipping, especially for large orders

BE SURE TO PREPARE THIS IN TIME – YOUR U.S. BUSINESS PARTNERS EXPECT IT TO BE READY
PRODUCT MODIFICATIONS, SUCH AS LABELING AND SAFETY MEASURES, NEED TO BE DONE EARLY

RELEVANT AGENCIES THAT MAY NEED REGISTRATION OR SET REQUIREMENTS INCLUDE FCC, FDA, FTC, TTB

<table>
<thead>
<tr>
<th>Agency</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDA</td>
<td>Ensure that the food facility is registered with the FDA, prior notice of shipments is filed, and labels are done correctly</td>
</tr>
<tr>
<td>FDA</td>
<td>Food facility registration and prior notice are also required for alcoholic beverage import. All labels must be approved by the TTB. Laws in the U.S. require manufacturers to use importers and distributors</td>
</tr>
<tr>
<td>FTC</td>
<td>Many products, like shampoo/wax, will be considered cosmetics, meaning ingredients and labeling must adhere to guidelines. If making any medical claim, it will be a drug and must register with the FDA</td>
</tr>
<tr>
<td>FTC</td>
<td>Home textiles have the same requirements as clothing. Lighting must comply with energy standards and specific labeling. Glassware must show country of origin. Furniture must be fire resistant to some degree</td>
</tr>
<tr>
<td>FTC</td>
<td>The FTC requires clothing and textile labels identify the manufacturer, fiber name, country, and care instructions typically in a prominently displayed permanent label</td>
</tr>
<tr>
<td>FCC</td>
<td>Many electronics emit radio frequencies that need to undergo an equipment authorization procedure by the FCC and comply with radio pollution limits</td>
</tr>
</tbody>
</table>

BUSINESS SWEDEN CAN SUPPORT YOU IN FINDING THE RELEVANT REQUIREMENTS FOR YOU

SOURCE: FEDERAL COMMUNICATIONS COMMISSION (FCC), FOOD AND DRUG ADMINISTRATION (FDA), FEDERAL TRADE COMMISSION (FTC), ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB), BUSINESS SWEDEN ANALYSIS
THERE ARE SEVERAL POPULAR TRADE SHOWS IN THE U.S. WHERE YOU CAN BUILD YOUR OWN NETWORK (1:2)

MAGIC, NGA SHOW, CES, AND HIGH POINT MARKET ARE ALL MAJOR RETAIL EVENTS

<table>
<thead>
<tr>
<th>Industry</th>
<th>Show*</th>
<th>Where and When?</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel</td>
<td>Magic</td>
<td>Las Vegas: February and August</td>
<td>Where the apparel industry “trades information, previews trends, builds business and shops fashion”</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>CES</td>
<td>Las Vegas: January</td>
<td>The International CES is the world’s gathering place for all who thrive on the business of consumer technologies</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>NGA Show</td>
<td>Las Vegas: February</td>
<td>Independent retailers, wholesalers, manufacturers, and service providers gather for retail food’s major event</td>
</tr>
<tr>
<td>Furniture</td>
<td>High Point Market</td>
<td>High Point, North Carolina, April and October</td>
<td>The High Point Market is the largest furnishings industry trade show in the world, bringing more than 75,000 people to High Point every six months.</td>
</tr>
</tbody>
</table>

“The shows can be expensive if you’re not in the U.S. and are traveling here for them—[retailers] want to see that brands will be at these shows one year and again the next.”
Anonymous Sales and Marketing, Swedish Retail Company

Keep in mind:
- Trade shows can be costly and require consistent visits each year to be active in the market
- You should select trade shows based on the industry as well as the show size and audience

REMEMBER TRADE SHOWS CAN BE COSTLY, ESPECIALLY SINCE MULTIPLE VISITS MAY BE NECESSARY

SOURCE: EVENT WEB SITES, BIZTRADESHOWS.COM BUSINESS SWEDEN INTERVIEWS
*THIS IS NOT AN EXHAUSTIVE LIST OF U.S. TRADE SHOWS
UTILIZE TRADE SHOWS AS A PLATFORM TO GET DIRECT FEEDBACK ON YOUR PRODUCTS IN THE MARKET (2:2)

