



THE SWEDISH TEXTILE INDUSTRY

Statistics and Analysis 2015

TEKO | SVERIGES TEXTIL-
& MODEFÖRETAG

**MARKNADS
AKADEMIEN**

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Förord

Den svenska textilindustrin bygger på en erfaren skara företag som klarat sig igenom stora strukturella förändringar under det senaste seklet. Det är beundransvärt hur de företag som är verksamma inom den svenska textilindustrin kunnat bibehålla och fortsätta att utveckla ett framgångsrikt företagande och en lönsam verksamhet under så pass lång tid. Om man föreställer sig utmaningarna på vägen: att uppbringa tillräcklig kreativitet att anpassa erbjudandet och sina produkter till kundernas skiftande preferenser årtionde efter årtionde, att inte bara vara lyhörd för kundernas och konsumenternas omslag utan också hantera utmaningar så som brist på, eller dramatiska prishöjningar, av råmaterial. Lägg därtill blockader, strejker, kvoter och andra handelshinder, krig och alla de försvärande omständigheter som det innebär eller den ökade konkurrensen ifrån låglöneländer. Det finns många aspekter de flesta inte tänker på när de ser ett färdigt plagg på en galge i butik eller en textil komponent i en produkt. Den svenska mode och textilindustrin har även klarat av globaliseringens effekter på ett mycket bra sätt, genom att lämna de enklare segmenten till förmån för att växa inom de kunskapsintensiva områdena. Kort sagt har man gått från att vara en arbetsintensiv bransch till att bli en kunskapsintensiv där svenska varumärken har visat sig vara mycket framstående inom design, produktutveckling och varumärkesbyggnad.

I denna rapport "The Swedish textile industry" som TEKO tillsammans med Marknadsakademien har tagit fram framgår det att de svenska tekoföretagen trots många och stora utmaningar bakom sig ser ljus på framtiden och att det finns stora möjligheter i textilbranschen. En utmaning som idag blir allt mer aktuell är den miljöpåverkan som är en följd av företagets vardagliga verksamhet. Hållbarhet har i intervjuerna med företagen nämnts som ett område där branschen idag särskilt utvecklas och där man arbetar för att finna nya moderna och miljövänliga lösningar. Många av företagen tror på ett intensifierat framtida hållbarhetsarbete och lyfter gärna fram just sitt miljöarbete som ett område man ser som en av sina största styrkor.

Som branschorganisation vill vi vara med och bidra till att identifiera och fånga upp vägar där företagen fortfarande kan vara lönsamma och samtidigt vara en pusselbit i ett globalt hållbarhetstänk. Svenska företag och svensk forskning hävdar sig bra då det gäller att vara del i globala miljöförbättringar, men det är också ett område som kan utvecklas ytterligare. TEKO, Sveriges Textil- och Modeföretag, verkar för högsta möjliga hållbarhetsprofil i tillverkningsprocesserna och framåt gäller det för oss att vara ett stöd i detta arbete och bedriva ett påverkansarbete för att förbättra möjligheterna för en mer resurs- och miljöanpassad produktion. Vi hoppas även att denna rapport kan påverka den omvärld och de offentliga aktörer som spelar en roll i tekoföretagens fortsatta miljöarbete att verka för en fortsatt positiv utveckling inom området. Slutligen vill vi rikta ett varmt tack till alla som bidragit i arbetet att framställa denna rapport.

Sammanfattning

Denna rapport är ett resultat av ett samarbete mellan TEKO, Sveriges Textil- och Modeföretag och Studentföreningen Marknadsakademien. Initiativtagare till rapporten är TEKO och studenter från Marknadsakademien har genomfört undersökningen och författat rapporten.

Rapporten presenterar en sammanfattning av:

- Textilindustrins värdekedja och sammanfattning av industrins olika delar.
- Industrins totala omsättning för åren 2010–2013 och omsättningen uppdelad i inhemsk marknad och exportmarknad.
- Lönsamhetsanalys.
- Uppdelning av textilindustrin utifrån företagens storlek.
- Anställda och sysselsättning.
- Resultat från telefonintervjuer gjorda med ett urval av TEKO:s medlemsföretag, som tar upp företagets syn på export, utmaningar och möjligheter i branschen, samt synen på innovation och framtid.

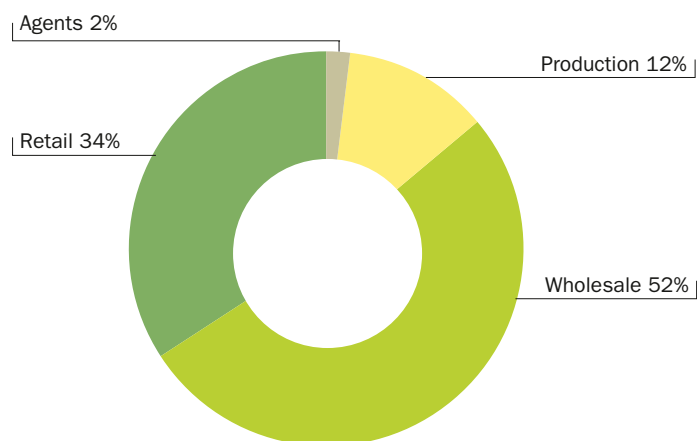
Omsättning

Den totala omsättningen för 2013 var cirka 121 miljarder kronor. Av detta bestod 21 procent, cirka 24 miljarder av export och 79 procent, cirka 97 miljarder omsattes på den inhemska marknaden. Exporten har sakta ökat de senaste åren, medan den inhemska marknaden minskat. Om man exkluderar kläder och mode från datan kan man se att exporten avtar något. Det är med andra ord kläder och mode som är anledningen till att den totala exporten ökar.

Den största delen av omsättningen omsätts av butikshandel och grosshandel.

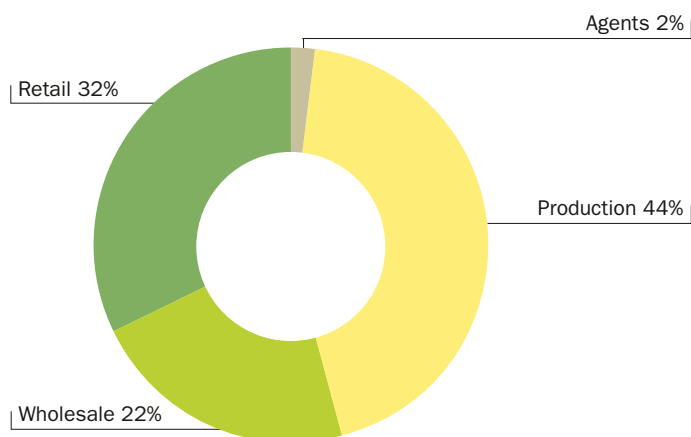
Figur 1 visar omsättningens uppdelning i sektorer i procent.

Figur 1.
Textilindustrins omsättning uppdelad i sektorer, 2013



Figur 2 visar hur textilindustrin ser ut om vi exkluderar mode och kläder. Bilden ser nu annorlunda ut med tillverkning som största sektor. Skälet till detta är att kläder och mode i större utsträckning tillverkas utomlands jämfört med andra textila varor.

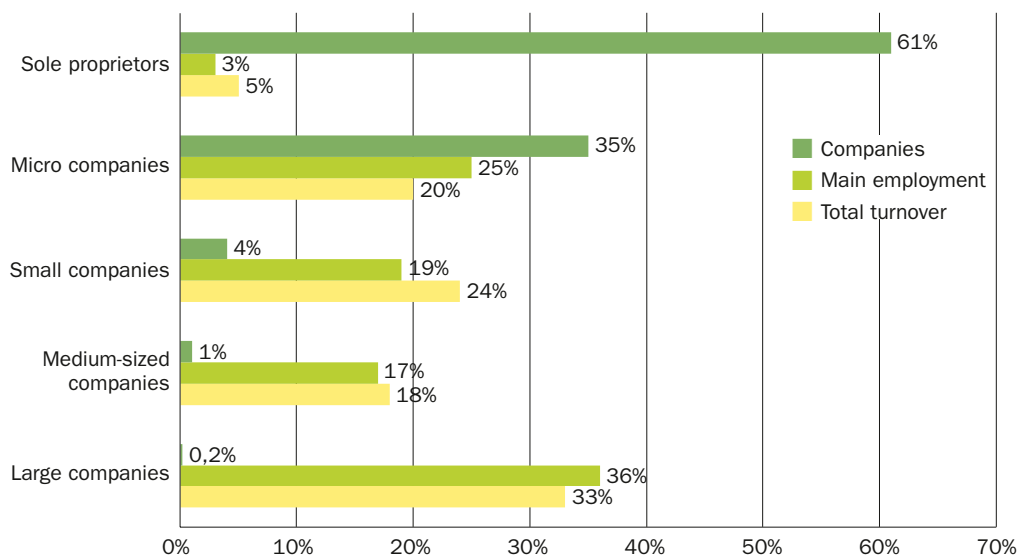
Figur 2.
Textilindustrins omsättning uppdelad i sektorer exkl. mode och kläder, 2013



Branschstruktur och anställda

Den största andelen företag, hela 61 procent av textilindustrin finns bland enmansföretagen. Stora företag står för cirka 0,2 procent av industrin, men står samtidigt för 33 procent av den totala omsättningen. Nittiosex procent av företagen har mindre än 10 anställda. Dessa siffror visar att textilindustrin följer näringslivet som helhet.

Figur 3.
Industrins struktur uppdelat efter företagens storlek, 2013



Det totala antalet anställda i textilindustrin år 2013 var 60 130 personer. Tabell 1 visar hur många anställda som finns i olika sektorer, enmansföretag inkluderat. Man kan se att den största andelen anställda hittas i sektorn butikshandel och minsta sektorerna är agenter och tillverkning.

Tabell 1.

Antal anställda uppdelat på olika sektorer, 2013

TOTAL NUMBER OF EMPLOYEES	
Production	7 512
Wholesale	11 821
Retail	39 669
Agent	1 128
Total	60 130

Lönsamhet

Den genomsnittliga avkastningen på totalt kapital över de senaste tre åren för en urvalsgrupp på tio producerande textilföretag är cirka 11 procent. Det mest lönsamma företaget i urvalsgruppen har en avkastning på totalt kapital på cirka 57 procent, medan det minst lönsamma företaget har en negativ vinstmarginal och låg kapitalomsättningshastighet, vilket resulterar i en negativ avkastning på totalt kapital på -7.4 procent. Företagens framgång är förknippat med deras förmåga att följa marknaden, se trender och anpassa och förnya sig för att möta de förändringar som sker på marknaden.

Resultat från telefonintervjuer

Resultatet från telefonintervjuer gjorda med TEKOs medlemsföretag visar att Norden och Norra Europa är de populäraste exportmarknaderna. Närhet till exportlandet, låga språkbarriärer och liknande kultur som Sverige är viktiga aspekter som företagen tittar på när de väljer att exportera. Detta gäller speciellt mindre företag som inte exporterar till så många länder.

Intervjuerna visar också på företagens engagemang i miljöfrågor, vilket visar att ett miljötänk är något företagen i textilindustrin tar på allvar. Företagen ser både utmaningar och möjligheter i industrin och dessa ser olika ut beroende på företagens storlek och hur etablerade de är på marknaden. Anmärkningsvärt är att trots att företagen i branschen är väldigt olika, är de genomgående överens om styrkorna. Majoriteten av företagen anser att deras styrkor är hög kvalitet, produktion med korta ledtider och små serier, tillverkning av specialprodukter, miljövänlighet, flexibilitet och hög servicenivå.

Summary

This report was created in collaboration between TEKO, The Swedish Textile- and Clothing Industries' Association and the Marketing Academy Student Association. The initiative comes from TEKO and students from the Marketing academy conducted the writing and the research of the report.

