SIPPO
Swiss Import Promotion Programme

The European market for value added textiles from Sri Lanka

Market Study by ProFound – Advisers In Development

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1. Value added textiles

1.1 Value added textiles defined

Whilst a number of definitions exist for Value Added Textiles, broadly they can be summarised as textile products that are differentiated in one or more of the following ways:

- Increased technical performance or functionality achieved through.
    - Construction
    - Materials
- More sustainable
- Added features including superior /innovative design.
- Higher quality

The first two aspects of value-added textiles are both increasingly moving from niche to mainstream and are cutting across all price and value segments.

1.2 Requirements

Within the VAT sector, Europe is one of the most forward-thinking and exacting markets with regards to sustainability, product safety and supplier service levels. Requirements can be categorized as follows:

- Legally mandatory requirements
- Non-legally mandatory requirements (buyer requirements)
- Implicit/value-adding requirements

Sustainability has become one of the most important topics on the official European agenda and textile-specific actions and policies have now entered the EU legislative sphere, with a heavy focus on chemicals management, worker safety and circularity. Companies are being forced to make sustainability central to their strategy. They are making public their policies, pledges and targets, whilst other stakeholders – including consumers - are holding them to their commitments. The introduction of such legal measures is formalising the sustainable transition and irreversibly shifting sustainable production from a nice-to-have to a legal requirement for doing business with the EU.

1.2.1 Legal mandatory requirements – EU and Switzerland

Whilst most legal requirements are relevant across all categories, some categories, such as children's wear, have specific legal requirements when it comes to product safety and restricted chemicals. Suppliers should keep up to date – and ensure compliance - with relevant legislation, a comprehensive overview of which can be found via the EU Access2Markets online helpdesk.

Product safety and protecting consumer interests

Key legislation relating to product safety and protection of consumer interests includes, but is not limited, to:

- EU General Product Safety Directive (GPSD: 2001/95/EC)
- Swiss Federal Law on Product Safety - Bundesgesetz über die Produktesicherheit
- EU specific standard for the safety of children's clothing and babywear
- EU and individual country legal requirements for flammability including The Netherlands and Switzerland (in German).
- EU Regulation 1007/2011 regarding textile product labelling and marking of fibre composition.

Chemicals management

EU legislation on chemical substances is among the most comprehensive regulatory frameworks globally and is supported by an advanced body of knowledge. Registration, Evaluation, Authorisation and Restriction of Chemicals (**REACH**)[1] is an EU regulation which addresses the production and use of chemical substances and their potential impacts on both human health and the environment. To comply with the regulation, companies must identify and manage the risks linked to the substances they manufacture and market in the EU. Globally, REACH is the strictest law to date relating to chemical substances and affects all companies supplying VATs to EU. The full list of substances restricted by EU REACH can be found here.

Entered into force in 18th May 2005, the **Swiss Chemical Risk Reduction Ordinance** (ORRChem) prohibits or restricts the marketing and use of certain hazardous substances. In some instances, Swiss regulation goes beyond REACH regulation. For example, Switzerland already regulates PFHxS, its salts and PFHxS related substances (one of many compounds collectively known as per-and polyfluoroalkyl substances or PFAS) – a measure that is under consideration in the Stockholm convention and is only planned to come into force in the EU under REACH regulation in 2025-2026.

Not complying to REACH will result in no export to EU and not complying with ORRChem will result in no export to Switzerland. In case a shipment is tested and does not comply then these good will be returned/rejected.

Transparency

With new legislation, brands and retailers are required to measure the social and environmental impact of their activities and prove the authenticity of their sustainability claims. In order to achieve this, they will need to have full transparency throughout their supply chain. Up until recently, due diligence was limited to audits of tier 1 suppliers (garment manufacturers) and was carried out on a voluntary basis. However, it will soon be a requirement to be able to trace back materials – and measure the impact of production processes - all the way to fibre production.

The European Commission adopted a proposal for a **Directive on Corporate Sustainability Due Diligence.** Companies will be obligated to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights and the environment. In order to identify and monitor the business practices of their supply chain, European companies may require specific due diligence documents to be shared by Sri Lankan exporters which may include contracts, codes of conduct or proof of independent certification.

New obligations related to **Swiss Human Rights Due Diligence Legislation** will apply for the first time in the business year of 2023. As part of their reporting obligations, Swiss companies are required to report annually on environmental aspects (especially CO2 targets), social affairs, labour rights, human rights and corruption.

Under a newly proposed anti-deforestation law, companies that sell leather to the EU will need to have a fully transparent supply chain, verifying exactly on which land the cattle was raised.

1.2.2 Non-legal mandatory (buyer) requirements

Whilst complying only with legal requirements does not preclude doing business with some European and Swiss buyers, most buyers have additional, non-negotiable terms and conditions for their suppliers. Some of these go above and beyond the legal requirements. Although these requirements are non-legal, they are still mandatory and generally include standards and certifications regarding raw materials testing, product

[1] Website European Chemicals Agency

performance, product safety, quality levels, quality control processes, labelling, sizing and environmental and/or social impact. The below is a non-exhaustive list:

- Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL)
- Social and/or environmental certification (product or facility level)
- Code of Conduct (a document that sets out obligations of suppliers regarding social, economic and environmental risks)
- Testing for REACH compliance
- Testing for product quality, safety and physical performance
- Payment conditions
- Packaging instructions
- Acceptable quality limit (AQL)
- Buyer manual
- Sampling requirements
- Open costing
- Audits

Voluntary standards and certifications provide guidelines and minimum compliance criteria. They also help companies to measure and communicate their sustainability standards and progress to other stakeholders in the value chain. As a result, suppliers are often required to be certified and/or prove compliance to standards. The type of certification required will depend on the buyer and the product/material.

Two **chemical management standards** go beyond REACH legislation to provide even stricter guidelines for the use of banned chemical substances. Buyers are increasingly adopting these voluntary standards into their own RSLs and MRSLs as requirements for their supply chain partners:

- **AFIRM's** Restricted Substances List
- The **ZDHC** Manufacturing Restricted Substances List

Many **product-level certifications** cover all textile product types such as STANDARD 100 by OEKO-TEX®, Cradle to Cradle Certified® (C2C), EU Ecolabel. It is important to study the required certifications by the target market and customers. In case you would like to open a new market compliance to the requirements is crucial.

