



FASHION RETAILING IN THE UNITED KINGDOM

HOW TO SUCCEED AS A SWEDISH FASHION BRAND IN THE UK

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- ▶ Business Sweden's report "Fashion retailing in the United Kingdom" aims to help Swedish fashion companies to better understand opportunities in the UK and to inspire you to initiate or continue your international expansion efforts.
- ▶ The report covers key characteristics and trends of the fashion retail market and how to capitalise on them, rather than being a comprehensive or complete summary of the potential of the UK retail market. The report sets clear recommendations for Swedish brands to become well established and grow on the UK market.

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FASHION RETAILING IN THE UK

The UK fashion retail market provides access to an enormous domestic and international customer base, with a large interest in foreign fashion brands. Swedish companies have succeeded well on the UK market where the interest for Swedish brands has grown. The UK fashion retail market is, however, highly competitive and it is important to be well prepared in order to capitalise on the high potential. It is also important to be prepared for the changes on the market that Brexit might bring in the near future.

THERE IS LARGE POTENTIAL FOR SWEDISH FASHION BRANDS IN THE UK

The UK fashion retail market is growing but faces challenges

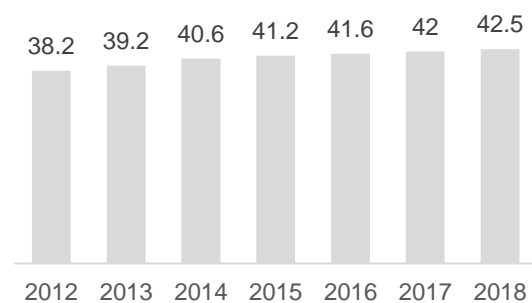
Over the past years, retailing in general and clothing retailing in particular have grown in the UK. Clothing retailing makes up for an eighth of total retail sales, contributing 2% to the total GDP of the UK.

Trends such as increased e-commerce, a growing population, the athleisure trend and an ever-increasing demand from consumers have driven the fashion retail sector forward. Mobile commerce, shoppable social media and peer-to-peer recommendations are strong drivers on the UK retail market.

Although the revenue has been growing slightly year on year, performance has been constrained by uncertain economic conditions. Discretionary spending is expected to slow in the wake of the EU referendum, falling consumer confidence and weak growth in real household disposable income are having negative impacts on the retail sector.

Figure 1:

CLOTHING REVENUE UK, 2012-2018, GBP BILLION



Source: IBISWorld

Brexit has put retailers under pressure, with the weakening pound driving up import costs. However, this has also attracted tourism where the luxury market has benefited from bargain seeking international shoppers. UK consumers are increasingly price sensitive though and price competition is likely to intensify, with discounters, variety stores and fast fashion players expected to continue to perform well.

London remains one of the fashion capitals of the world

London has the highest concentration of retail in Europe and is the biggest importer of international brands. As a brand, it can be seen as a quality stamp to be present in the fashion capital of the world.

With London as one of the world's fashion capitals, the UK clothing retail sector contributes considerably to the UK economy.

Rental rates for retail space in London are the highest in Europe. Having your own store in the UK can be challenging due to high costs, high business rates and high turnover of staff, even though personnel is less costly than in Sweden.

Taxes, rental rates and personnel costs can all be affected in different ways by Brexit. It is important to monitor these factors and also advisable to plan ahead for possible scenarios that might occur when the UK leaves the European Union.

Figure 2:

HIGHEST CONCENTRATION OF RETAIL SPENDING IN THE UK



Source: Business Sweden, IBISWorld, Retail Week

“WE ARE BASED IN LONDON BECAUSE SO ARE THE INTERNATIONAL FASHION RETAIL BUYERS; IT IS A HUB FOR GLOBAL BRANDS.”

James Woodford, Nudie

Regardless of what happens as a result of Brexit, London remains a strategically important city for fashion brands. Fashion and trade shows take place biannually and are an important opportunity to meet buyers and communicate your brand. It is important to be local on the market where you want to succeed.

Besides London, there are four other strong retail cities in the UK; Glasgow, Birmingham, Manchester and Liverpool.

Growth drivers in London:

- ▶ Crossrail, a new railway, to be completed in Autumn 2019
- ▶ King's Cross and Battersea are new emerging areas
- ▶ Covent Garden is being transformed into a retail environment for tourists and Londoners alike
- ▶ London West End continues to be the retail centre with highest retail spend

Larger department stores dominate the UK clothing retail market

Established department stores dominate the market and the three largest players account for over 50% of the entire department store market. However, there are an increasing number of independent retailers and concept stores popping up that offer clothing brands an alternative approach to various customer segments.

The online sales for department stores has grown 88.3% over the past five years as the major players have invested heavily in improving their online platforms and fulfilment options, as footfall in stores has weakened.