The report provides a brief summary of:

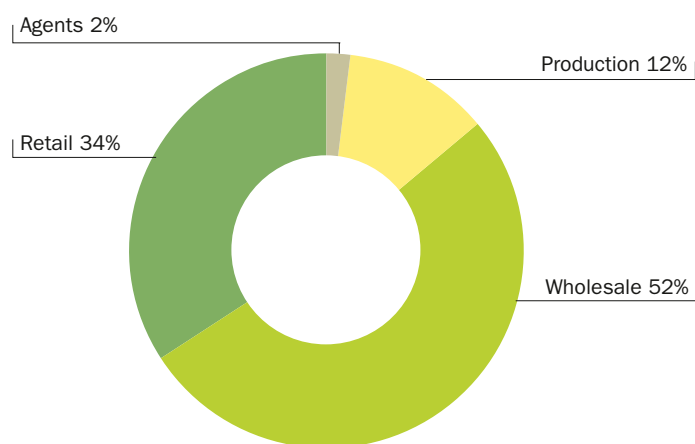
- The textile industry's value chain and the different parts of the industry.
- Total turnover of the industry for the years 2010–2013 and the turnover divided in domestic market and export.
- Employment.
- A breakdown of the textile industry in terms of size of enterprise.
- Results from phone interviews conducted with TEKO member companies, which discuss the companies' views on export, challenges and strengths of the textile market as well as innovation and vision of the future.

Turnover

Total turnover for the Swedish textile industry were approx. 121 billion SEK in 2013. Twenty one percent, 24 billion SEK, consists of export and 79 percent, 97 billion SEK was earned on the domestic market. The export is slowly increasing and the domestic market is slowly decreasing. If fashion and clothes are excluded, the export is decreasing, which shows that fashion and clothes are the reason for the total increase in export.

The greatest share of the turnover is generated in retail and whole sales. Figure 1 shows a breakdown of the industry in sectors.

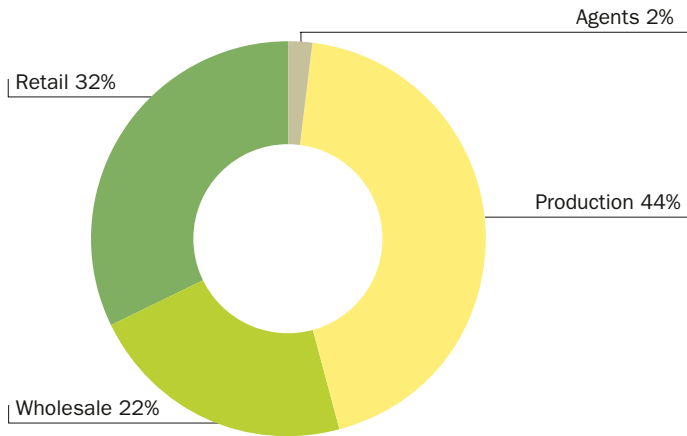
Figure 1.
Total turnover, broken down by sector, 2013, percent



If we exclude fashion and clothing, the market looks very different. Production is the biggest sector when fashion and clothes are excluded.

Figure 2.

Turnover broken down in sectors, with fashion and clothes excluded, 2013, percent

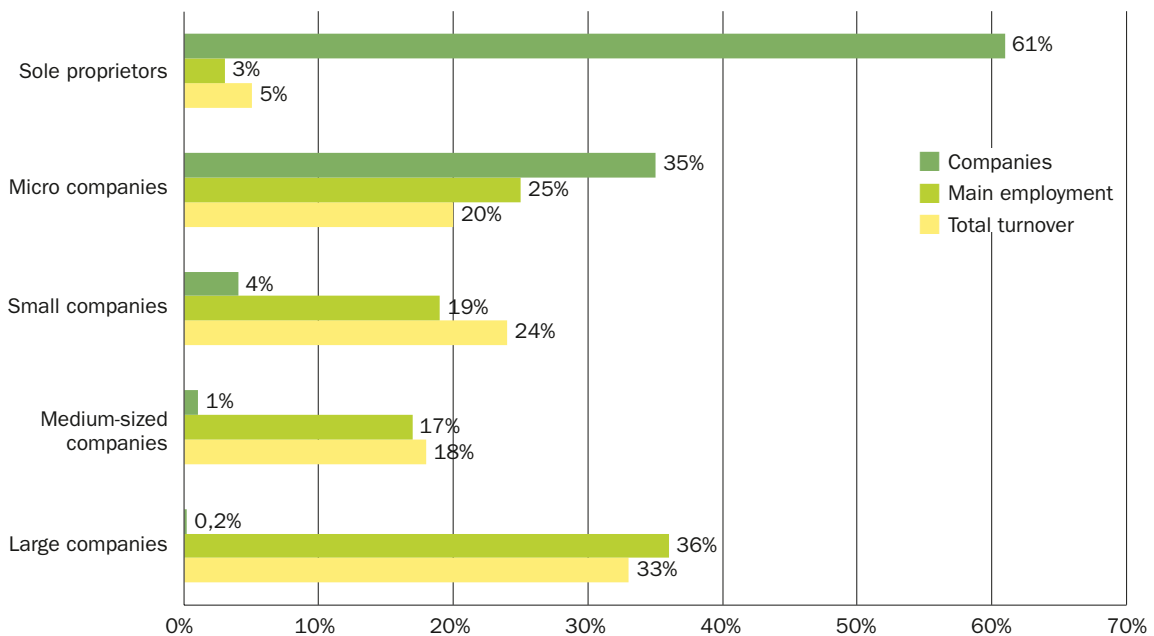


Business structure and employment

The biggest part, 61 percent, of the Swedish textile industry can be found with sole proprietors. Large companies account for approx. 0.2 percent of the industry, but at the same time has 33 percent of the total turnover. Around 96 percent of the companies have less than ten employees. These numbers show that the textile industry follow the Swedish enterprises in general.

Figure 3.

Business structure divided in sectors, 2013, percent



The total number of employees in the textile industry was 60 130 employees in 2013. Table 1 shows how many employees that are employed in four different sectors of the industry, including sole proprietors. You can see that the biggest amount of employees is found in retail and the smallest sectors are agents and production.

Table 1.

Total amount of employees divided in sectors 2013

TOTAL NUMBER OF EMPLOYEES	
Production	7 512
Wholesale	11 821
Retail	39 669
Agent	1 128
Total	60 130

Profitability

The average return on total capital over the last three years for the selection of ten producing companies in the Swedish textile industry is approx. 11 percent. The most profitable company have a return on total capital on approx. 57 percent, while the least profitable have a negative profit margin and a low asset turn-over ratio, which results in a return on total capital on -7.4 percent. The companies' success is associated with their ability to see trends, adapt to changes and to follow the market.

Results from phone interviews

The results from the phone interviews show that the Nordic countries and Northern Europe are the most popular export markets. Closeness, low language barriers and similar culture as Sweden are important aspects that the companies have in mind when they choose their export markets. This is especially true for the smaller companies in the textile industry that do not export to a great extent.

The interviews also show the companies commitment to environmental issues, which shows that the companies have an environmental approach and that they take these issues seriously.

The companies see both possibilities and challenges in the industry; this is also dependent on the size of the companies and how established they are on the market. The strengths are consistent in the industry and the majority of the companies state that their strengths are high quality, production with small lead times and small series, production of specialized products, environmentally products, flexibility and high level of service.

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Introduction

Project organization

This report has been produced in collaboration between TEKO, The Swedish Textile- and Clothing Industries' Association and the Marketing Academy Student Association. The report has been written under the supervision of Elin Lydahl, the Secretary General and Lin Sällström, Head of Communication at TEKO. Both Elin and Lin have reviewed the report and contributed with knowledge and important feedback during the writing process. TEKO is also the main financier of the report.

Responsible for and the authors of the report at the Marketing Academy are:

- Cristina Ferri
- Susanna Olsson
- Sigrid Saag

When we refer to “we” in this report we refer to us, the authors.

Delimitations

The report presents the revenue generating capacity within certain areas of interest, time frames and sectors of the Swedish textile industry. It describes the Swedish textile industry's structure and employment and a profitability analysis on 10 selected companies in the industry is also presented. In summary the following is presented in this report:

- Turnover
 - For the years 2010–2013.
 - For the domestic market and the export market.
 - Divided in different sectors of the industry.
- Industry structure in terms of company size.
- Employment.
- Profitability on 10 selected companies.
- Results from phone interviews conducted with TEKO member companies.

An important limitation to take into account is the diversity of the industry. This is especially important when reading the analysis of the interviews, since they were conducted with a great amount of different, very unique companies, where it is impossible to characterize them all and still guarantee their anonymity. The majority of the sample companies are quite small in size and therefore, the qualitative analysis of the report might present the characteristics of some type of companies better than others.

Method

The data for this report has been collected from a combination of different sources. The statistics for the turnover and export, was retrieved from Statistics Sweden's (SCB) VAT-register.¹ The data on number of companies and employees also comes from SCB, both from the VAT-register and the statistical business register (FDB). The calculations for the profitability analysis are based on annual report data.²

In order to get a qualitative view of the current textile industry in Sweden, semi-structured telephone interviews were conducted. This approach allowed us to present an analysis beyond the quantitative statistical data. The interviews were conducted at the management level, with member companies of TEKÖ. Organizations specializing in education in the textile industry were excluded from the interview selection. All the member companies of TEKÖ were contacted at least once and interviews were booked with those interested in participating. It was inevitable that eventually some companies had to be excluded as they could not be reached or despite their interest, they did not have the possibility to participate. Out of the 196 member companies that was included in the selection did 78 chose to participate in the interviews. This entails a very satisfying response rate of 40 percent, which is above the expectation and exceeded the target rate of 35 percent.

To provide additional knowledge and add an expert's opinion about the Swedish textile industry was an interview with Erik Bresky, Process leader at Science Park Borås & Smart Textiles included in the report. This knowledge was especially helpful for writing the chapter about the textile industry.

¹ VAT-register = Momsregistret

² A more thorough discussion about the method and the different standpoints and delimitations can be found in Appendix 1. Methodological considerations.

The Swedish textile industry

The report focuses on the active participants in production or trade of fashion & clothes, interior textiles, technical textiles, and other textile related products in Sweden. All these different areas make up an industry that is complex with a variety of different kinds of companies, products and services. Despite these differences, the core of the industry is built around textiles, which remains a common denominator for all of these companies. In this chapter we will present a detailed explanation of the different parts of the Swedish textile industry as well as the most common segments of the value chain.

Definition of the textile industry

Textile is mostly associated with clothes, beddings and elements of interior design. True, these parts make up a great part of the textile industry but as mentioned before, the industry is diverse and textile can be found almost everywhere. Textile comes in many forms and can be part of numerous products from a small component used in processes in industries to sails on sailboats. To make it easier to grasp the industry, it can be divided in three sectors: fashion & clothes, interior textiles and technical textiles. Sweden is mainly known for its fashion & clothes and for the Scandinavian design. Nevertheless, Sweden also has a strong presence in interior textiles and technical textiles and is in the forefront of producing several niche products in these areas. Hereby we take a closer look into these three areas.

Fashion & Clothes

This area includes all the items from fashion and clothing. Big Swedish brands are very popular around the world and fashion makes up a big part of the export in the Swedish textile industry. Some of these big Swedish brands were among the early ones to move from retail to fashion and pursue vertical integration within their own distribution network. They understood that success in retail is more likely if the process is institutionalized and the risk of predicting fashion trends is lowered. Today these companies are world leaders in fashion. More detailed information regarding the fashion & clothes sector of the industry can be found in a recently produced full report.³

Interior Textile

Interior textile is another big area where textile is widely used and includes interior products for private and public environments. Interior textiles vary from bed sheets, towels, carpets, mattresses, upholstery, window blinds and curtains to tapestries and sound absorbers. It is often important what kind of material the interior products are made of. For example natural fiber materials are said to guarantee optimal comfort.

³ Modebranschen i Sverige, statistik och analys, 2015, Volante research.