In addition, different product sub-groups may have their own standards and certifications such as Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS) and Recycled Claim Standard (RCS), Forest Stewardship Council (FSC), Better Cotton (BCI), Responsible Down Standard (RDS), and Responsible Wool Standard (RWS). In case a buyer requests such a certification compliance is the criteria for doing business.

Facility-level social compliance standards are based on internationally recognised principles and standards of decent work and/or national laws. Examples include: Amfori Business Social Compliance Initiative (BSCI), SEDEX (Supplier Ethical Data Exchange), WRAP, FAIRWEAR Foundation (FWF) and SA8000 by Social Accountability International (SAI). It is important to study the required certifications by the target market and customers. In case you would like to open a new market compliance to the requirements is crucial.

Facility-level environmental compliance certification is appropriate for facilities at all stages of production who wish to communicate their environmental measures externally in a credible way. Examples of environmental compliance certifications and systems include: ISO 14001 Environmental management, Bluesign® and STeP by OEKO-TEX®.

Buyer certifications are based on buyer's individual priorities and company strategy. This differs for each buyer. In case you target a new buyer, it is important to research the buyer's certification requirements to understand if you will be able to comply. Non-compliance will ultimately prevent you from starting business.

1.2.3 Implicit/value-adding requirements

There are certain value-adding services that European and Swiss buyers may not explicitly require but may implicitly expect, or at least highly appreciate, from their supplier-partners:

- Speed to market
- Flexibility
- Product design and development (including finishes, techniques)
- RMs sourcing and development capabilities
- Disclosure of upstream supply base and sourced materials
- Self-assessment

Self-assessment tools allow companies to understand the impact of their materials and design choices, benchmark their social and environmental performance and work towards continuous improvement. The Higg Index comprises a core set of five tools that together assess the social and environmental performance of the value chain and the environmental impacts of products.

Around 200 hundred brands used the Higg system in 2020 to measure their performance and 500 more have committed to implementing it by 2024[2]. Currently there are 60 manufacturer-members. Suppliers that can prove a willingness and ability to assess the impact of their own activities can offer their buyers a lot of value.

1.2.4 Future impact of current and proposed legislation on buyer requirements

Circularity is a major focus for existing and upcoming legislation in EU. The EU commission has identified the resource-intensive textiles sector as a priority sector which can help the EU pave the way towards a carbon neutral, circular economy by the year 2050 (goals set by the ***European Green Deal*** strategy and roadmap).

The ***EU Strategy for Sustainable and Circular Textiles*** (a building block of the Green Deal) comprises a set of initiatives which aim to reduce pressure on natural resources by transforming the design, production and consumption of textile products so that no waste is produced. It outlines a vision whereby:
"*By 2030 textile products placed on the EU market are long-lived and recyclable, to a great extent made of recycled fibres, free of hazardous substances and produced in respect of social rights and the environment…..In a competitive, resilient and innovative textiles sector, producers take responsibility for their products along the value chain, including when they become waste. The circular textiles ecosystem is thriving, driven by sufficient capacities for innovative fibre-to-fibre recycling, while the incineration and landfilling of textiles is reduced to the minimum*".

Policies and schemes that hold producers responsible for the costs of managing their products at end of life (***Extended Producer Responsibility***) encourage brands and retailers to design for circularity in order to prevent waste at the source. For example, the Netherlands will introduce an EPR scheme for textiles in 2023. Under this scheme, the Dutch government has set the following targets in order to arrive at a fully circular economy by 2050[3]:

[2] Website Financial Times

[3] Utrecht University report – Transition to Circular Textiles in the Netherlands

- By 2025: The share of recycled sustainable materials in textile products is 25% and 30% of post-consumer material is recycled.
- By 2030: All textile products sold in the Netherlands contain 50% sustainable materials of which at least 30% is recycled content. 50% of post-consumer material is recycled.

As the demands of the market evolve and legislation becomes more targeted, so the market participation requirements for producers are also evolving.
As a result of the EU Green Deal and other directives and legislation, brands and retailers are increasingly being held to account for their impact along the entire supply chain. Apparel producer activities and services that are currently considered to be value-adding will in the future become mandatory requirements and conditions of doing business.

Going forward, all supply chain players will increasingly be required to:

- meet higher standards (both legal and non-legal) of quality and compliance.
- take responsibility for managing risks in their supply chains.
- disclose information about raw materials, practices and upstream supply chains.
- demonstrate proactivity and improved capabilities in sourcing and implementing more sustainable and circular raw materials, techniques and technologies.

Specific activities that suppliers will be expected to engage in include:

- Raw material sourcing capabilities (sustainable and high quality, durable materials)
- Designing products for circularity and recyclability
- Use / sourcing of biodegradable, organic and other more sustainable materials
- Use / sourcing of recycled fibres and materials
- Collection and reuse of pre-consumer (post-industrial) waste
- Supply chain and product traceability
- Reduction in chemical use / improved chemicals management
- Measuring environmental impact of production processes/carbon footprint

Change can be an opportunity: companies that are able to meet and exceed tomorrow's sustainability requirements will have a huge competitive advantage and reap the benefits of the sustainable transition. Business Service Organisations (BSOs) have an important role to play in facilitating the implementation of measures.

1.3 Trade Relations

1.3.1 General Scheme of Preferences

Since 2017, Sri Lanka has benefitted from the EU's Generalised Scheme of Preferences Plus (GSP+) which gives certain developing countries a special incentive to pursue sustainable development and good governance. In return for a complete elimination or reduction in tariffs for a large number of products (including apparel), Sri Lanka is expected to implement conventions on human rights, labour rights, the environment and good governance.

However, "yarn-forward" rules of origin (yarns must originate in the territory of the free trade agreement except under certain circumstances) greatly impacts the extent to which these preferences are utilised by exporters. Less than 50% of eligible apparel imports into the EU make use of the reduced duties granted to

GSP+ beneficiaries, a much lower utilisation rate than other sectors[4]. This is likely to be the result of the fact that Sri Lanka does not have significant fabric or yarn producing capabilities.

