The Dutch market for clothing

Description of the Dutch clothing sector

A period of recession in the last few years caused major problems for clothing retailers, of which several ones have gone bankrupt. However the Dutch economy has picked up pace again and the outlook for the clothing sector has become more positive.
The strong competition on the Dutch clothing market and the negative economic climate have created downward pressure on the prices paid for clothing. Currently, prices in The Netherlands are some 15 percent below the average in the EU and significantly lower than in neighbouring countries.

Table 1: Comparative price levels in 2003, EU-25 = 100

	Clothing	Women's wear	Men's wear
Italy	112	112	111
Germany	106	105	107
Belgium	106	105	107
Spain	100	102	94
France	93	95	89
United Kingdom	90	90	91
The Netherlands	**85**	**84**	**86**

Source: Eurostat

In The Netherlands, there are currently some 11,000 outlets in the clothing sector, of which about 62 percent are specialised in clothing and do not sell any other products.

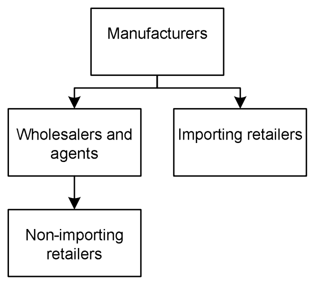
Table 2: Market shares in the clothing sector, % of value

	2000	2004
Specialists	**64**	**62**
Retailers with one outlet	32	29
Clothing chains	32	33
Non-specialists	**36**	**38**
Department stores	11	10
Textile supermarkets	4	5
Sports equipment stores	4	5
Home-shopping companies	4	5
Supermarkets	1	2
Street markets	3	2
Other	9	9
Total	100	100

Although slightly declining in market share, the specialist stores still play a very important role on the Dutch market, which is rather unusual for the EU. Specialists face limited competition, mainly from department stores, with home shopping and (textile) supermarkets playing a minor role. These unique characteristics of the retail landscape in the Netherlands mean that distribution channels of clothing differ greatly from those found in most other Western European countries.

Trade channels / distribution

The most important trade channels for the clothing sector in the Netherlands are described in the following (simplified) figure



Source: Textilia

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Independent retailers and smaller chains mostly buy from wholesalers or agents of producers directly. The larger retailers increasingly wish to integrate their suppliers in their value chain. This chain integration is accomplished through either outsourcing their production to selected manufacturers that produce according to their specifications, or importing through buyer groups.

Brand retailers are companies that design and market clothing under a specific brand name. International examples are Armani and Diesel. Under this brand name, the companies outsource the actual production of clothing according to their brand specifications. The products are then sold through retailers, or increasingly through their own stores. The largest brand suppliers in the Netherlands are Mexx (sold in 2,082 stores) and Esprit (sold in 1,953 stores)[1].

Buyer organisations are co-operations of retailers that usually do not have specific brand names and aim at realising advantages for their members when sourcing products. The Netherlands have several of such organisations, of which the most important ones are mentioned below. Approximately half of all specialised Dutch retailers are affiliated to one of these organisations.

Sourcing and outsourcing

The once vibrant clothing manufacturing sector in the Netherlands has virtually disappeared to countries with lower production costs. The sector now focuses on the design and sourcing of products.

There are several factors that play an important role in the choice of the location for production. Low costs of wages are not the only criterion for selecting where to outsource production. Besides low wage costs, other factors include:

- Physical distance to the market;
- Reliability;
- Flexibility;
- Volume of series; and
- Possible range of sizes.

The Bra-war with China

The liberalisation of the trade in textiles and clothing (abolishment of the Multi Fibre Agreement) led to a, for certain sectors explosive, growth in import from China to the Netherlands in early 2005. Strong outcries from Southern European textile manufacturers, led to the reintroduction of quota in June 2005. The resulting conflict (the so-called "bra-war") created strong delays in the supplies from China and caused considerable damage to the Dutch retail sector. This conflict has created a dent in the image of China as a reliable clothing producer and is likely to affect the number of orders from the Netherlands.

Source: Economisch Bureau ING

Especially the relatively short distance to the Netherlands gives Latvian manufacturers a distinct advantage over its Asian competitors, since it enables them to quickly adapt to the wishes of their purchasers.

Entering the market as supplier of manufactured clothing is facilitated through the increasing transparency of markets. However, the demands of purchasers are growing and increasingly ask for a pro-active role of manufacturers.

A large retailer like Zara expects to introduce about 10,000 to 12,000 new articles annually. This can only be realised by reducing the time between design and actual arrival on the shelves to three to six weeks maximum. This calls for a good coordination between the designer and the manufacturer. The latter is required to be fully able to deliver according to the Just-In-Time concept.

Specific requirements

Suppliers are expected to strictly adhere to the quality standards set by the purchasing retailers and the appropriate EU product legislation. This legislation relates to care labelling (ISO 3758), dimensional stability (e.g. ISO 3759 and 3175), mechanical and physical properties (e.g. ISO 9290) and colour fastness (ISO 105). In addition, The Netherlands applies specific legislation for the use of CERTAIN chemical products in the production of textiles. This legislation also covers imported clothing and relates to the use of azo-dyes, formaldehyde in textiles with skin contact and PCP. More information about these requirements can be obtained through the CBI (see below for contact information).

For more information on market opportunities in the Dutch market for clothing, please contact the Latvian Investment and Development Agency.
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