Wool and flax are the best choices of natural raw materials to guarantee relief from stress and provide good-quality sleep.¹ An important aspect is also the behavior of the appliances in cases of fire. In some places there are flame retardant regulations in place for textile products such as curtains, upholstery and carpets.² Sweden has a long tradition in making quality interior textiles – for example carpets have been made in Scandinavia for centuries. Also today, Sweden is very well known for the niche carpet production with companies such as Bolon and Kasthall. Sweden is also a world leader in producing fabric for roller blinds.^{III}

Technical textile

Many TEKNO-companies make textile products for technical or industrial purposes. The examples of the products in this sector include sails, parachutes, fire hoses, hygiene products and air filters. Technical textile stands for a large part of the production value in the Swedish textile industry.

The technical textile industry (also known as industrial, specialty performance or engineered textile) is broad and innovative therefore it is one of the fastest growing segments.^{IV} These types of textiles usually have to meet a previously set performance criteria (resistance, strength, weight, elasticity etc.) and are produced for a specific functional purpose. Technical textiles can be classified from several viewpoints including on the basis of the:^V

- Raw material processes.
- The manufacturing sector.
- The production technique and finish applied.
- The main textiles groups and the specification of current and future application.
- End-use.

The most widely known classification is of Messe Frankfurt's Techtexsil, which divides the segment into 12 sections according to the end-use (e.g. agrotech, buildtech, meditech, protech).^{VI} A detailed table of this method can be found in the end of this report as appendix 4.

European producers are world leaders in markets for technical textiles. Especially the northern countries such as United Kingdom, Germany, Belgium, the Netherlands, Austria, and Sweden contribute a lot to this type of textile production.^{VII} Nevertheless, in the recent years the clustering strategies have started to change to wider areas and there are also technical textile sectors emerging from India, Korea, Brazil and China, offering increased competition to the key markets.^{VIII} The competitive advantages of the sector in the EU are quality, design, innovation, technology, and high value.^{IX} Sweden takes great interest in reinforcing the research within the textile area. One of the great hubs for textile research is the Textile Fashion Centre in Borås. In addition to a full-scale textile-manufacturing environment, the school has laboratories for research and development furthermore is attached to The Centre of Textile Research (CTF).^X

Characteristics of the Swedish textile Industry

Today the Swedish textile industry can be characterized by three keywords: design, flexibility and sustainability. The Scandinavian design refers to the traditional design and is widely known all over the world. Flexibility is an outcome of the specific demands and necessities that come along when producing specialized products. It represents the importance of being flexible in this environment and the Swedish textile companies that, throughout years, have quickly adjusted to the climate of this quickly changing industry. Sustainability is characterized by long-term aims. It is about new fibers and processes and textiles with function i.e. smart textiles. Sustainability is also about the interaction between different industries as well as corporate social responsibility (CSR) that encourages a positive impact on the environment (environmentally friendly processes, organic materials, recycling).

Sweden used to be active in a much wider scale of textile production. For example weaving and printing of all kinds of materials from interior textile to clothes was a big part of the industry. However in the 1970s the textile industry went through a difficult crisis that brought along several structural changes. For many of the local companies the imported low cost products became difficult to compete with. The industry had to reconstruct itself and the Swedish textile industry became very focused and specialized. The ability to adjust structurally to shifts in the industry has definitely been a great strength of Sweden and it is also one of the reasons why Sweden is successfully competing among high value products today. At the moment, Sweden is world leading in several specialized areas such as protective wear and climate weaves that provide shade and saves energy in green houses.

Sweden has given the world the innovation for textile machine producers (John Feeding System) furthermore the airbag was a successful innovation from Sweden. The future of the industry will be much more interdisciplinary. Textiles can be solutions for different purposes – for example it is expected that in the future textile solutions will be very helpful in the medical sector. The future textiles will be much more diverse, creating totally new type of products. Integrating and combining old and new skills, textiles and technologies will be the key to future success.

Another great area will be the reuse of the materials. Raw material and the lack of raw material will be a big challenge that will push the industry into finding new solutions. The traditional way is known to downscale when reusing but in this case the business would upscale because fibers can be used in materials in order to compete in new areas. The prediction is that the re-area and reuse industry will be much more local when coming into the second loop and much more local production has to be done. An example from Sweden is the attempt to enter the viscose market. Less and less paper is used in Sweden resulting in a leftover of wood. Viscose is made of cellulose fibers and therefore produced of wood. Hence, as Sweden is looking for a use for the wood leftover, they are trying to enter the viscose market.



Bild från modevisning Almedalen 2014

The supply chain

The supply chain is the sequence of processes involved in the production and distribution of a commodity. It shows the movement of the product from raw material to a final product that is available for the end consumers. The product passes through various stages of the supply chain and each step adds value to the product. In the supply chain, the company affects the opportunities and presumptions for sales and profitability.

The producers make the product and often have a lot of sub suppliers who provide the parts and raw material (e.g. cotton, silk) that is needed to produce the product. Sub suppliers also provide all other parts that may not be textile, but still are related to the product for example machines that is used in production. Many of the companies within the textile industry are suppliers to other textile companies and other industries for example by providing a component that can be used in other industries processes or the service of coloring the fabrics.

The suppliers are companies that provide the raw material (e.g. cotton, silk) and other necessary parts needed to produce the product. They can be companies that design products; they can be integrated retailers that handle the whole or just a part of the supplier activities. They can also be commercial agents that represent a company on a local market and mediate products to retailers.

Retailers are the companies that sell directly to the end consumer. Retailers can be small stores as well as big store chains. These retailers can sell their own brand only or work as resellers and sell a variety of different brands.

Agents promote and sell the product on behalf of a company. It is not uncommon to use agents in the textile industry and can be used as a way to export products.

A company in the textile industry can be active in one or several parts of the supply chain. In case of being active in several parts of the chain, the company usually has several companies under the same company group. As stated earlier, many of the companies in the textile industry are sub suppliers to other industries, like the building industry, medical industry and automotive industry. Their final products can include products such as filters and in many of those cases, the items are not automatically associated with textile.

When collecting the statistics for the sales, we divided the industry into four sectors depending on their SNI-codes and what the code includes. These sectors have been followed throughout the research:

- Production
- Wholesale
- Retail
- Agents

Turnover and export

This chapter outlines the Swedish textile industry's turnover on the domestic and the export market.

Domestic turnover is hereby defined as the products and services sold in Sweden by companies registered in Sweden, regardless if they are Swedish- or foreign-owned. The number of the turnover can essentially be described as the consumption on the Swedish market.

Export is based on the value refinement that has been done to the product in companies registered in Sweden regarding design, production, logistics etc. The export statistics does not differentiate between products that are fully or partly produced in Sweden.

Domestic turnover compared to export

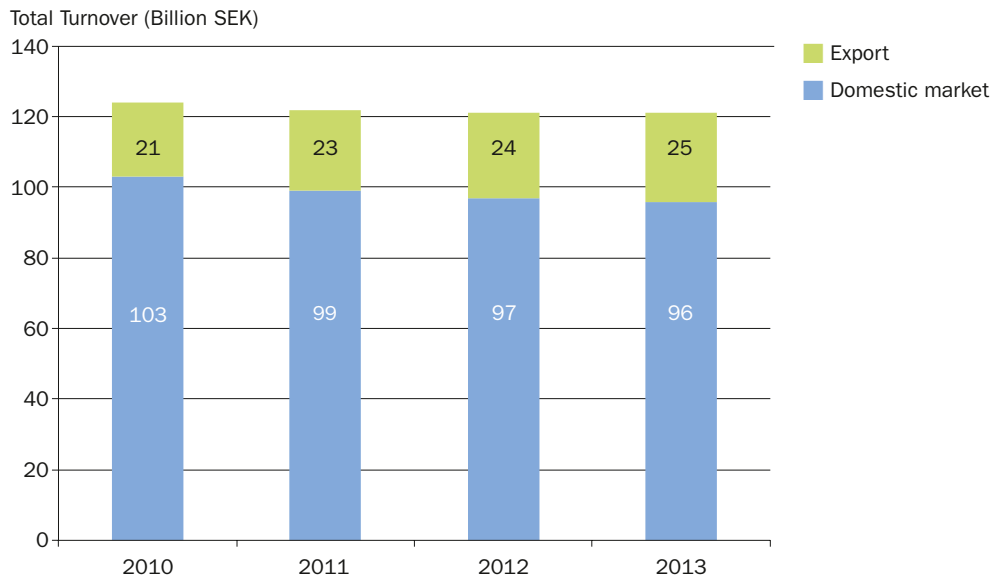
The total turnover for the Swedish textile industry was approx. 121 billion Swedish Krona (SEK) in 2013.⁴ The change in turnover from the previous year is small and the total turnover for the industry has held steady right around approx. 120 billion for a couple of years. In 2012, Swedish enterprises had a total turnover of approx. 7172 billion SEK and a total export of approx. 1168 billion SEK.⁵

Figure 1 shows the distribution between the domestic turnover and the export. The export slowly increased in 2013 and accounted for 25 billion SEK or 21 percent of the total turnover. This increase can be explained by several factors, for example that the world is becoming more globalized, production is moving abroad and an increase in free trade agreements.

⁴ SCB's VAT-register

⁵ Due to a lag in the different registers at SCB is the data for the total turnover for Swedish enterprises from 2012.

Figure 1.
The textile industry's total turnover, billion SEK, 2010-2013



Fashion and clothes account for approx. 100 billion SEK of the total turnover, which is about 83 percent. In figure 8 we have excluded fashion and clothes and we get a new understanding on how the Swedish textile industry looks like. We have however included work wear and safety clothes, since we believe that these types of clothes serve a different purpose than fashion and are bought accordingly. The total turnover is now 21 billion SEK in 2013. We can also see that the export for this segment is decreasing, which means that fashion and clothes are the reason that the total export in the industry is increasing.

Figure 2.
The textile industry's total turnover, with fashion & clothes excluded, billion SEK, 2010-2013

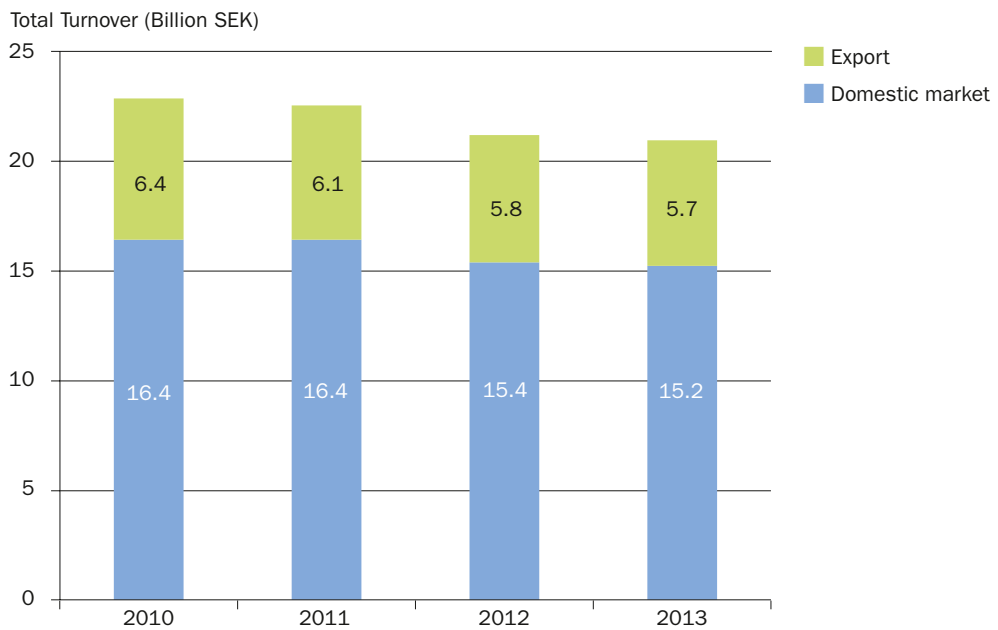
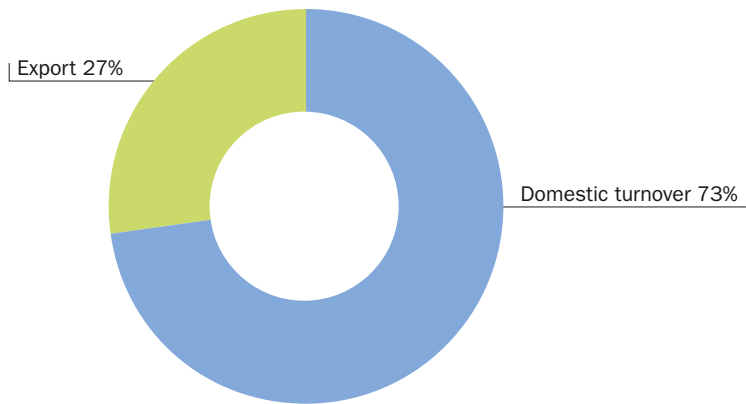