As the GSP scheme offered by Switzerland is similar to that of the EU, some synergies exist including:

- Cumulation of origin – materials originating in Switzerland which undergo more than a minimal operation in a beneficiary country are considered to originate in that beneficiary country and may benefit from preferences when imported into EU, Norway, Switzerland or Turkey
- Many criteria and Rules of Origin
- Shared system of certification of origin by registered exporters (EU REX system was adopted by Switzerland)

1.4 Sector trends creating challenges and opportunities

The global apparel industry is fast changing from a brand/supply-driven model to a consumer/ demand-driven one, facilitated by technology-driven accessibility and connectivity, constant inspiration via social media and less brand loyalty, especially amongst younger generations.

Trends are primarily driven by Millennials and Generation Z. They are seeking alignment with brands, specifically with regards to sustainability and human rights issues, value for money, product authenticity, newness, convenience and functionality. EU and Swiss brands and retailers are recognizing that they need to become more responsive to consumers' needs and new business models are emerging as a result.

1.4.1 Embedding sustainable and circular principles into business models

The environmental and social impact of the apparel manufacturing industry is increasingly well understood. Initiatives such as Fashion Revolution and Clean Clothes Campaign are putting these issues in front of consumers and governments alike, which is creating pressure (both legislative and non-legislative) for brands and retailers to take responsibility for their own waste and impact as well as the monitoring of their supply chains. As a result, sustainability and compliance are increasingly incorporated into their core business strategies.

Brands are emerging that put sustainability at the centre of their brand and products. A growing number of premium consumers across lifestyle segments are willing to pay more for products that are more sustainably produced by such brands that are aligned with their values on sustainability issues. According to Forbes, the majority of Generation Z (54%) state that they are willing to spend an incremental 10% or more on sustainable products, with 50% of Millennials saying the same. This compares to 34% of Generation X and 23% of Baby Boomers[5]. At the same time, many more price-conscious consumers expect brands to improve the sustainability of their materials without any impact on price, colour variation, performance or ease of care.

The focus and extent of sustainability-related initiatives differ between segments. Paying a higher price for luxury goods does not necessarily mean that they are ethical or eco-friendly. Several young and emerging premium brands have created brand identities that centre around environmental and social awareness. In addition to more sustainable fabrications, buyers in this segment are also focusing heavily on developing more

[4] https://gsphub.eu/country-info/Sri%20Lanka

[5] https://www.forbes.com/sites/gregpetro/2020/01/31/sustainable-retail-how-gen-z-is-leading-the-pack/?sh=63fa3f9a2ca3

sustainable packaging material options. Sustainable fashion brands in this segment include Organic Basics, ASKET, Mud Jeans, Ecoalf, Kings of Indigo, People Tree, Armedangels and Pangaia.

Large mainstream fashion players in the budget and lower-middle segments are incorporating more established and readily available sustainable materials into their collections, such as organic cotton, recycled cotton and recycled polyester, at prices that do not differ significantly from the core collection. Many of these European brands and retailers have published ambitious ***materials use pledges*** and targets. For example, Inditex has published its commitment to achieving 100% use of more sustainable cotton by 2023 and 100% use of sustainable or recycled linen and polyester by 2025.[6]

The promotion of sustainable and healthy lifestyles is a core part of the brand identity of sportswear, activewear and outdoor wear brands such as Helly Hansen, Houdini, Haglöfs and Fjallraven. This explains their natural fit with environmental awareness. Petroleum-based synthetic materials and performance finishes are widely used in these segments and there is a lot of motivation for the development of sustainably produced high-tech performance fabrics.

Brands are developing strategies to ensure supply chain transparency and compliance as well as to differentiate themselves by going "beyond compliance" and developing more sustainable business models.

TIP: Check out the websites of your target brands/retailers to identify how they are marketing themselves to the end consumer in terms of sustainability. This might include certifications, impact measurement, traceability of raw materials, community projects in production locations and/or materials use pledges). Think about how you could add value.

1.4.2 Designing for circularity

Within the circular value chain, products should be designed for a cycle of reuse and multiple and extended product lives, whether that be through increased durability, resell, recycled inputs, renewable inputs or recyclability. Although not strictly part of the circular economy (because they are not used again to make new products), biodegradable materials have a role to play in supporting the circular economy through the reduction of pollution.

Fibres can be recycled from pre-consumer waste (e.g. fabric scraps from the cutting room) and/or post-consumer waste (garments used and discarded by consumers). Fibres can also be produced from the recycling of other materials (such as plastic bottles) to make new fabrics.

Polyester is the most popular material used in the fashion and textile industry. This reliance on virgin fossil-based materials is damaging to the environment. However, there is no alternative fibre that could currently absorb this demand. As a result, the 2025 Recycled Polyester Challenge – led by Textile Exchange which has more than 800 member organisations- is calling for the fashion and textile industry to increase the market share of polyester that comes from recycled sources from 14% in 2019 to 45% in 2025.[7]

The industry is rising to meet the growing demand for recycled material. Examples of innovative solutions in the area of recycled materials include Recover™ (branded recycled cotton fibre), ECONYL® (high quality and high performing nylon made from nylon waste e.g. old carpets or fishing nets) and Circulose® (from upcycled cellulosic textile waste such as cotton clothes).

[6] Website Inditex

[7] https://textileexchange.org/2025-recycled-polyester-challenge/

However, major barriers to the recyclability of garments and textiles currently exist which is one reason for the much bigger focus to date on recycled materials as a route to circularity. These barriers include:

- Underdeveloped collection, sorting, and pre-processing capacities
- Capacities for chemical recycling (e.g of polyester) are not advanced enough for scale.
- Fabric processing - some toxic chemicals used in the dyeing and finishing of fabrics (including water repellent coatings, glues, or anti-bacterial treatment) prevent viable recyclability.
- Low quality fibres used for garment production - fibres with reduced strength and shorter length are challenging for mechanical recycling. Designers should choose good quality materials from the beginning.
- Unrecyclable components and features, for example bondings, heat transfers and silicone prints
- Limitations of recycling technology to handle multiple fibre types/blended materials.
- Time and cost involved in the disassembly, sorting and removal of trims, including threads.

The industry is starting to develop innovative solutions to these barriers to recyclability. These will be explored – where relevant - within the individual product/market briefs.

TIPS:

- Learn about the latest trends and developments in circular RMs and techniques by visiting (online/offline) international fairs and joining webinars discussing circular topics.
- Collect and reuse pre-consumer (post-industrial) waste in special circular collections.
- Follow circular initiatives where brands and innovators share information and innovations (e.g. SAC, Fashion For Good (FFG), H&M Foundation Global Change Award).