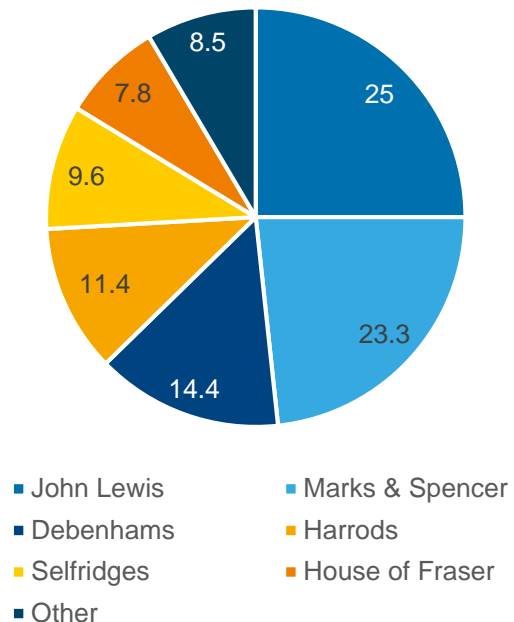
One strategy to establish and grow on the UK market is to collaborate with a retailer, either a larger one or an independent. The big retailers are known to have marketing and PR in-house. Create close relationships with local retailers to make use of their established marketing channels as well as to be present on the decisive high street. Larger department stores and retailers in particular can offer support for social media and PR. Additionally, as procurement requirements, delivery and product returns can pose a risk to the business, working with a retailer can help you mitigate these risks.

“THE HIGH STREET, WITH ITS GLOBAL BRANDS AND DEPARTMENT STORES, SETS THE TRENDS AND IS THUS DECISIVE FOR WHAT PEOPLE BUY.”

James Woodford, Nudie

Figure 3:

DEPARTMENT STORE MARKET SHARES 2017, % (TOTAL MARKET GBP 19.5 BILLION)



Source: Global Data

Department stores can also be difficult to work with due to their criteria and demands. For example, there is high competitiveness amongst brands, so you have to guarantee maximum revenue per square meter to avoid losing presence. Department stores often do not cover rest stock and can require you to have your own personnel on the shop floor.

It is important to choose carefully which retailers you collaborate with in order to attract the right customer group, associate the right image with your brand and get maximum value for your investments. Collaborating with retailers that do not have the right image can damage your brand.

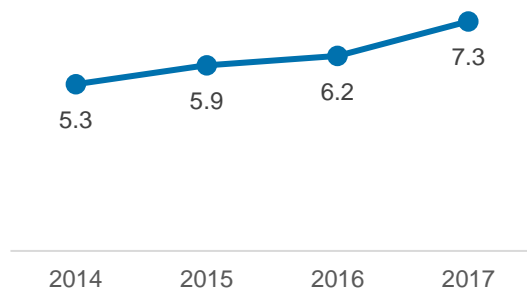
The UK leads global fashion retail trends

Trends within clothing retailing are often set in fashion centres such as London. One of the main trends and growth drivers of the sector is the omni-channel revolution.

In the UK, 17.2% of clothing retailing is done online and the channel is growing rapidly. Together with Germany, the UK is the largest market for online sales of apparel and footwear in Europe. Online purchases are made both from domestic and international websites, where the consumers in the UK buy internationally to find unique offerings. The UK also ships numerous products overseas to international consumers.

Figure 4:

UK ONLINE CLOTHING RETAILING VALUE, GBP BILLION



Source: Office of National Statistics

Large pure player such as Asos and Boohoo.com dominate the online category. They have sped up the design-to-sale process, turning fast fashion into 'ultra-fast fashion' where they produce merchandise in two to four weeks. Pure players are growing through new shopper acquisition and increases in both purchase frequency and average basket size. Pure-play apparel retailers are expected to continue to gain sales in the UK market at the expense of discounters, department stores and specialty apparel retailers.

The use of mobile devices when shopping is strongly growing. 55% of purchases are currently made via mobile devices. Some of the latest trends spotted on the UK retail market driven by this factor are:

- ▶ Social commerce – marketing and sales via social media as an affordable and popular channel
- ▶ Instant shopping – the opportunity to buy online directly from the catwalk
- ▶ Commuter commerce – shopping on a smart device on the way to and from work, made possible by free Wi-Fi on many underground lines
- ▶ Conversational commerce – interaction between businesses and the customers through messaging and chat apps like Facebook Messenger or voice technology like Amazon Echo
- ▶ Geolocation – retailers using geolocation and geofencing to attract and retain customers and also for marketing and analytics

“SOCIAL MEDIA IS THE MOST IMPORTANT PLATFORM – IT IS ESSENTIAL TO HAVE A PRESENCE ON INSTAGRAM.”