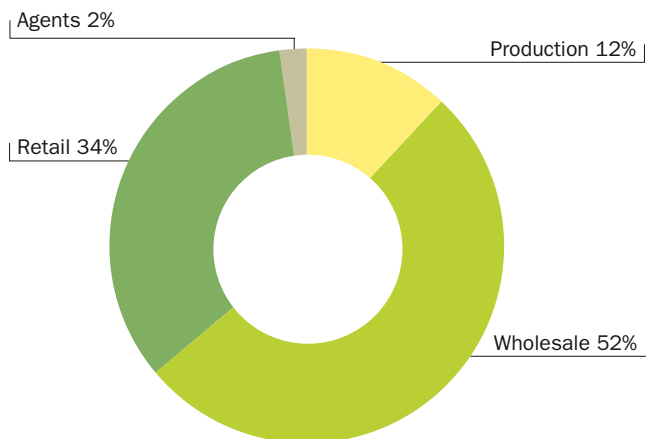
Figure 3 shows that if we exclude fashion and clothing, export make up 27 percent of the total turnover in 2013.

Figure 3.
Total turnover with fashion & clothes excluded, 2013, percent



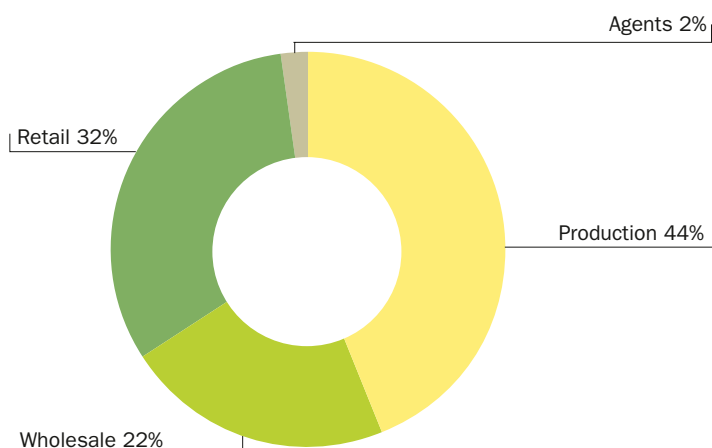
In figure 4 we have broken down the turnover in different sectors of the textile industry. We discussed the choice for the division of these sectors in the previous chapter about the Swedish textile industry. Here we can see that when fashion and clothes are included, production is very small, only slightly around 12 percent. Retail and wholesale constitute about 86 percent of the total turnover. The smallest sector is Agents, constituting around 2 percent.

Figure 4.
Total turnover broken down in sectors, 2013, percent



If we again exclude fashion and clothing, the break down looks different. Figure 5 shows that production accounts for approx. 44 percent and is the biggest sector. Production of textile products in areas other than fashion and clothes, like interior textiles and technical textiles is still to a higher extent produced in Sweden compared to fashion and clothes, which explains the difference between figure 4 and 5. Since agents includes fashion, clothing and other textile products and these parts cannot be separated in the SNI-codes that they are based on, it is shown as the same percentage in both figure 4 and 5.

Figure 5.
Total turnover with fashion and clothes excluded, broken down in sectors, 2013, percent



The Swedish textile industry exports

In this section we will describe how textile companies view export and different export markets. The section is mainly based on interviews made with member companies of TEKÖ.

It is important to have in mind that the companies included in the interviews are very different in their capacity, needs and propensity to export their products. Some companies almost exclusively export their products, while others mainly serve the domestic market and do not intend to export as it is today. The majority of the companies that participated in the interviews do however have an export between 20–40 percent. Companies that are currently exporting to a great extent, will probably see export in a very different way compared to companies that have just started exporting. We can also see that many of the companies that export globally often have the support by a global parent company, which makes the process of exporting to new countries easier.

The interviews revealed that there are three main factors that are important for the companies when they are choosing a country to export to:

- *Culture*. Similar culture has shown to be important in the way that it is easier to understand each other and the export market. Cultural similarities to Sweden could result in similar tastes in products and therefore selling the products to the countries of export could be easier. Another aspect of culture comes from companies that brand themselves as Swedish. If the country of interest for export, likes the Swedish culture and Swedish products then it can be an indication for a relevant country to export to for some companies.
- *Language barriers*. Many of the companies being interviewed sees language barriers as a hinder for exporting to a certain country, especially to non-English speaking countries.
- *Closeness*. This factor can be seen in two different ways. First, and foremost it means a greater deal of control to have the production close by. If the export country is not far away, it makes it easier to frequently visit factories and business partners. Second, many of the textile companies have large and bulky products, which means that shipping costs get very high if it is exported to countries far away. Several of the companies feel this issue is a barrier for them when wanting to expand to new markets.

It is important to mention that the companies that gave these factors as answers are small to middle sized companies and do not export to a greater extent. The majority of the companies that are bigger in their export markets than in the domestic market answered that factors like the ones mentioned above are not that important. Many of these companies are already very well established when it comes to export and sometimes have a stable support from a foreign parent company.

Other factors that affect how the companies choose countries for export are more closely related to the products that they sell and the special market that they are in. Many look at the situation of their specific market in other countries and if the country is on the forefront or has interest in their type of product, they see the country as a place of interest. Of course it is important to have demand for the products before starting export, but other factors play a part to. Other aspects that the companies take into account are political situation, infrastructure and how developed the country is in general.

Throughout the interviews, very few mentioned personal contacts as important, when choosing a country to export to. However, we can see that personal contact is important because the companies often mentioned that the reason that they had chosen to export to a certain country was because they have a domestic customer with a filial in the export country and therefore started to export. This shows that personal contacts are important when choosing countries for export. Several of the companies also mentioned that they did not choose their export countries actively, but rather was approached by representatives from companies in other countries, which eventually led to the company exporting to that specific region.

The most popular regions to export to are:

- *The Nordic countries.* Especially, Finland, Norway and Denmark are big markets that the companies export to. Several of the companies count the Nordic countries as their domestic market. Norway is however pointed out as a challenge since they are not in the EU and different rules for tariffs and taxes apply, making Norway more expensive and time consuming to export to. Some companies also consider Denmark a challenge due to differences in culture when it comes to doing business.
- *Northern Europe and especially the German-speaking countries and the UK.* Germany is mentioned as a common export country, mainly because of similar culture and also a big interest in Sweden and Swedish products. The companies that identified the UK as a big market mention a long and strong presence on the UK market, which makes their products popular.
- *USA, Japan and Canada* are also popular for export.

There are companies that export all over the world, but most commonly the export goes to the Nordic countries and Northern Europe. The main reason is the closeness, similar culture and all the benefits that come from exporting within the EU, which are less paperwork and less tariffs and taxes for exported goods. Countries of interest for the companies that are looking at expanding are USA, Canada, Germany and Japan. This is mainly mentioned by smaller to middle-sized companies that today have the Nordics as their main market. Japan and Germany are often mentioned as countries with a big interest in Scandinavian products and design. Canada is mentioned as having a similar style as in Europe. There is also a free trade agreement that is about to be ratified with Canada, which will make exporting there more interesting. This kind of free trade agreement does not exist with USA, which makes Canada an attractive choice for companies that wants to start to export to North America.

Profitability

In the previous chapter we focused on the textile industry's capacity in generating revenue. We determined in a previous chapter the turnover for the Swedish textile industry to be approximately 121 billion SEK in 2013. Since, the total turnover does not explain how the companies are actually doing it is interesting to look at the profitability in the industry. In this chapter we are therefore going to compare data from three years of annual reports and analyze the key figures for 10 companies in the textile industry.

In the case of looking at profitability, it is extra important to remember the differences between the different kinds of companies that belong to the Swedish textile industry. Not only are there different business ideas present, but also there are different business logics and structures for how the companies have chosen to organize themselves. These differences are especially important to have in mind when analyzing the company's profitability, since all these factors can affect the profitability in different ways.

The choice for which companies should be included in the analysis is based on three criteria. First and foremost, the companies are all producing companies. Second, they have existed for over 20 years and third they have a turnover above 10 million SEK. They do however; produce different kinds of products within the textile industry. The analysis is based on three years of annual report data from the chosen companies.

How to measure profitability

You could say that a company that can exhibit a sustainable profitability over time is a financially stable company. Analyzing a company's profitability usually aims at deciding whether the profit is big enough compared to the capital. There is no definite answer on how high the profitability should be, but it depends on for example the result from earlier years, other companies in the same business and the general economic situation in the world.

A company's profitability measures the return on investments. There are different return measurements that are more or less important depending on the stakeholder i.e. from what perspective the profitability is going to be analyzed. For example from the view of the owners the return on equity is the most interesting return measurement. On the other hand if you want to look at how a company is doing as a whole and the return that is generated, the return on total assets or capital employed is preferred.

For the profitability analysis for this report we have chosen to use the DuPont-model and analyze the return on total assets. It was chosen because it is a well-trying way to relate the numbers in the income statement to the balance sheet in order to analyze how a company achieves profitability. The model shows that the profitability can increase by changing any of the underlying factors in the income statement or the balance sheet.

The DuPont-model breaks down the return on total assets into two sub measurements: Profit margin and Asset turnover ratio.

There are different definitions of profit margin, but generally there could be said that this is a measure that shows some kind of result relative to the turnover. The higher the profit margin is, the better it is for the company and it shows that the company is in control of its costs. If the costs increase at a faster rate than the sales, they will have a low profit margin. This can indicate that a better control of the costs is needed. In a DuPont-analysis the profit margin is defined as operating income plus financial income divided by the turnover. This part of the model is related to the income statement.

$$\text{Profit margin} = (\text{Operating income} + \text{Financial income}) / \text{Turnover}$$

The asset turnover ratio shows how much capital a business needs to generate a certain turnover. To increase the profitability a company can seek to have a high asset turnover ratio, which is the number of times a year that the average capital is reused. This part relate to the balance sheet.

$$\text{Asset turnover ratio} = \text{Turnover} / \text{Total capital}$$

The capitals turnover rate can increase by binding as little capital as possible in relation to the turnover. This can be achieved for example by decreasing the stock-holding and increasing the supplier credits at the same time as trying to decrease the time it takes to get the money in from accounts receivable.⁶

By multiplying the profit margin with the asset turnover ratio, we get the return on total assets. Which is what we are analyzing in this DuPont-analysis.

$$\text{Return on total assets} = \text{Profit margin} \times \text{Asset turnover ratio}$$

The DuPont-model show that profitability can be achieved by different combinations of the profit margin and the asset turnover ratio for example if a company has an asset turnover ratio that is 1 and a profit margin at 10, they will have return on total assets that is 10 percent, they can achieve the same return on total assets if they have an asset turnover ratio that is 2 and a profit margin that is 5 percent.