1.4.3 Flexibility

In response to consumers' desire for newness as well as differentiation, retailers are moving towards smaller and more frequent collections with less same-style replenishment. The "test and learn" chase model (small initial orders with repeats) is a strategy that many brands and retailers are employing. In parallel, Ecommerce and social media have dramatically lowered the cost of selling and marketing and we are witnessing the rise of the smaller brand. These new online companies often require a different service level. As their buying is based on analysing sales data, they are often looking for suppliers with a high level of flexibility on MOQ, production capacity and speed to market. Key suppliers are those that offer fast response with regards to design, prototyping and raw materials as well as the ability to handle smaller volume orders. One or more of the following approaches may be taken to achieve this:

- 3D visual prototyping
- Keeping NOS (Never out of stock) fabrics to minimise production time.
- Assumption of responsibility for development, testing/certification and approvals by suppliers
- OEM / ODM service models (increased design and product development services)
- One stop shop / broader product scope
- Strategic supplier-buyer partnerships and/or commitments

TIPS:

- Assume more responsibility for raw materials sourcing and development, testing and approvals.
- Build a dedicated team responsible for raw materials sourcing and development.
- Develop and maintain a library of NOS (never out of stock) fabrics to minimise production time.

1.4.4 The rise – and influence – of sports, activewear and outdoor wear

According to a report by Consulting company McKinsey, the global sportswear market is expected to grow 8 to 10 percent a year up to 2025, from € 295 billion in 2021 to € 395 billion in 2025[8]. Fashion brands/retailers (including fast fashion companies) are reacting to the athleisure and activewear trend by creating dedicated collections and/or entire sub brands.

Alongside rising consumer demand for more fashionable sports-and outdoor wear, Athleisure (casual clothing designed to be worn both for exercising and for general use) is also influencing a "blurring" of product lifestyle categories or segments with "performance" technology and fabrics at the heart of this trend. "Traditional" lifestyle and/or product categories including lingerie, outerwear, corporate wear, formalwear and even denim are introducing performance and design characteristics that increase functionality and/or comfort. Examples will be elaborated on in the individual product market briefs.

Materials sourcing and development capabilities are a key driver for companies wishing to differentiate and add value.

TIPS:
- Visit trade fairs and build up (and continuously assess) a network of reliable innovative suppliers.
- Check out websites of brands that share information regarding their raw materials and processes (e.g. ARKET and Houdini).

1.4.5 Transparency

With an increased focus on sustainability and CSR comes a need to build, maintain and demonstrate trust throughout the value chain. More and more systems, tools and technologies beyond traditional audits are being adopted that aim to prove authenticity and origin, disclose information regarding environmental and social impact, verify compliance to standards and/or ensure that fair prices are being paid, including:
- Certifications and labelling
- Blockchain
- Supply chain mapping tools (e.g. Sourcemap, Supplyshift, ChainPoint, Amfori BEPI)
- Supplier lists
- Self-assessment
- Open costing

Brands are starting to measure and publish information at point of sale regarding to what extent they have been able to trace the raw materials used in their products, the environmental impact of their products and even the cost. Opportunities are increasing for suppliers to differentiate themselves and add value by focusing on creating a fully transparent supply chain within which impact and progress can be measured.

TIP: Create a supplier database and collect data from your upstream supply chain partners (certifications, costs, audits etc). Summarise and present this information (as well as progress made over time) to your buyers.

1.4.6 Storytelling and social media

Rooted in the movement for an active and healthy lifestyle, sportswear, activewear and outdoor brands in particular tend to have a natural "fit" with branding and promotion via sustainability values and social media.

[8] https://www.mckinsey.com/industries/retail/our-insights/sporting-goods-2022-the-new-normal-is-here

Retailers and brands are engaging more and more with consumers, using "emotional branding", storytelling, ambassadors and influencers via well-developed social media strategies to capture consumers' attention.

On the supply side, there are many opportunities for producers that are forward-thinking. Transparency and storytelling can be equally important in this space as for brands and retailers.

TIP: Create your own sustainability "story" and communicate your values by creating content on your website and on social media

1.5 Summary and recommendations

The research has highlighted that competitive advantage can be achieved by increasing service levels in the areas of (circular) design, sustainable and/or technical raw materials sourcing and development (including packaging and trims), testing, certification and impact measurement.

In particular, materials use pledges published by brands provide tangible and quantifiable targets with which suppliers can align to create their own clear raw materials strategy and points of differentiation.

In addition to general sector trends, the individual product market briefs will therefore have a special focus on product-specific trends, opportunities and solutions relating to the sourcing and development of technical and/or more sustainable raw materials and designing for circularity.

2. The European and Swiss market for jackets made from man-made materials

2.1 Trade

The man-made fibre jacket categories with the highest 2021 value of European imports are the women's and men's ***outdoor*** categories (approx. 4.79bn USD and 4.28bn USD respectively). These include anoraks, windcheaters, wind jackets and similar articles.

The women's and men's ***fashion*** categories are the smaller categories with approx. 2.6bn USD and 965m USD worth of imports in 2021 respectively. These include overcoats, raincoats, car coats, capes, cloaks and similar articles. European imports of products in both segments are growing at a rate higher than the global average.

In terms of (2021) import value, the largest markets are Germany, France, Spain, the Netherlands, Poland and Italy. Scandinavian countries Sweden and Denmark both rank within the top 10. However, producers in developing countries should take the following points into consideration when deciding which markets to target:

- Germany, France and the Netherlands are highly competitive markets.
- Germany has very strict requirements for compliance, testing and certification (it has its own social and environmental standard, the Grüner Knopf label which is displayed on garments at point of sale)
- Much of Spain's imports can be attributed to a few large international retailers and the import statistics do not reflect the country's relatively low GDP and underperforming local market.
- With low GDP and wages, Poland is not a market for more complex, value-added and labour-intensive products.

Although Norway and Denmark have a population under 10m and Sweden's population sits at just over 10m, all three countries have high GDP and high average wages. Consumers are willing to pay more for value-added (particularly sustainable) products, and standards are amongst the highest within Europe regarding CSR and quality. These countries can easily be served together.