Jane Wilston, Chiltern Street Studios

Even though the omni-channel revolution entails online strategies to a large extent, it is called omni for a reason – online revenues are as of yet not enough. Traditional high streets, department and retail stores remain the dominant source of income and face-to-face selling still adds value.

Not only are physical stores investing online, but pure online players are also creating physical spaces to get closer to the consumers, e.g. pop-up stores and pick-up points.

Fast fashion continues to be important. Retailers want new stock more often and brands handle this by including pre-collections and creating more timeless pieces to lever the speed of seasonal collections and appeal to a global market.

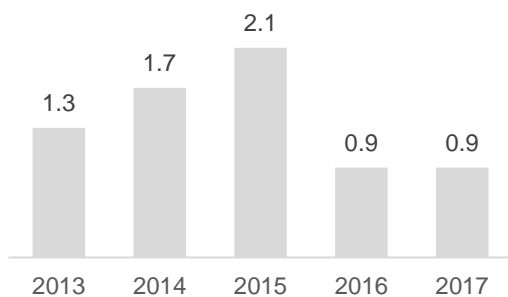
Swedish fashion brands are successful in the UK

With the UK being Sweden's sixth largest export market, several Swedish brands are successful on the British market.

Clothing exports from Sweden to the UK have increased 3% per year in recent years. However, in 2016 a large dip was seen and 2017 has remained in line with 2016. The reason for the decline can be explained by the fall in the Sterling Pound as a result of Brexit, as well as a re-routing of clothes by a larger Swedish fashion company that no longer supplies products from Sweden to the UK, and are therefore not included in export statistics.

Figure 6:

SWEDISH CLOTHING EXPORTS TO THE UK, 2012-2017, SEK BILLION



Source: National Board of Trade Sweden

Swedish products are however still demanded on the UK market and new Swedish fashion brands enter the market continuously. The UK has been hit by a phenomenon called "Scandimania", where the British consumer absorbs everything Swedish and Scandinavian.

In line with the overall 'Scandimania' trend, many retailers and agents have seen a growing interest for Swedish design and brands, often with modern, minimalistic, functional quality and design fashion.

Being present in London equals a quality sign, facilitating increased internationalisation. Several Swedish brands have started their export journey in the UK, and some brands have opened their first stores globally in London.

Having a strong and trustworthy brand is important in order to maintain attractiveness to consumers and retailers on the UK market in times where uncertainties are threatening. Both retailers and consumers have become more cautious about what they spend their money on and tend to be more risk averse. However, in a large market such as the UK retail market, there will always be room for companies that do something well and offer something new.

Business Sweden recommends that companies offering their products on the UK market, or evaluating potential for starting exports to the UK, should carefully consider the possible outcomes Brexit might bring and plan ahead in order to stay competitive.

“BEING A BRAND FROM SWEDEN CAN OPEN DOORS, BUT IT ISN'T ENOUGH TO BUILD A BRAND.”

Mats Klingberg, Trunk

CAPITALISE ON THE LARGE POTENTIAL

Know your value on the market

In a highly competitive fashion retail market such as the UK, it is vital to know what makes your brand unique and have clear brand values to communicate.

Evaluate the competitive situation towards your specific target group and identify what values you should communicate to differentiate your brand. Create a clear message adapted to the market and stick with it. It is important to market clear values of your brand and establish brand awareness locally.

You need to allow adequate time for ROI. It can take several years for a unique selling point to translate into the market, and price is still a major consideration for consumers.

Market your brand to reach consumers on the UK market

In a saturated but high-potential clothing market such as the UK, marketing can be a make-or-break deal.

Social media plays an extremely important role in communication, building brand awareness and as a point of sale. However, you need to provide good content on social media to be relevant.

“HIGH-PROFILE BUYERS MONITOR SOCIAL MEDIA ON A DAILY BASIS TO DISCOVER NEW BRANDS.”

Damien Winpenny, Brand Progression

You need to engage in social media and get influencers involved in your brand, even though reaching that point takes time. It is also good to promote the retailers where your brand is offered so as to deepen the collaboration.

The most important social media channel in the UK is Instagram. Pinterest and Twitter are also used frequently.

Buyers will review a brand's social media presence before taking them on. They look for an interesting story and brand awareness, often based on number of followers.

Even though social media is increasingly important, magazines are still a source of inspiration for both buyers and end consumers. Other sources for buyers to find new brands are through international stores, current customers, people on the street, newsletters, direct contact and trade shows.

You need to be local on the market where you want to establish; thus, a presence at fashion and trade shows can be important. Contacting buyers through phone and email without having met is more time consuming and less likely to succeed.