Analysis of the results

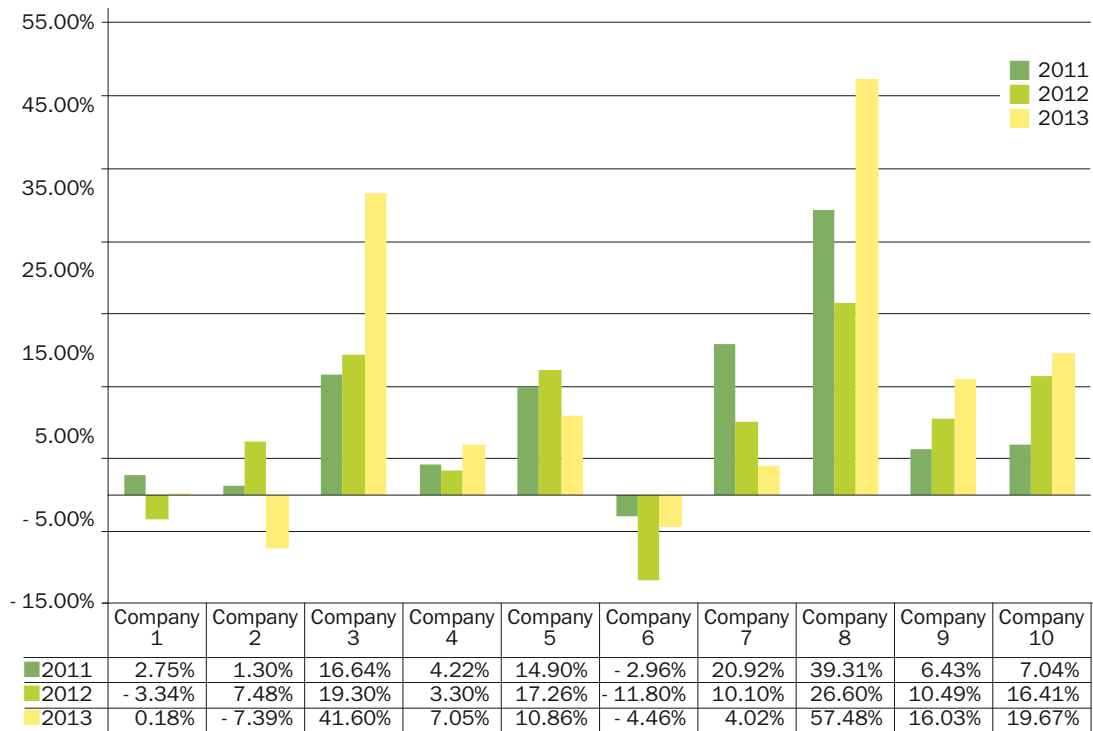
Return on total assets and DuPont-analysis

Figure 6 show that almost all the companies have increased their return on total assets between 2012 and 2013. The company with the highest return on total assets is company 8. When calculating the return on total assets, it does not account for liabilities and company 8 have had quite high liabilities in the form of accounts payable, which partly can explain their high percentage. The average return on total assets is for 2011–2013 is approx. 11 percent.

⁶ A small glossary of the economical terms can be found in appendix 3.

Figure 6.

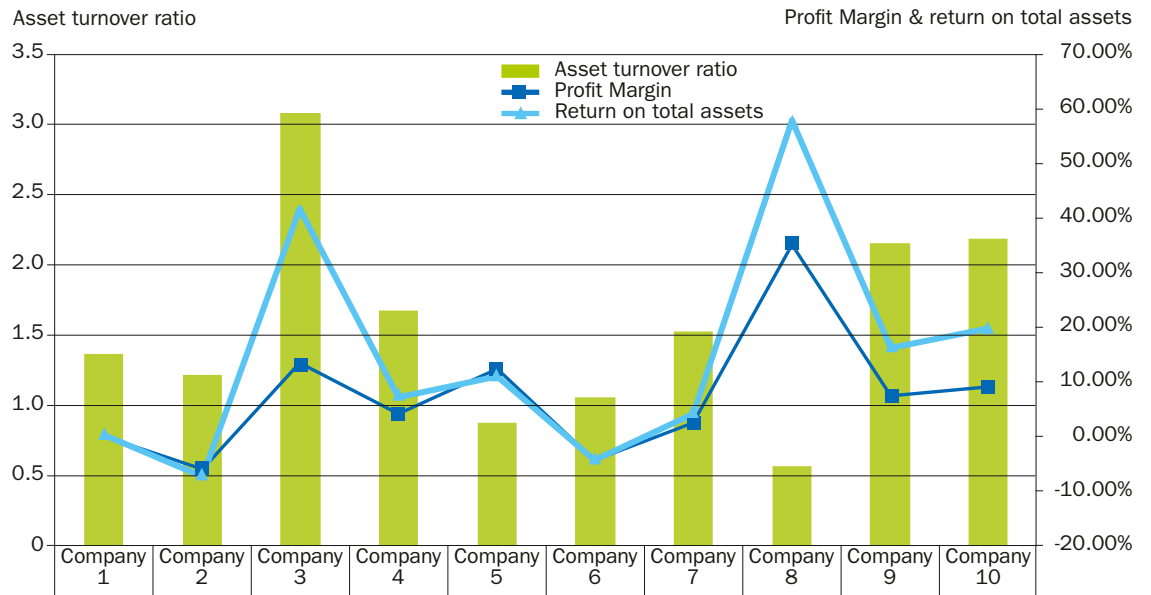
Return on total assets, 2011–2013



We can see that company 3 have the best improvement in their results in the analysis, they have gone from a return on total assets on approx. 16 percent to almost 42 percent between 2011–2013. This can be the result from, that the company has sold all their securities and therefore have increased their capital. Company 6 has the lowest percentage of the companies in 2012. They had both a quite low asset turnover ratio and a low profit margin this year, which means the return on total assets, could not be anything, but low. Looking at 2013, the company has improved the profit margin and increased the percentage from -11.36 to -4.36 percent. The most profitable company number 8 have a return on total assets on approx. 57 percent, while the least profitable, number 2, have a negative profit margin and a low asset turnover ratio, which results in a return on total assets on -7.4 percent. Company 2 has implemented initiatives that have made results slightly better between for 2013 compared to 2012. However it is still be too early to see the real results from these initiatives.

Figure 7 is a DuPont analysis and shows the asset turnover ratio, profit margin and return on total assets for the year 2013. The most profitable company in the DuPont-graph has a return on total assets on about 57.5 percent and the least profitable company has a return on total capital that is -7.4 percent. Company 1, 2 and 6 produce similar kinds of products and they are all on similar results in the analysis, which can be explained by the fact that they operate in similar environments and are exposed to the same external factors, for example the economic climate in their specific market.

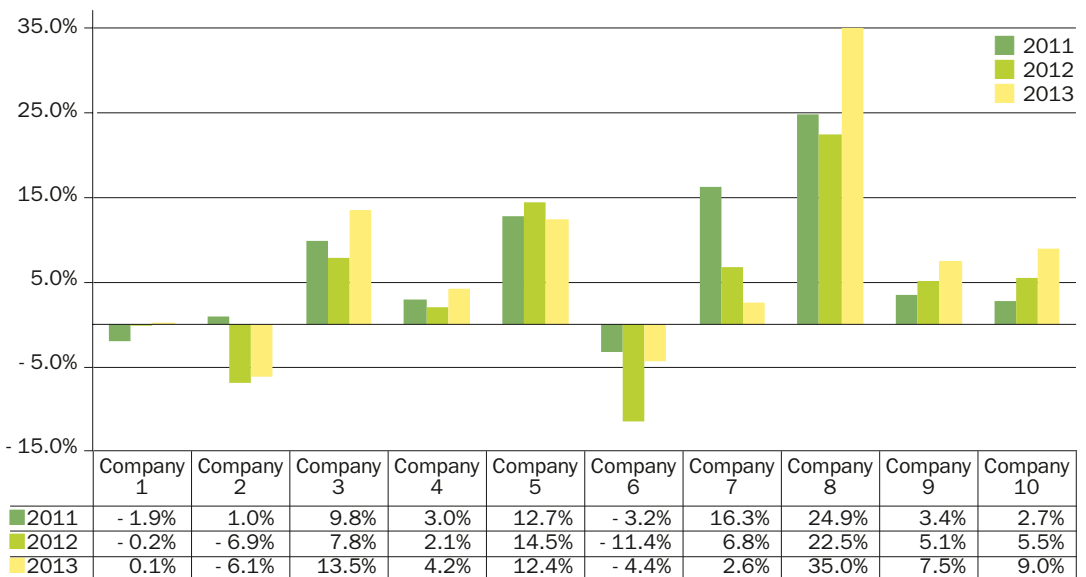
Figure 7.
DuPont-analysis 2013



Profit margin

The profit margin measures, in percent, how much a company earns in comparison to the turnover. Figure 8 show the profit margin for the 10 companies from 2011–2013. Company 8 have the highest profit margin of 35 percent in 2013 and the company with the lowest profit margin, company 2 at -6.1 percent. The low number can be dependent on a loss in sales, due to general downturn in the European market. If we compare the years 2012 and 2013, we can see that the company has taken initiatives that are turning the percentage towards positive. Most of the companies have improved their profit margin between 2012 and 2013.

Figure 8.
Profit Margin, 2011–2013, percentage

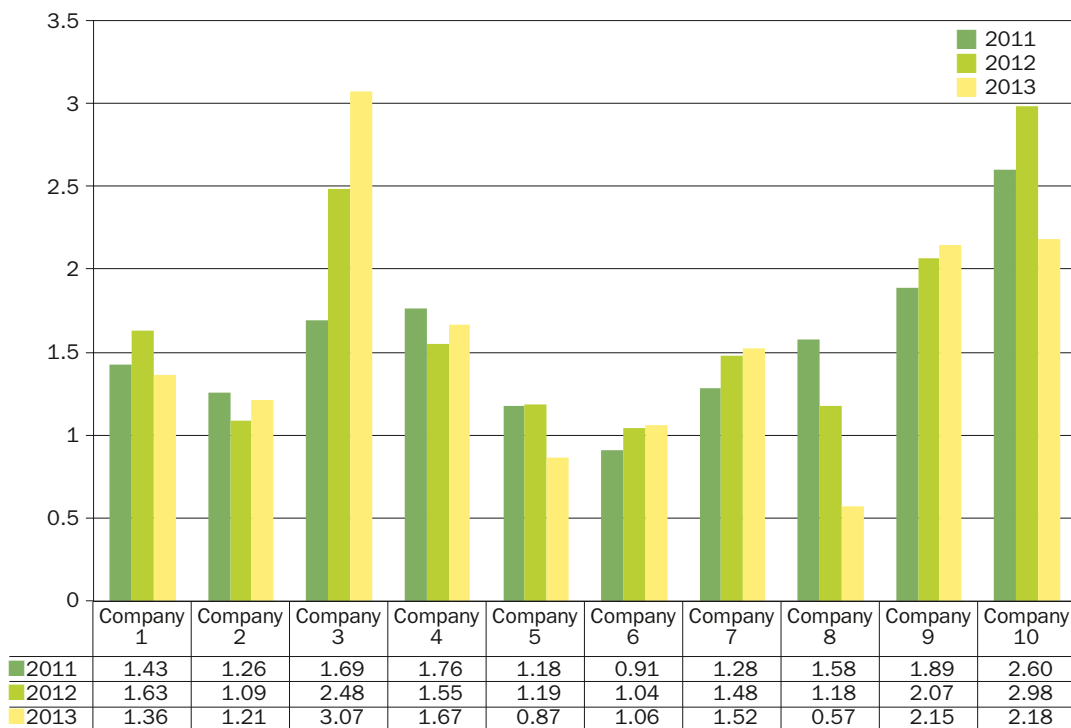


Asset turnover ratio

The asset turnover ratio shows how big the turnover is against how big the total capital that a company has, i.e. how much capital a company needs to get a certain turnover. A comparison of the different companies asset turnover ratio is showed in figure 9. Around half of the companies improved the asset turnover ratio between 2013 and 2012. Company 3 stands out from the rest, with an asset turnover ratio of 3.07 and the ratio has also increased every year. A reason for this positive result can be that the company has sold a significant amount of securities. The company with the lowest asset turnover ratio is company 8, with the ratio 0.57. This does however not mean that this company is performing badly, but rather that they have a quite high accounts receivable and have a big increase in their stockholding that is making the asset turnover ratio low.