Figures 1 and 2 show that despite a drop in Scandinavian demand in 2019 and 2020 for fashion jackets and a drop in 2020 for outdoor jackets (to some extent COVID-19 related), demand rose again in 2021 and (with the exception of the Norwegian fashion market) the region experienced healthy overall growth during the 2017-2021 period.

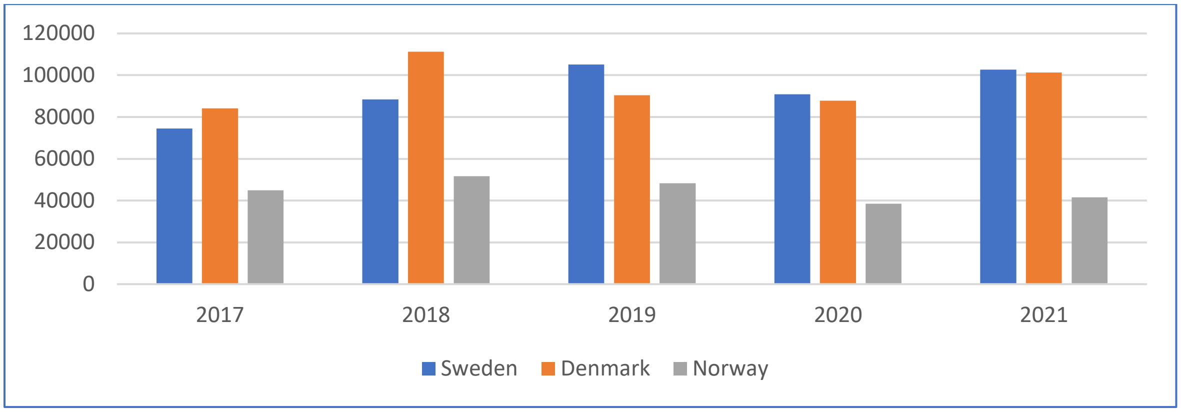

Figure 1 Scandinavian imports of man-made fibre fashion jackets (thousand USD)

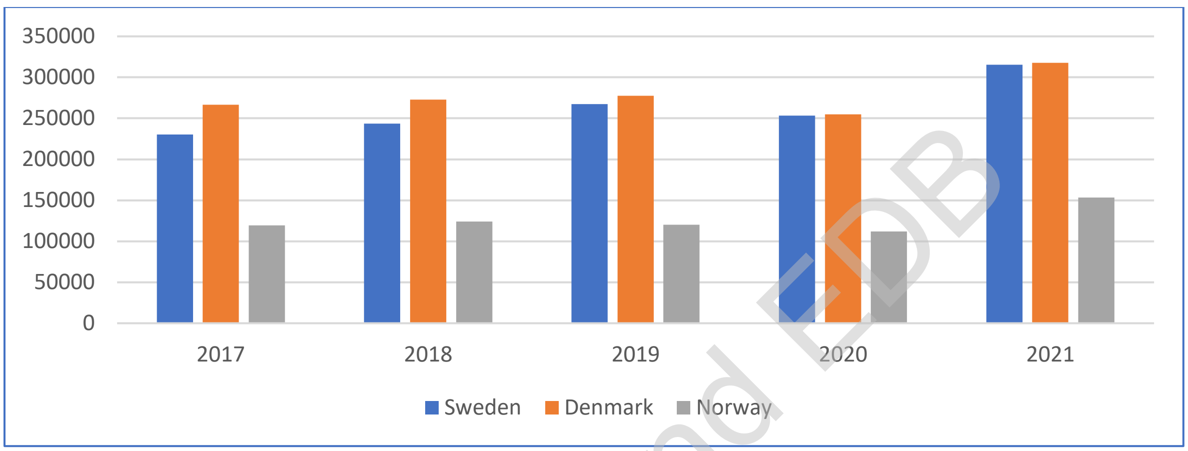

Figure 2 Scandinavian imports of man-made fibre outdoor jackets (thousand USD)

In terms of value of exports to EEA in 2021, Sri Lanka ranked as low as 54th and 73rd for fashion and outdoor jackets respectively. The leading fashion jacket exporter is China with a 23.3% market share. It is interesting to note that China's exports grew in the period 2017-2021. However, whilst for women's fashion jackets the growth rate was less than the global growth rate (and China lost market share), for men's fashion jackets the growth rate was more than double the global growth rate and China increased its market share. This indicates that full design service and OEM manufacturing is important in the (man-made fibre) fashion jacket market, particularly for the non-luxury segments, China being a significant producer also of these kinds of fabrications.

For the outdoor jacket segment, leading exporter-producers are China (with a 25.6% market share) and Bangladesh. China's exports fell in the period 2017-2021 across both men's outdoor jackets (-7.5%) and women's outdoor jackets (-11.6%) contributing to a decrease in market share of as much as 10 percentage points for both categories. This is creating opportunities for other countries as Bangladesh does not have enough capacity and sourcing from Myanmar (to which a significant proportion of jacket production was shifted during the 2017-2021 period) is stagnating due to problems associated with the military regime.

2.2 Consumption

2.2.1 Outdoor-to-Urban trend

In recent years in the jackets category, there has been a blurring of formal, fashion and function with the emergence of coats in utility styles and more formal or fashionable coat and jacket styles with basic technical features including, but not limited to, shower/water resistance, detachable hoods, 2-way zippers, stretch zones and zip out inner jackets. Scandinavian outdoor brands are also developing products with cleaner lines and sharper, more fashionable silhouettes.

2.2.2 Acceptance of synthetics

Within the man-made fabric segment, garments designed specifically for outdoor pursuits are generally higher value added due to the inclusion of various performance features, technical fabrications and functionality. Fashion jackets for the European market on the other hand have traditionally achieved value addition through superior tailoring and the choice of high-quality fabrics such as wool and wool blends rather than man-made fabrics.

Both the European men's and women's fashion categories experienced import growth during the period 2017-2021 with the women's category experiencing an increase in value of imports of 33.3% compared to the global average of just 13%. This indicates that the European market for non-luxury materials in fashion jackets is growing, most likely in line with consumer preferences for ease of care and convenience as well as increased performance functionality.