THE INTERNATIONAL HOME AND HOUSEWARES SHOW IS ONE OF THE LARGEST IN THE WORLD

<table>
<thead>
<tr>
<th>Industry</th>
<th>Show</th>
<th>Where and When?</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Retail</td>
<td>Retail’s Big Show</td>
<td>New York: January</td>
<td>The flagship event of the National Retail Federation brings together companies from all sub-industries</td>
</tr>
<tr>
<td>Health &amp; Beauty</td>
<td>Cosmoprof</td>
<td>Las Vegas: July</td>
<td>An exclusive business-to-business beauty trade show</td>
</tr>
<tr>
<td>Home &amp; Housewares</td>
<td>IHHS</td>
<td>Chicago: March</td>
<td>The International Home + Housewares Show displays consumer lifestyle and product trends for home interiors and exteriors</td>
</tr>
<tr>
<td>Home Design</td>
<td>ICFF</td>
<td>New York: May</td>
<td>ICFF features contemporary furniture, seating, carpet and flooring, lighting, outdoor furniture, materials, wall coverings, accessories, textiles, and kitchen and bath</td>
</tr>
</tbody>
</table>

“We have done four or five trade shows in the U.S. Our strategy has been to participate in the large trade shows in order to find retailers. After being active in these shows, many of our customers approached us wanting to sell our products.”

Pär Berglund, Sales Manager, Skultuna Messingsbruk

Keep in mind:

- Review attendee lists of buyers and brands to understand if the show is a good fit for your brand
- Use shows to get direct feedback on your products from buyers; connect with distributors

SWEDISH RETAIL COMPANIES USE TRADE SHOWS FOR DIRECT ACCESS TO MAJOR RETAILERS

SOURCE: EVENT WEB SITES, BIZTRADESHOWS.COM BUSINESS SWEDEN INTERVIEWS
KNOW HOW TO EFFECTIVELY SELECT AND COLLABORATE WITH PARTNERS IN THE U.S.

CONSIDERATIONS IN WORKING WITH U.S. PARTNERS

**KNOW WHAT YOU WANT**
- Ambition on market, brand positioning, price level, support needed, regional focus

**FIND THE RIGHT PARTNERS**
- Right network, belief in your brand, and similar brands in portfolio without extensive crossover

**ESTABLISH PARTNERSHIPS**
- More than one U.S. partner is needed to handle the various business aspects—provide direction, agree terms and agree on level of control with each partner

**GIVE SUPPORT**
- Continuously provide sales pitches, marketing material, training, inventory forecasts. Visit headquarters to develop ongoing relationships

**HAVE A REFERENCE CASE**
- Measure your growth and success within the U.S. to be able to quantify successful reference cases and use them to get into larger accounts

SIZE OF PARTNER COMPANIES AND SALES TOOLS
- Consider the size of the partner company that you choose to work with
- **Smaller partners** may be able to dedicate more time to the brand, allow for more flexibility in partnering and have more favorable margins
- **Larger partners** may have more experience but may require time ensuring that the brand is not “lost” in the portfolio. These partners often times have less favorable margins and have little flexibility
- In either case, be sure to provide proper sales tools to ensure your brands success

“[To build a successful brand,] sales tools are the most important factor for agencies along with a constant collection. The communication between the brand and agent also has to be very clear and open at all times—communication is the key to success. The brand should also have an honest and fair plan that’s reasonable for the U.S. market.

Sara Nory, Partner; Per Magnusson, President Galore Groupe

WHEN WORKING WITH U.S. PARTNERS, BE SURE TO PROVIDE REFERENCE CASES AND SALES TOOLS

SOURCE: BUSINESS SWEDEN INTERVIEWS
PR FIRMS CAN BE USEFUL IN ESTABLISHING A VISIBLE PRESENCE ON THE U.S. MARKET

HOW TO WORK WITH PR AGENCIES IN THE U.S.

1. Strategize
   Define your goals, how the brand should be positioned, your target audience, and opportunities you would be open to participating in.

2. Partner
   Provide marketing material, case studies, and accomplishments to “sell the brand” and that can be used by the agency in social media outreach.

3. Be Active
   Actively manage the PR to realize its full potential. Hiring a PR team can be similar to an extension of your own team and will require ongoing support.

DECIDING ON THE RIGHT PR FIRM FOR YOUR BRAND

- PR firms work to increase your presence in the U.S. market, but it is important to know that these companies can be expensive, require time, attention, and efficient partnerships.
- Carefully select a PR firm to work with and list several options before gauging their interest.
- Decide on factors such as firm size, your budget, and meetings with the PR team within the firm that will represent your brand.