Otherwise, the level of the asset turnover ratio is quite even and the changes are quite small between the years and the companies. The average asset turnover ratio of the companies for 2013 is 1.56.

Figure 9.
Asset turnover ratio, 2011–2013



Industry structure

The Swedish textile industry's structure involves companies of all sizes. In order to study the structure of the industry, we have used the European Union definition, which defines the company sizes as follows:¹

- Sole proprietors: Companies without employees.
- Micro companies: Companies with 1–9 employees.
- Small companies: Companies with 10–49 employees.
- Medium-sized companies: Companies with 50–249 employees.
- Large companies: Companies with more than 250 employees.

Table 1 shows the industry structure by the size of the companies. We can see that the industry follows the size of Swedish enterprises as a whole, where sole proprietors accounts for the largest part and the large companies are few. We can see that the majority of companies are small: sole proprietors represent 61 percent of the textile industry, which is less than the total of Swedish enterprises, which is approx. 71 percent. Micro companies are 35 percent of the total number of textile companies. This means that approx. 96 percent of the companies within textile industry have less than 10 employees. The small companies account for 4 percent. The middle-sized and large companies are both 1 percent or below.

In table 1 we have also studied employees in relation to the main employment. Sole proprietors have by definition no employees, but can certainly still contribute to employment in terms of the business operator. However, it does not mean that everyone who is registered as a sole proprietor receive all their income via their company. The company can be a secondary activity for the business operator. Therefore, we chose to include the sole proprietors as mainly employed if they have a turnover of 500 000 SEK or more, which is the case in 1 670 of the registered 10 749 sole proprietors i.e. approx. 16 percent.² If we count the mainly employed sole proprietors as employees, they will account for approx. 3 percent of the total number of employees in the industry.

However, this does not affect our conclusion that both the majority of employees and the highest turnover are found within large companies. Even though only 0.2 percent of the companies count as large companies, they account for approx. 33 percent of the total turnover of the textile industry. Figure 10 illustrates this comparison. It is important to notice that all the employees are not full time workers, however his/her main employment is with the company to which the employee is registered.

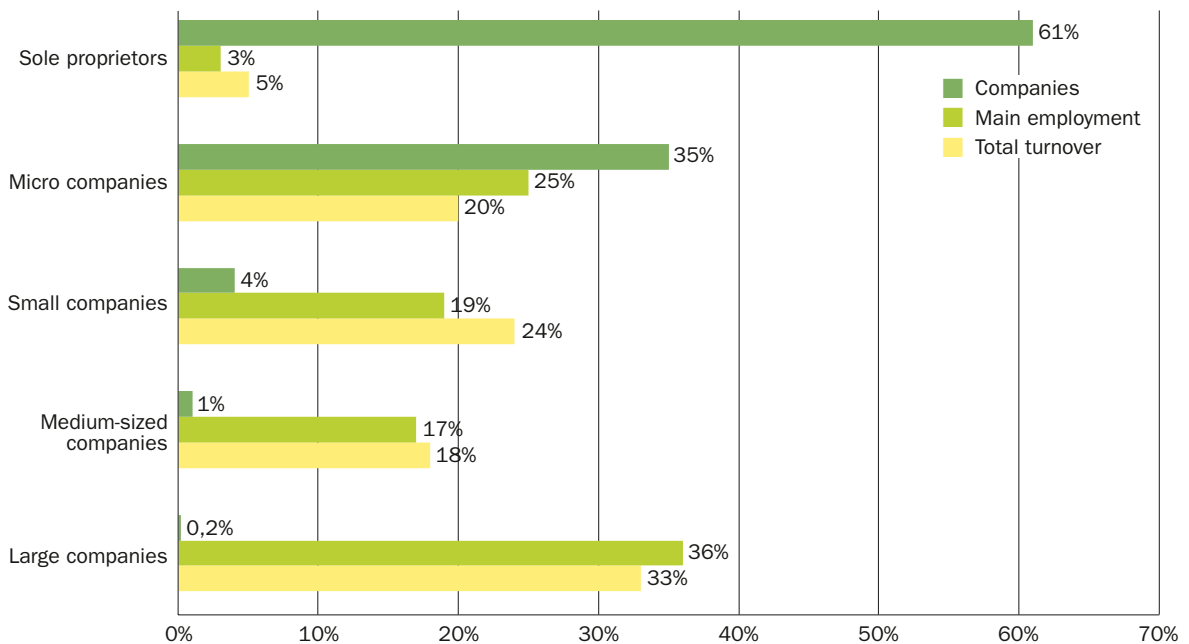
¹ The definition of how the EU define companies in terms of size can be found here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:EN:PDF>

² For the share of mainly employed we included the sole proprietors that have a turnover above 500 000 SEK in the calculations, which is approx. 15 % of the sole proprietors.

Table 1.
Industry structure by company size, 2013

	Sole proprietors	Micro companies	Small companies	Medium-sized companies	Large companies
COMPANIES					
Number	10 749	6 130	674	109	27
Share	61%	35%	4%	1%	0,2%
EMPLOYEES					
Number	0	14 909	11 165	9 829	21 072
Share	0%	26%	20%	17%	37%
MAIN EMPLOYMENT					
Number	1 670	14 909	11 165	9 829	21 072
Share	3%	25%	19%	17%	36%
DOMESTIC TURNOVER					
Mkr	4 799	20 301	21 186	14 537	29 542
Share	5%	22%	23%	16%	33%
EXPORT					
Mkr	620	2 333	6 458	6 702	8 403
Share	3%	10%	26%	27%	34%
TOTAL TURNOVER					
Mkr	5 419	22 634	27 644	21 239	37 945
Share	5%	20%	24%	18%	33%

Figure 10.
Industry structure by company size, 2013, percent



In the following tables we have broken down the textile industry by size in the different sectors. These are the same sectors as described in previous chapters. If we compare the sizes of the companies in each sector we can see that all the sectors follow the same pattern as the textile industry as a whole. The largest amount of companies is sole proprietors and micro companies and we can see that also when the industry is broken down in sectors there are few large companies.

Retail has the largest amount of employees and the highest total turnover. The domestic market within retail has a turnover of approx. 93 percent. The production sector has the largest total export of the sectors with an export of 42 percent of its total turnover. Retail has the lowest export, with 7 percent. Agents are overall the smallest sector. Wholesale is the second largest sector in terms of number of employees, export and turnover on the domestic market.

Table 2.
Industry structure by company size, with the sector production broken out, 2013

PRODUCTION	Sole proprietors	Micro companies	Small companies	Medium-sized and large companies
COMPANIES				
Number	3 099	652	105	31
Share	80%	17%	3%	0,8%
EMPLOYEES				
Number	0	1 815	2 104	3 593
Share	0%	24%	28%	48%
DOMESTIC TURNOVER				
Mkr	554	1 703	2 200	2 657
Share	8%	24%	31%	37%
EXPORT				
Mkr	42	253	1 201	3 653
Share	1%	5%	23%	71%
TOTAL TURNOVER				
Mkr	596	1 956	3 401	6 310
Share	5%	16%	28%	51%

Table 3.
Industry structure by company size, with the sector wholesale broken out, 2013

WHOLESALE	Sole proprietors	Micro companies	Small companies	Medium-sized and large companies
COMPANIES				
Number	1 821	1 139	199	25
Share	57%	36%	6%	1%
EMPLOYEES				
Number	0	3 007	3 993	4 821
Share	0%	25%	34%	41%
DOMESTIC TURNOVER				
Mkr	1 586	5 959	10 588	8 732
Share	6%	22%	39%	33%
EXPORT				
Mkr	448	1 367	4 478	8 612
Share	3%	9%	30%	58%
TOTAL TURNOVER				
Mkr	2 034	7 326	15 066	17 344
Share	5%	18%	36%	42%

Table 4.

Industry structure by company size, with the sector retail broken out, 2013

RETAIL	Sole proprietors	Micro companies	Small companies	Medium-sized companies	Large companies
COMPANIES					
Number	5 210	3 533	287	50	22
Share	57%	39%	3%	1%	0,2%
EMPLOYEES					
Number	0	9 478	5 449	4 987	19 755
Share	0%	24%	14%	13%	50%
DOMESTIC TURNOVER					
Mkr	2 483	12 323	8 628	8 130	28 663
Share	4%	20%	14%	13%	48%
EXPORT					
Mkr	85	321	668	491	3 005
Share	2%	7%	15%	11%	66%
TOTAL TURNOVER					
Mkr	2 568	12 644	9 296	8 621	31 668
Share	4%	20%	14%	13%	49%

Table 5.

Industry structure by company size, with the sector agents broken out, 2013

AGENTS	Sole proprietors	Micro companies	Small and medium-sized companies	Large companies
COMPANIES				
Number	614	340	15	None
Share	63%	35%	2%	None
EMPLOYEES				
Number	0	749	379	None
Share	0%	66%	34%	None
DOMESTIC TURNOVER				
Mkr	271	955	596	None
Share	15%	52%	33%	None
EXPORT				
Mkr	57	429	226	None
Share	8%	60%	32%	None
TOTAL TURNOVER				
Mkr	328	1 384	822	None
Share	13%	55%	32%	None

Employment

In this section we discuss employment in all sectors of the textile industry. The total employment includes sole proprietors, which means that each of those companies count as employees even though they are technically without employees except for the business owner.

The total number of employees in the Swedish textile industry was 60 130 in 2013. Table 6 shows how the total number of employees is placed in each sector.

Table 6.
Total number of employees in each sector, 2013

TOTAL NUMBER OF EMPLOYEES	
Production	7 512
Wholesale	11 821
Retail	39 669
Agent	1 128
Total	60 130

Figure 11 shows the employment for each sector in percent. According to the figure, more than 66 percent of the employees are employed in the retail sector. Wholesale is the second biggest sector where 20 percent are employed. Production and agents make up 12 percent and 2 percent of number of employees.