2.2.3 Environmental consciousness amongst outdoor wear

With a love for the outdoors central to both consumer and brand interests, the outdoor segment has been at the forefront of campaigning, and innovating, for increased environmental sustainability in products and processes, led mainly by Scandinavian brands. Most outdoor jacket products make extensive use of synthetics to achieve higher performance functionality which have a significant negative environmental impact during production, use, and disposal:

High energy consumption and extensive use of fossil fuels involved in the production of polyester and other synthetics such as nylon led to non-renewable resource depletion and a high level of Greenhouse gas emissions. More than 50% of textile fibres used within the fashion industry are made from oil-based polyester[9] and an even higher percentage is used within the outdoor market which includes jackets.

Microplastics pollution occurs mainly through the washing of synthetic textiles but can also occur through manufacturing, use, and landfilling of garments. Toxic chemicals in microfibers (a type of microplastic) poison marine wildlife and the plastic enters the food chain after being ingested by small organisms. Synthetic fibres are also not biodegradable and can take centuries to decompose.

2.3 Trade structure and distribution channels

There are various channels through which jackets are sold on the European market (see Figure 3). Some suppliers and buyers use multiple channels in parallel to take advantage of opportunities and minimise risks. The choice of channel will depend on factors such as product competitiveness/price level, innovation level or end market.

[9] Environmental Sciences Europe report – Analysis of the Polyester Clothing Value Chain to Identify Key Intervention Points for Sustainability (2021)

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries and even directly to consumers. However, as the supply chain gets shorter there is also more risk for the manufacturer.

A more direct distribution channel makes sense for producers of lower added value jackets targeting the budget or lower middle market segments in order to increase margin. Online platforms such as Alibaba, Wish, Amazon or Wolf & Badger sell products from independent brand-manufacturers to end consumers in Europe. Manufacturers need to invest in a web shop, stock, order management and customer service. The biggest challenge for manufacturers is return policies and a lack of brand awareness, making it difficult to find buyers outside the budget market. It is important to note that large budget/middle-market retailers and supermarkets have increasingly strict requirements for compliance.

On the other hand, building relationships with intermediaries such as ***private label companies and full-service vendors*** (who handle the whole process from product design to quality control to import) can help smaller manufacturers access the European market whilst helping them to build knowledge and capacity. This is a particularly suitable channel for value-added jackets with a higher specification and/or customers that require higher levels of compliance.

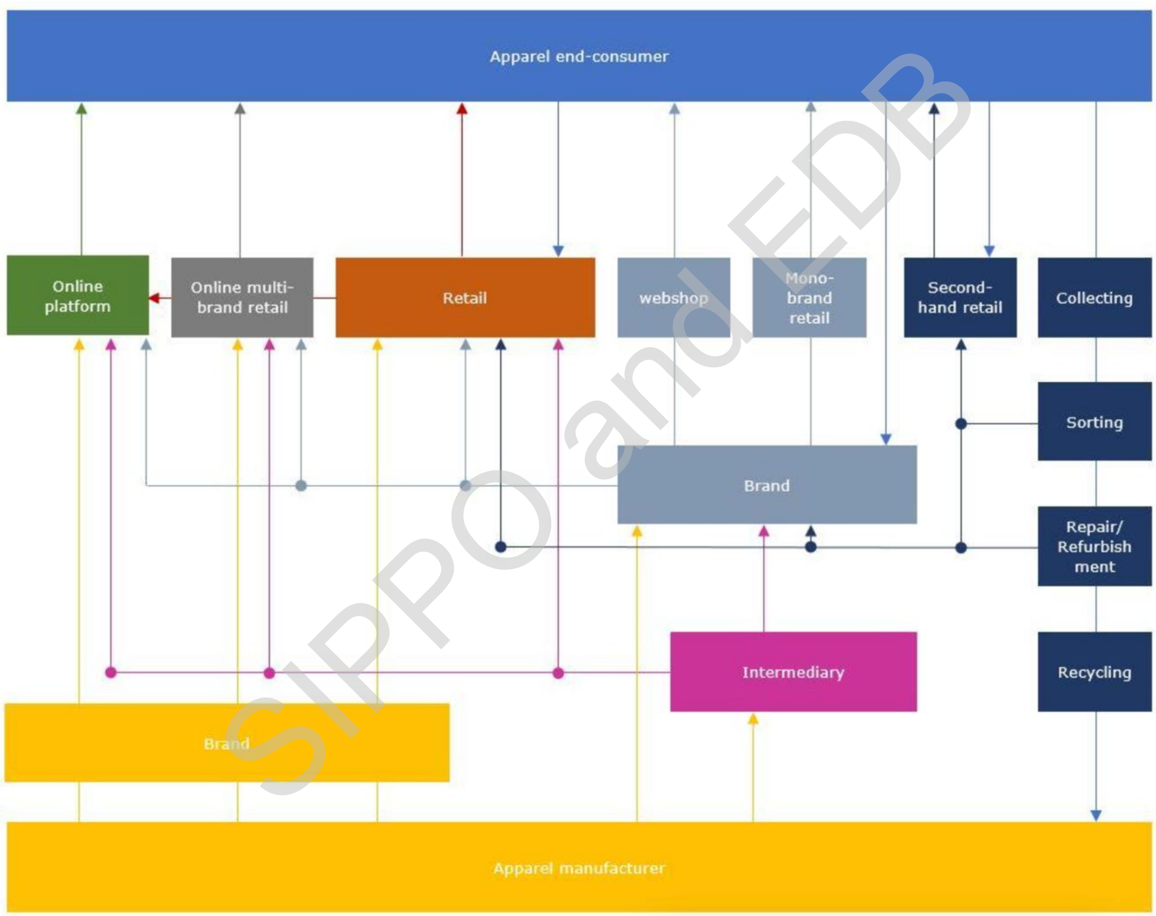

Figure 3 Distribution channels for apparel on the EU and Swiss market

2.3.1 Buyer relationships and servicing different types of buyers

Different buyers can be distinguished by their role and place within the value chain. These factors determine the challenges they face in the market as well as their needs, requirements and the way in which they do business. Each type of buyer requires a specific approach from its suppliers. It is important to choose the right channel based on the factory's individual capabilities as well as the end-market segment(s).

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries. However, as the supply chain gets shorter, in addition to more margin, there is also more risk for the manufacturer.

End consumers (reached directly via online platforms such as Alibaba, Wish, Amazon or Wolf & Badger are a difficult target group because of complicated customer service demands.