“Unless you have somebody inside your company that knows how to work with a PR company, it’s money wasted. You need to understand how to partner with them to get the most out of it.”
Erik Ulin
President, J. Lindeberg, Inc. USA

PR FIRMS REQUIRE ACTIVE MANAGEMENT AND RESOURCES TO REALIZE THEIR FULL POTENTIAL

SOURCE: BUSINESS SWEDEN INTERVIEWS, MELTWATER
BECOMING A VENDOR TO U.S. DEPARTMENT STORES IS A DEMANDING PROCESS AND NOT FOR THE BEGINNER

SEVERAL STEPS ARE REQUIRED FOR DEPT. STORES

1. Develop marketing and branding
   - Construct a differentiated value offering according to the store’s customer base, travel and train stores

2. Ensure processes run perfectly
   - All process such as manufacturing and logistics must run perfectly. Dedicate a team to fulfilling logistic needs

3. Approach appropriate department stores
   - By being established on the market you are likely already in their spotlight, facilitating entry

4. Fulfill vendor compliance guidelines
   - Vendor compliance guidelines vary, but tend to be very long and detailed, addressing areas from payment to shipping

DEPT. STORES MAY NOT OFFER A “GOOD DEAL”

“It is suggested to have loyal customers and established brand value locally before entering retail chains or department stores

Challenges selling to department stores include agreeing on a favorable prices, shipping on time, and receiving prompt invoice payments

Logistic requirements are high and experienced staff should handle large scale logistic requirements for the U.S.

It is suggested to have loyal customers and established brand value locally before entering retail chains or department stores

Josephine Svedmark
Finance Manager, Odd Molly

SELLING TO DEPT. STORES CAN BE COSTLY AND TIME-CONSUMING, AND IS NOT ALWAYS A "GOOD DEAL"
AGENDA

- Executive summary and introduction
- The U.S. retail industry
- Entering the U.S. retail industry
- Business Sweden
- Appendix
BUSINESS SWEDEN MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

BUSINESS SWEDEN INTERNATIONALISATION SERVICES

**EVALUATE OPPORTUNITIES**

- Examine opportunities and choose market
  - Export Information
  - Steps to Export
  - Trade Facilitation
  - Market Selection Analysis

**CHOOSE STRATEGY**

- Understand market and define entry strategy
  - Market Analysis
  - Visiting Program
  - Market Entry Strategy
  - Partner Search
  - Bus. Opportunity Project

**ESTABLISH PRESENCE**

- Establish presence in foreign markets
  - Incorporation
  - Business Support Office
  - Acquisition Support
  - Recruitment Services
  - Sourcing Services

**GROW BUSINESS**

- Develop and grow your international business
  - Sales and Marketing Support
  - Operational Support
  - Business Development
  - BSO Connect

**PROMOTIONAL ACTIVITIES**

Swedish companies can use the official brand of Sweden to open doors and acquire new contacts. Business Sweden arranges seminars, site visits, trade fairs, delegations, conferences and many other activities to strengthen brands and to increase the visibility for Swedish companies.
AGENDA

- Executive summary and introduction
- The U.S. retail industry
- Entering the U.S. retail industry
- Business Sweden

- Appendix
AMERICAN RETAIL PLAYERS AND SWEDISH COMPANIES HAVE BEEN INTERVIEWED

<table>
<thead>
<tr>
<th>Company</th>
<th>Contact</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Wellington</td>
<td>Frans Sjö</td>
<td>Country Manager</td>
</tr>
<tr>
<td>Eton</td>
<td>Sanna Svensson</td>
<td>CFO</td>
</tr>
<tr>
<td>Galore Groupe</td>
<td>Sara Nory</td>
<td>Partner</td>
</tr>
<tr>
<td>Galore Groupe</td>
<td>Per Magnusson</td>
<td>Founder, Partner</td>
</tr>
<tr>
<td>J. Lindeberg</td>
<td>Erik Ulin</td>
<td>President, USA</td>
</tr>
<tr>
<td>Odd Molly</td>
<td>Josephine Svedmark</td>
<td>Finance Manager</td>
</tr>
<tr>
<td>Skultuna Messingsbruk</td>
<td>Pär Berglund</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>Swedish Hasbeens</td>
<td>Emy Blixt</td>
<td>Founder, CEO</td>
</tr>
<tr>
<td>Swedish retail company</td>
<td>Anonymous</td>
<td>Sales and Marketing</td>
</tr>
<tr>
<td>Swedish beauty retail company</td>
<td>Anonymous</td>
<td>CEO</td>
</tr>
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