Figure 11.
Employees distributed per sector, 2013, percent

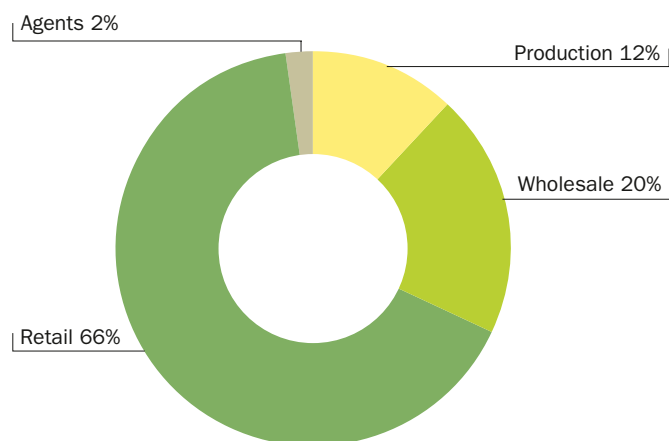


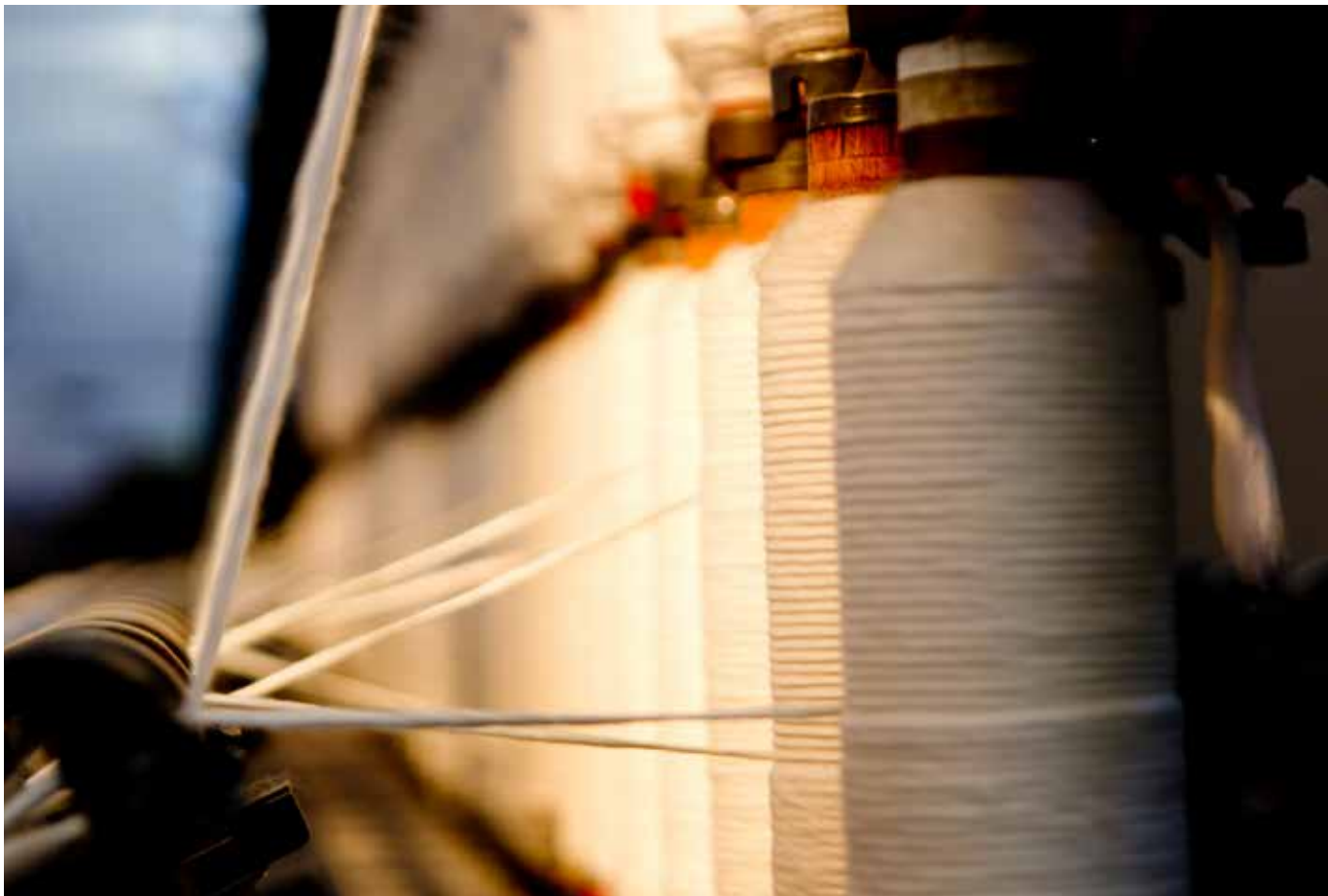
Table 7 shows a comparison between the Swedish textile industry and other industries in Sweden. Due to issues concerning anonymity there is a lag in the registers at SCB, which explains why this comparison is done with data from 2012.

In the table we can see that the textile industry is slightly bigger than industries such as the timber and pulp/paper industry and the food and drink industry. The Swedish textile industry is smaller than the building and construction industry, which is more than four times bigger.

Table 7.

The Swedish textile industry compared to other industries in terms of number of employees, textile industry in bold, 2012

INDUSTRY	TOTAL NUMBER OF EMPLOYEES
Building and construction industry	274 524
Textile industry	60 065
Timber and pulp/paper industry	57 765
Food & Drink industry	51 320
Consultancy firms – economics and law	40 236
Steel and metal industry	33 307
Chemical industry	31 482
Extractions of minerals	9 034



Analysis of the interviews

This chapter will review the results of the phone interviews that were conducted with the member companies of TEKO. Out of the 196 member companies, 78 companies agreed to go through with the interview and be a part of the report. That gives an outcome of 40 percent.

The aim of the interviews was to gather qualitative knowledge about the Swedish textile industry in order to complement the quantitative statistics. As the member companies differ from each other, it was expected that the answers would vary. However, we do see it is as a strength of the report, because it adds a possibility to gain a deeper knowledge about the industry and how the companies relate to the market. Access to that kind of information would be hard to do with a quantitative method.

In an earlier chapter we presented the results from the interviews regarding export. In this chapter we will focus on discussing the strengths and challenges in the industry, the focus on sustainability and the environment and the company's view on innovation and the future.

Strengths and challenges within the Swedish textile industry

Even though the companies are so different in size and in their products and services, they all identify with the same strengths. Almost all the companies answered that their biggest strengths are high quality, short lead times, fast shipping, and the ability to make specialized products, produce small series as well as providing a high level of service to the customers. Having a strong brand and long tradition within the industry is also high on the list of strengths. Having short lead times and being able to make specialized products are especially prominent with the producing companies. A large part of the companies also have a strong sustainability approach and being environmentally friendly, and actively working with corporate social responsibility (CSR) is highly prioritized. Being able to provide an environmentally friendly or fair traded service or product is for many of the companies a core value and something that the companies hold as something to be proud of.

From the interviews we can see that the companies are proud of what they do and take a lot of pride in their work, which can be seen as a real craftsmanship. A big strength in the textile industry is the long tradition of making textiles; this provides the companies with a certain level of know-how and skill that is worth preserving. Several of the companies being interviewed holds that it feels good to produce in Sweden because they know that they can keep the knowledge and competence in their production and within the company. Their specific competence and knowledge is something several of the companies feel that they might lose if they produced outside Sweden. The companies that produce in Sweden also say that this is a big strength of theirs, because they can control the production to a higher extent than if they produced in another country.

The by far biggest challenge for the companies in the industry is not new, it has been going on for decades and that is the competition with the import of low-cost alternatives. The challenge lies in the fact that it is more expensive to produce in Sweden, mainly due to high labor costs, which will make the prices higher on Swedish produced products, which in turn makes it hard to compete with the lower prices on the imported products. Even though some companies still produce in Sweden, many have moved their production abroad to be able to survive. This also poses a challenge for the companies that are sub suppliers to the textile companies, because they lose customers when the other companies move abroad. For smaller sub suppliers this can mean a big loss in turnover if big customers move their production. The companies that do not produce in Sweden felt to a bigger extent that a challenge was to make their production company understand the special needs they have in the product, for example being up to standard with the environmental requirements, this is especially for the companies that is producing in Asia.

By producing in Sweden, the companies are able to produce specialized products with short shipment times. However, many of the companies feel that they have to work harder on convincing the customers that their products hold a high quality and are worth the higher prices. The companies stated however that this problem is not as big on the domestic market, as Swedes to a greater extent are already aware of the brands and quality of the products. The challenge is bigger in the export market. In the previous chapter about turnover and export we stated that the Swedish textile companies often look to export to countries that are similar to Sweden in culture and that appreciate Swedish products. To export to countries with a positive view of Sweden can be a way to overcome the issues of strengthening the brand and raise awareness about the company.

Another challenge that arose under the interviews was the ability for the companies to reinvent themselves and add new thinking to their products and especially concerning design. Several of the companies feel pressure when it comes to coming up with new designs, new patterns and keeping their brand and products interesting. The ability to do this is essential to many of the companies to meet the changing demands in their market. For some of the small weavers that are located in smaller municipalities, the flow of visitors is important and to make them come back for more, there have to be new products available. These smaller companies are in many ways very much connected to the tourism industry and to their location, which means that they become dependent on the flow of visitors to their location to be able to sell their products. If visitor numbers drop, they can lose significant turnover. Some of these smaller companies still use old traditional machines in their production, which give a more unique and genuine feeling to the product. Even though a positive trait for these companies, it also poses a challenge when the old machines break, since they are expensive to repair or replace.

Another important challenge that was mentioned by several companies was also to find new customers and building strong customer relationships.

Being environmentally friendly was put very high on the list of strengths for the textile companies, but there are both possibilities and challenges involved here. Some companies are concerned about the high requirements for environmental certifications that will increase the price on the products. Especially the companies that are

whole sellers had this concern, since they felt it was hard to provide their customers with products at the price they wanted. Some have even lost sales this way, since they lose customers to cheaper competitors.

Many of the textile companies work as sub suppliers to other industries, for example the building industry. Some of these companies have concerns regarding the industries they are selling their product to and the fact that the importance of their product is not understood and valued enough within those other industries. There is a challenge in making other industries aware of the importance of the products that the textile industry can produce. The textile production companies are also vastly dependent on how those other industries are doing to be profitable. If the industry is facing a challenge then the textile company is also facing the same challenge and might not be able to sell their product to that industry until the problem has been solved. However many of these companies also seem optimistic and withholds that this is an opportunity, because they need to look for new ways to sell their products.

A challenge that mostly affects the smaller companies that cater to the public sector is the law of public procurement.³ This law is made to make the market fairer towards the smaller companies, however several of the small textile companies feel that the law is counterproductive and that they have a hard time competing with bigger companies in the procurement. Many of them feel that the bigger companies are still favored and the smaller companies loose a big part of their turnover if they loose the procurement to a bigger company.

An overall challenge that many of the textile company's faces is that they have a hard time to find the competence in the industry, for example to find seamstresses. It takes a long time to educate a seamstress and to few get educated every year. If it is not attractive enough to get educated in these types of professions it will be hard to keep the industry going in Sweden. Many of the companies worry about the fact that they will loose the skill and know how when the old personnel retires and they have a hard time finding new people with the right skills and knowledge to fill the spots.

³ The law of public procurement = Lagen om offentlig upphandling



Future and innovation of the Swedish textile market

The future of the Swedish textile industry looks bright; the majority of the companies that were interviewed had a positive view on the future for the textile industry and sees a lot of opportunities. The world is changing and different opportunities arise, bringing about new trends and innovative uses for textile, for example the interest for environmentally friendly products has increased in the past years and therefore opened up for new possibilities for the textile industry to produce better, more environmentally friendly fabrics and products. This is something that many of the companies that was being interviewed welcome, especially since many of the companies already work actively with being environmentally friendly. The companies also see more environmental regulations and laws in the future. The companies that were most positive towards this were the companies that have been thinking in terms of the environment from the start and have it in their core values. From the interviews we can see that the Swedish textile companies is very concerned with the environment and also looking and listening to what their customers want and try to adapt to that.

Many of the companies see a lot of potential in expanding to new markets, both in terms of exporting to new countries, but also to find new use for their products in a variety of markets. For many of the companies they see the opportunity to strengthening their brand. The companies that have no plan to expand said that they would work on strengthening their position and brand in the markets where they are already present in.

Many of the Swedish textile companies also work actively with innovation and for many of them; innovation is a necessity to survive. If they do not keep on coming up with new innovative solutions, they will not be able to keep up with the market. In order to find innovative solutions, companies often look at how people live today and try to make their product fit with their customers life.

The word innovation is quite subjective and can be thought of in different ways. Some of the companies work actively in innovating new products, others work in innovative ways to improve their production process and others innovate in terms of design and designing new patterns and designs to their products. Many companies have stated that they are in the forefront of their market. They actively seek opportunities in the market and act on them when it is possible. However, even if many of the companies feel that they try to be innovative, they do feel that they would want have a higher level of innovation in their company.

The foremost reason for not working actively with innovation was a lack of resources in terms of time and money. This is especially prominent with the smaller companies, where the lack of capital is a barrier to be more innovative. Many feel that when the daily operations of the business are done, there is no time left for extra activities, for example work actively with innovation.

One important aspect of innovation is also that some of the companies work with traditional ways to produce their products, for example using old machines. These companies are more concerned in the traditional craftsmanship of producing textile, and therefore innovation might not feel as relevant for them as for other companies. Many companies in the interior textile segment are more traditional in this sense and their way of producing is also a big part of their brands.

Concluding discussion

We have in this research, the first of its kind, made an economical analysis of the Swedish textile industry, where we have looked more closely at measures like turnover, industry structure and profitability. In summary we have reached a first step when it comes to compile, supplement and analyze statistics and data about the industry.