Independent brands typically develop a collection 12 months in advance. A manufacturer will need a large sample room as brands require salesman samples (SMS) of each collection style to then present to various retailers and collect orders. Every sample needs to be actual: meaning it must look exactly like the product will in the shop, with branded hangtags and accessories. It may take many months before orders are placed. This sales process can cause delays to production as well as uncertainty in forecasting quantities, including for raw materials.

Smaller (niche) brands will most likely require manufacturers to service them with stock. This can be done in two ways:

- By keeping stock material and trims that will create great flexibility and fast delivery
- By keeping ready-made stock in a warehouse in Europe

Larger, ***own-brand retailers*** and department stores have total control over all aspects of product design, development, labelling, distribution and marketing. Many of these retailers have buying offices in production regions in order to better monitor product development, production and quality. Usually offering high order quantities, they are looking for, and are able to demand, very low prices and costing transparency from their suppliers. Retailers can place an order relatively easily as they only need one development sample for order confirmation. As developer *and* end buyer, they are able to make fast decisions. However, as a result, their purchasing behaviour may be unpredictable. They also have strict requirements for compliance. Manufacturers will develop a relationship with the buying office or the head office and will offer varying degrees of additional service such as materials sourcing. Supermarkets and Hypermarkets such as TESCO, HEMA and Carrefour and large fashion retailers such as M&S, Zara, C&A and H&M are amongst this group. Manufacturers servicing them are generally large and well established and already have the right certifications in place.

Intermediaries such as ***agents, traders and importers*** act as a 'middleman' between the manufacturer and companies further up the value chain, which means they need to keep their prices close to the factory price. This leaves less negotiation room for the manufacturer. Furthermore, traders require flexibility from manufacturers regarding quantities and qualities.

Building relationships with other, more value-adding, intermediaries such as ***private label companies and full-service vendors*** (who handle the whole process from product design to quality control to import) can help smaller manufacturers access the European market whilst helping them to build knowledge and capacity. This is particularly important for customers that require higher levels of compliance and for more complex, innovative products.

When targeting a new market, it is advisable to start with popular / fast-growing small or medium sized brands. These brands often focus on a certain niche. In the shorter term this strategy may not be profitable, but it will enable a manufacturer to understand the market and trends before they try to open up a larger customer with increased risk. These SME brands are highly profiled in their market and their success is often monitored by the bigger retailers and brands. Therefore, doing business with a fast-growing SME brand can be a perfect door opener.

It is also important to take time to understand the way of working of buyers from individual countries within the EU. Italy is Sri Lanka's biggest trade partner for apparel and to expand existing relationships within this market whose requirements and ways of working are familiar is easier than opening new markets. There are many ways to grow existing exports for example through new services, products, price segments etc. The identification of new geographical markets should always be aligned with current business and products. It is always easier to open "similar" countries, for example France has a similar business culture to Italy and buyers often share the same product requirements (handwriting), including sizing.

2.4 Price and quality

European buyers in the *(man-made fibre)* jackets market are best segmented primarily on the basis of fashion vs outdoor and as a secondary segmentation on the basis of price/quality level.

2.4.1 The luxury fashion market

The luxury fashion segment is rooted in the tradition of luxury natural materials such as wool and cashmere as well as more formal styling. However, in line with the outdoor-to-urban trend, in particular for men's jackets, styles are increasingly incorporating man-made materials and basic technical features for example shower/water resistance, zip out jackets, concealed hood, 2-way zips and 2 ways stretch fabric. Zegna has created its own outdoor collection that combines high fashionability with technical features and Gucci has collaborated with the North Face to design luxurious outdoor apparel capsule collections.

Brands and retailers include: Zegna (Italy), Gucci (Italy), Versace (Italy) and Acne Studios (Sweden)

2.4.2 The premium fashion market

In particular for men's jackets, styles are increasingly incorporating basic technical features in line with the outdoor-to-urban trend, for example shower/water resistance, zip out jackets, concealed hood, 2-way zips and 2 way stretch fabric. Stone Island is an example of a brand that is finding innovative ways to combine technical fabrications and fashionability.

Swedish brand ASKET has built its core values around sustainability and also incorporates a number of more technical performance fabrications and features into its collection including taped seams, layering systems and primaloft insulation.

Brands and retailers include: Emporio Armani (Italy), Max Mara (Italy), Ganni (Denmark), Replay (Italy) and Asket (Sweden).

2.4.3 The middle and budget fashion markets

Some brands in the middle and budget markets produce (in particular) men's jackets with very basic technical features for example shower/water resistance, zip out jackets and concealed hood. In these segments, a few larger retailers such as H&M and C&A are dedicated to sustainable sourcing.

Brands, retailers and groups include: H&M (Sweden), Bestseller (Denmark), Vila (Denmark), Alessandro Zavetti (Italy), Samsøe Samsøe (Denmark), COS (Sweden) and Arket (Sweden).

2.4.4 The luxury outdoor market

Brands in the luxury segment combine high tech functionality with unique, highly fashionable designs. Many styles in the more active collections are highly water and wind proof and/or have a high level of breathability. The most famous super luxury outdoor brand is Moncler (Italy).

2.4.5 The premium outdoor market

The premium outdoor market is dominated by Scandinavian outdoor brands. Sustainability and superior performance are both top of the agenda for these brands. High tech functionality is achieved through both technical fabrics and garment performance features. Many styles are highly waterproof, wind proof and/or have a high level of breathability. These brands are the drivers of research and development in the outdoor market. Products are rigorously tested to assess compliance with performance standards.

Brands and retailers include: Houdini (Sweden), Norrona (Norway), Helly Hansen (Norway), Peak performance (Sweden), La sportiva (Italy), Karpos (Italy), Colmar (Italy), Didriksons (Sweden), Fjällräven (Sweden), Haglöfs (Sweden), 8848 Altitude (Sweden), Bergans of Norway (Norway).

2.4.6 The middle and budget outdoor markets

Whilst compliance with performance standards through rigorous testing is required in the middle and budget outdoor markets, styles tend to be less complex and performance claims and standards are generally lower than the premium segment. For example, zips may be water resistant rather than waterproof and the level of waterproofing achievable is often lower.

Brands and retailers include: Gridarmor (Norway), Ellesse (Italy) , CMP Campagnolo (Italy) and Swedemount (Sweden).

2.5 Opportunities

As a result of rising consumer health and wellness priorities and a high level of consumer awareness of environmental issues, the sustainable outdoor apparel market in particular has strong prospects for growth.