Even though the networking value is high, always keep in mind the objective of your presence at a show, as well as the aim of that show, to decide whether the costs are really worth it. Sometimes being present to network and set up meetings after the show can be equally good as exhibiting. In general, London shows are known to be more press and marketing oriented than an occasion to place orders, unlike for example shows in Paris.

“MAKE SURE IT IS THE RIGHT FAIR FOR YOUR BRAND. PLAN TO EXHIBIT AT LEAST 2 TO 3 CONSECUTIVE SEASONS AND ALWAYS VISIT THE FAIR BEFORE EXHIBITING.”

Alison Lewy, Fashion Angel

Be serious to appeal to retailers' search

As large retailers and department stores dominate the clothing retail market, many brands seek to be represented by such actors. When reaching out to them, some factors the buyers particularly assess that are important to keep in mind are:

- ▶ Buyers' decisions depend a lot on how much potential your brand shows
- ▶ Taking on a new brand is very much based on margin and brand awareness
- ▶ The brand is expected to have a long-term plan with continuous new releases
- ▶ Functioning infrastructure and logistics need to be in place, guaranteeing delivery on time, proper invoicing, etc.
- ▶ Buyers do not want to take financial risk, and it is often required that the brand holds the risk and costs for remaining stock
- ▶ Larger department stores often demand sales personnel from your brand to be on the shop floor
- ▶ Larger department stores expect a financial contribution for marketing
- ▶ It can be required that the brand is represented by an agent to be considered by the large players

Make use of agents' networks to succeed

When starting out as a new brand on the UK market, it is not always easiest or fastest to work directly with a retailer. Instead, some Swedish companies, now successfully established in the UK, initially worked with an agent.

“AGENTS ARE GOOD WHEN YOU LACK BRAND AWARENESS. FIND AN AGENT WITH GOOD RELATIONSHIPS.”

Mads Pedersen, Tiger of Sweden

There are several benefits to choosing this distribution channel:

- ▶ Agents can be more efficient in targeting department stores or other large players
- ▶ Agents can help you create brand awareness as they often have a network at their disposal
- ▶ Some agents also do marketing and PR
- ▶ Collaboration with an agent is less costly in short-term than hiring own sales personnel

Whether targeting retailers directly or working with an agent, it is important to set clear role division and expectations in order to make the most out of your collaboration.

Make sure you choose an agent that has the right position and aesthetics for your brand. When contacting an agent, the agent will want all necessary information directly: images of collections, look books, prices, line sheets and a coherent website.

Whichever distribution channel you do use, allow plenty of time and effort to get established on the UK market. It is common that it takes at least 3 years to be considered established, and more than 5 years to be profitable.

Tap into the potential of the omni-channel revolution

Integrating multiple points-of-sale in an omni-channel strategy is crucial to champion the British market. Local partners can be helpful with in-house expertise and networks.

A key consideration is price alignment, since omni-channel makes shopping completely transparent for consumers.

It is also crucial to what extent your brand is mobile, fast and easy to use. Consumers have little patience and are easily distracted, which makes it necessary to build seamless integration of digital solutions and in-store experiences. Adapt your own webshop to appeal to the UK consumers. Common demands by British consumers shopping online are free and preferably fast deliveries.

Set your strategy for success

While the opportunities and large potential of the UK clothing retail market are evident, the market does not come without its challenges. Price competition remains strong and Brexit has already shown its marks, with declining consumer confidence and a slowdown in retail growth.

To enter and grow successfully on the UK market you need to lay out a carefully considered strategy. The necessary steps to take are:

- ▶ Create a long-term vision including appropriate resource allocation
- ▶ Define your brand on the local market
- ▶ Create brand awareness by clearly communicating strong values, engaging in social media and creating a buzz around your brand
- ▶ Choose your distribution channel carefully, making sure your brand is offered at the right locations, and not at the wrong ones
- ▶ Create a marketing plan adapted to the distribution channel (e.g. are you working with a retailer with in-house competence or do you need to be active with local marketing?)
- ▶ When handling the marketing on your own, you need a strong marketing and social media team, a sales platform and most importantly a plan
- ▶ Take advantage of the omni-channel opportunity by being fully aware of its dynamics and implications
- ▶ Prepare for potential Brexit scenarios that might affect your entrance on the UK market

Avoid common mistakes

The UK is a very attractive market for international fashion brands and the challenges with entering a new and highly competitive market are often underestimated. Common mistakes to avoid are:

- ▶ Not doing enough market research before entering the market
- ▶ Not understanding who your customers are on the market
- ▶ Not understanding your costs when entering the market
- ▶ Not having the right price/quality ratio
- ▶ Not offering appropriate margins
- ▶ Not doing a proper financial forecast
- ▶ Underestimating the time it will take to be established and make a profit
- ▶ Not delivering on time – you only get one chance
- ▶ Encountering problems dealing with wholesale orders and order books

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