Overall picture of the industry

The first thing to note is that the textile industry lies steady in turnover. Where we can see changes in that the export is increasing, mostly due to the sector fashion and clothes. That the export is going well for the sector of fashion and clothes is also in line with the results in the report *Modebranschen i Sverige, Statistik och analys 2015*. However the export in other areas of the textile industry is moving in the opposite direction and is slightly decreasing.

The most important export markets for the textile industry is the Nordic countries and Northern Europe, especially Germany and the UK. Other interesting markets for the textile companies are USA, Japan and Canada. The most important factors for the companies when choosing export countries are closeness, similar culture and low language barriers. This is however mostly applicable on the smaller companies that do not export to a great extent. Larger companies that already export globally work under other conditions. Even though few specifically say that personal contact are of importance, the companies still chose to export to countries where they have strong connections. This means that personal contacts are very important when choosing export markets.

We can see from this research that issues concerning the environment and CSR work is important for a majority of the companies and that they actively work on improving their processes towards being more environmentally friendly. Fair trade is also part of the companies CSR work. Many of the companies also see great opportunities in the area of the environment for the textile industry in the future.

The view on innovation varies between the companies and some companies see it as a necessity to survive and other does not see a need for it in their market. Nevertheless, several of the companies want to be more active in the work of innovation, but feel that lack of time and capital are obstacles that is hard to get past.

The textile industry employs approx. 60 000 people in Sweden. Compared to other industries it can be said that the textile industry is bigger than the timber and paper industry, but smaller than the building industry. Most people are employed in the retail sector and we can also see that 96 percent of the companies in the industry have less than 10 employees.

The development forward of the report

Our hope is that this research will contribute to an increased understanding about how the textile industry works and can be developed. However some further insights would be interesting. Some thoughts on such are:

- *Definition of the industry:* To create a clear definition on the Swedish textile industry would be beneficial for the creation of future reports.
- *Dividing the industry further:* We think it would be interesting to see a more detailed division and new cross-sections of the textile industry for example for interior textile, technical textile and fashion and clothing. Also looking closer at the employment and the gender division in the industry.
- *Challenges in the future and development initiatives:* What are the future threats that can be identified and what can the industry do to deal with them? This question would be interesting to research further and it could also be a start of a discussion about what kind of business enhancing initiatives that can be most useful to the industry.
- *Communication about the industry:* It would be interesting to study further how to increase the communication and information about the textile industry for example research how to raise awareness to make more people interested in the industry. This can be especially useful to gain more people that want to get an education in textile and work in the industry. We believe that this will benefit the industry in the long run and help the industry grow.
- *Cross-fertilization of information between the textile industry and other industries:* How can awareness be raised about the textile industry and the possibilities with textile to other industries? How can information between industries be exchanged to make the most of the possibilities that the industries share? This was an important point that was raised in the interviews in this report and we believe that a better understanding about what the textile industry can do will help the textile companies that work closely to other industries in their daily operations, as well as open up new possibilities for new future innovations.
- *Profitability:* This report presented a profitability analysis on 10 companies in the industry. However, an analysis like that should be updated with a couple of year's interval to see the development over time.

Appendix 1.

Methodological considerations

Data sources and collections methods

The statistics from this report has been gathered from a combination of sources.

1. Official statistics
2. Annual reports data
3. Interviews with companies in the textile industry.
4. Other (books, previous reports, online research, interview with an expert)

An industry's revenues can be measured in different ways: via official statistics, via annual reports or by collecting data directly from organizations.

All these methods have pros and cons compared to other alternatives. The strength in one method is the shortfall in another. This all depends on what is desired to measure. In this chapter we will discuss the different considerations that we made when choosing the sources and collections of data.

Official statistics

The foremost benefit of official data is that it collects a large number of standardized data. This makes it easy to use for comparisons between industries, since the collecting of this data occur in the same way every year, which makes the data retrospective.

Swedish industrial classification (SNI) is a classification code system that is based on activities. The production unit for example a company is classified after the activity that is conducted. Every code has a name and a company can have several activities and therefore be connected to several different SNI-codes. SNI is a national classification that is consistent with the EU's standard industrial classification, NACE on the level of four numbers. The fifth number in the SNI code is a further division made for Swedish needs. The latest version on SNI is named SNI 2007.

The data for export and import is usually based on another classification system called the Standard International Trade Classification (SITC). This system makes comparisons between countries and years possible. The VAT-register at SCB is based on SNI-codes, but also show export and import converted to SNI-codes instead of SITC.

Accounting-based data

This kind of data is based on the annual reports of companies. It has many benefits since it is quality assured, thanks to laws, regulations and accounting standards. These standards also make it possible to compare data. This information is public, but the disadvantage is that it costs both time and money to buy this data and compile it in a way that makes it comparable. Just like the official statistics are the annual reports data retrospective.

Information that comes directly from organizations

To collect industry revenues directly from an amount of different companies means a quite high cost both in time and money, regardless if the collection is done by surveys, phone interviews or in other ways. A reason for this is that many different systems, routines and formats for the collected data need to be standardized to make it easy to compare. A benefit with this kind of data collection is that the possibility for plausibility assessments of different, but also similar numbers against each other can be valuable. This however demands a climate of anonymity and transparency. The outcome is often a material that is perceived as relevant.

Our methodological considerations in this research

It has been indicative to develop a method in this report that makes it possible to regularly update the information. The reason for this is that it is impossible to make any deeper analysis on a snapshot on an industry's turnover for one year. It is in the long run, where real interesting analysis can be done. Therefore have an important criteria in the data collection method been that it should be easy to reproduce, if further reports are going to be produced. Rather than measuring a 100 percent right at one point in time, we have prioritized to develop a model that can be updated in a similar way and captures a picture of the textile industry's development.

Data sources and method of collection

The statistics in this report have been collected from different kinds of sources. In summary we can say that the material is compiled of official statistics, annual reports data and data collected directly from organizations.

We have classified the SNI-codes that we are using in this report into four overarching sectors for which the turnover on the domestic market and the export market have been collected. All this data comes from Statistics Sweden's (SCB) VAT-register.

SCB receive ongoing data in VAT from the Swedish tax agency. This data includes all Swedish companies with activities liable to VAT. The VAT-statistics is divided into the turnover on the domestic market and on the export market. The data on export in this report is based on the statistics from the VAT-register.

For a better general understanding of the textile industry, a combination of research methods was used. Different books on the textile industry were read, previous reports on the industry were studied, and an interview with an expert was conducted. This allowed the authors to understand the industry better.

In order to get valid qualitative information for the report we made the decision to gather the data directly from the companies by conducting phone interviews. Accessing the unpublished information was an important step in getting to know the reality of the current Swedish market. All the interviews were carried through similarly, consisting of 8 main questions that kept the interview guided through the main points of interest. Various side questions were asked dependent on the direction the interview took. The companies were guaranteed that the answers provided would be kept anonymous.

Some margin of error in a large register of data like the one being used in this report is hard to avoid. The most important thing is that we have a good picture of what we are measuring – what is included and not and also that it is measured in a way that it is replicable for further reports. This is of course not true for the interviews that are of a more qualitative nature; these can never be reproduced in the exact same way and cannot be expected to generate a similar response each time.

Appendix 2.

Statistical industry codes

The statistics for turnover is built upon the following SNI-codes.

Production

- 13 Textilindustri
- 14 Beklädnadsindustri
- 15110 Garverier
- 15200 Skoindustri
- 17240 Tapetindustri
- 31030 Madrassindustri

Wholesale

- 46410 Partihandel med textilier
- 46420 Partihandel med kläder och skodon

Retail

- 47510 Garn, tyg och sytillbehörsaffärer
- 4753 Specialiserade butiker för mattor och inredningstextilier
- 47711 Affärer för herr-, dam- och barnkläder, blandat
- 47712 Herrklädesaffärer
- 47713 Damklädesaffärer
- 47714 Barnklädesaffärer
- 47715 Pälsaffärer
- 47721 Skobutiker
- 47820 Marknadshandel med textilier, kläder och skodon
- 47912 Postorderhandel och detaljhandel på Internet med beklädnadsvaror

Agents

- 46160 Provisionshandel med textilier, kläder, skodon och lädervaror

Appendix 3.

Glossary

Accounts receivable:	Kundfordringar
Accounts payable:	Leverantörsskulder
Asset turnover ratio:	Kapitalomsättningshastighet
Profit margin:	Vinstmarginal
Return on total assets:	Räntabilitet på totalt kapital
VAT-register:	Momsregistret
Supplier credits:	Leverantörskrediter
Statistics Sweden:	Statistiska centralbyrån

Appendix 4.

Messe Frankfurt's Tech textile ⁴

DESIGNATION	END-USES	APPLICATIONS
Agrotech	agriculture, gardening, forestry	cover, protection, collection, fishing, tying
Buildtech	construction building components	protection display, textile constructions,
Clothtech	technical components for clothing and shoes	shoe components, insulation, structure, sewing products
Geotech	geotextile and road construction	Stabilisation, separation, drainage, soil reinforcement, erosion control, linings
Hometech	furniture components, upholstery, floor coverings	carpet components, furniture components, cleaning, filtration, tickings, composites
Indutech	filtration, cleaning and other industrial applications	filtration, cleaning lifting, pulling, electrical components
Meditech	medical and hygienic textile	Cleaning, Coverstock, wound care, protection
Mobiltech	automotive industry, marine construction, railroad and aviation	Safety, trim, insulation, floorcovering, protection, composites
Packtech	packaging	bulk packaging, disposable, tying, other
Protech	protection of people and property	Particulate protection, chemical protection, flame retardant, cut resistant, outdoor use, other
Sporttech	sport and leisure camping equipment, other	Luggage components, sports equipment,
Oekotech	products for environment protection	Products extracted from above

⁴ Techtextil / David Rigby Associates

Appendix 5.

Collaborating organizations for the report

TEKO, The Swedish Textile- and Clothing Industries' Association.

The Swedish Textile and Clothing Industries Association (TEKO) is the joint sector and employers' organization for the Swedish textile and clothing industry. TEKO represents the sector nationally and internationally regarding all questions of common interest for the Swedish textile industry. The main tasks of the organization are to supply information and service to their members. The core areas of TEKO are contractual areas, labor law and areas regarding the environment and the EU.

The Marketing Academy Student Association

The Marketing Academy is an independent student association of the Stockholm Business School at Stockholm University. It is a one-year experience offering the opportunity to gain more practical knowledge and experience in order to complement the theoretical skills of the students. This is done through company visits and lectures where representatives from the industry teach us the trends and share useful tools. These skills are then applied on problem solving cases for companies where the students provide the companies with their creative thinking and knowledge.

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DENNA RAPPORT

är ett resultat av ett samarbete mellan TEKO, Sveriges Textil- och Modeföretag och Studentföreningen Marknadsakademien. Initiativtagare till rapporten är TEKO och studenter från Marknadsakademien har genomfört undersökningen och författat rapporten.

Rapporten presenterar en sammanfattning av:

- Textilindustrins värdekedja och sammanfattning av industrins olika delar.
- Industrins totala omsättning för åren 2010–2013 och omsättningen uppdelad i inhemsk marknad och exportmarknad.
- Lönsamhetsanalys.
- Uppdelning av textilindustrin utifrån företagens storlek.
- Anställda och sysselsättning.
- Resultat från telefonintervjuer gjorda med ett urval av TEKO:s medlemsföretag, som tar upp företagets syn på export, utmaningar och möjligheter i branschen, samt synen på innovation och framtid.

THIS REPORT

was created in collaboration between TEKO, The Swedish Textile- and Clothing Industries' Association and the Marketing Academy Student Association. The initiative comes from TEKO and students from the Marketing academy conducted the writing and the research of the report.

The report provides a brief summary of:

- The textile industry's value chain and the different parts of the industry.
- Total turnover of the industry for the years 2010–2013 and the turnover divided in domestic market and export.
- Employment.
- A breakdown of the textile industry in terms of size of enterprise.
- Results from phone interviews conducted with TEKO member companies, which discuss the companies' views on export, challenges and strengths of the textile market as well as innovation and vision of the future.