2.5.1 Recycled materials

The industry is scaling up the use of synthetic materials made from recycled inputs rather than virgin materials. During 2021, H&M - a sustainability leader in the fashion segment - increased the share of recycled materials used in its garments from 5.8% to 17.9%.

However, this trend is most significant in the outdoor jackets market where a number of companies are actively collaborating to find new solutions for recycled fabrics and trims. Swedish brand Haglöfs has set an ambitious target to use recycled or renewable materials in 100 percent of its main fabrics by 2025 and almost all of Helly Hansen's nonwoven insulations contain 80% post-consumer recycled polyester.

The majority of recycled synthetic fabrics are made from post-consumer recycled content (PCR) such as plastic bottles, fishing nets and even car tyres.

Limitations exist for recycling polyester fibres because mechanical recycling (the only affordable and scaled option) causes the fibres to lose strength and quality. As of now, it is still quite complex to design a recycled polyester product without the addition of virgin material. Fibre to fibre polyester recycling can be achieved through chemical recycling – however it is currently more expensive than mechanical recycling and must be scaled up to achieve more widespread adoption.

TIPS: Subscribe to industry publications that regularly report on innovation and sustainability (e.g. Just Style or the Sourcing Journal). Learn about the latest trends and developments in raw materials by visiting (online/offline) international fairs some of which are product category specific. A comprehensive list can be found here. ISPO is the leading international trade fair for outdoor apparel.

2.5.2 Industry collaboration and knowledge-sharing

Traditionally the highly competitive fashion industry has hindered collaboration opportunities. However, for sustainability to scale, collaboration is needed, and this is increasingly recognised, especially amongst the sports and outdoor wear segments.

Due to the high complexity and functionality of the product, outdoor brands face a number of challenges balancing performance, functionality and sustainability. As a result, these brands are actively collaborating, investing in research, sharing ideas and joining initiatives to push for solutions to specific sustainability challenges. These brands also recognise that industry wide problems require industry wide solutions.

"We never strive for exclusive rights on a material since we believe that the more companies using functional and environmental materials, the better" states Houdini Sportswear which publishes all fabric details for each collection on its site.

This is creating a lower entry threshold for new brands and attentive suppliers alike.

A few Larger EU fashion retailers such as H&M, Bestseller and C&A are also notable for being very active in this area, however they are the exception rather than the rule for the fashion market.

Initiatives led by the active and outdoor segment include The Microfibre Consortium (TMC), Single Use Plastics Project, Outdoor industry association Climate Action Corps and the Responsible Packaging Movement.

TIP: Check out the websites of brands that share information regarding their raw materials and processes (e.g. ARKET and Houdini).

2.5.3 High level of product diversification

European buyers are always looking for special designs, materials or production methods that will help them stand out in the market, increasingly with regards to combining performance with sustainability. Preferred suppliers are increasingly expected to showcase regular design collections with original designs and fabrications and to incorporate new techniques and technologies for garment construction into those collections.

Because jackets are more complex products, there is a lot of scope for product diversification. The following interesting innovations and functionalities have been applied to jackets across various sub-categories entering the European market. Examples include:

Seam sealing / taping	Stretch zones	Water resistance/proofing
Reinforced/articulated areas	2-way front zippers	3-in-1 jackets/coats
Adjustable hoods, hems etc	Detachable hoods	Recycled polyester/nylon
Breathable fabrics	Handwarmer pockets	Zip-out inner jackets

Media pockets	Lightweight	Chin, storm, wind flaps
Integrated cuffs	Recycled down	Synthetic insulation
Biodegradable fabrics	Body mapping insulation	Down contour construction*
Packable jackets	Thermoregulation	Reflectors
**Allows down to form to the body to enhance thermoregulation*		

Additional functionality can be applied to fabrics and some trims (such as zippers) through coating, taping, membranes, finishes or treatments that make garments dirt/stain repellent, water resistant/repellent and/or windproof.

However, these may raise problems with regards to recyclability and the management of harmful chemicals. In 2017, Greenpeace carried out intensive lab tests on various mountain products including jackets and found unacceptable levels of PFCs / PFAS – substances commonly found in water and/or dirt repellent products - among major brands within the outdoor market. Stricter EU legislation and restricted substance guidelines are being implemented with regards to PFAS (Per and polyfluoroalkyl substances) due to the harmful effects they have on the environment, wildlife and humans.

To ensure quality, functionality and/or environmentally respectful production methods, buyers may require suppliers to source certain raw materials from a preferred supplier. This is particularly true for the outdoor market where not only garments but also trims must perform to a high level in order to be fit for purpose.

Examples for this category include: DuPont for Lycra®, Gore for Gore-tex™, ECONYL® for regenerated Nylon or Waste2Wear® for recycled PET, Polartec for a range of performance fabrics, Primaloft for insulations and performance fabrics, YKK for AquaGuard® water repellent zippers, CORDURA® for reinforced areas of garments and Framis for heat-sealed tapes.

In addition to regular garment testing for compliance with general safety and quality standards, specialist outdoor apparel requires additional testing due to high performance claims and features. The most important standards for the outdoor segment include:

- Water column (measures water resistance levels)
- Breathability

TIP: Suppliers can add value by improving product development capabilities and assuming responsibility for due diligence (pre-production) testing.

2.5.4 Niche segments

Ski jackets have similar product and sustainability requirements to outdoor jackets due to the similar performance functionality required and associated challenges. Being both complex and also seasonal, ski jackets are generally a higher value-added product. Ski jackets are usually sold as part of ski suits.

Poland and Scandinavian countries Sweden, Denmark and Norway experienced significant growth during the period 20170-2021 with Poland's growth reaching as high as 161% and Denmark's 114%.

In terms of exports of ski wear, China experienced significant negative growth (-44%) over the 2017-2021 period and a significant drop in market share, due in part to labour costs. China is increasingly allocating capacity to domestic production across all product categories and local Chinese demand for skiwear is not high enough to prioritise or motivate its manufacture.

In the same period, Myanmar experienced a very high level of growth. Due to concerns over the military regime, opportunities exist for production to move to other countries.

Whilst Germany, France and Italy are all countries with a well-established domestic skiing industry, Poland is increasingly positioning itself as one of the top destinations for skiing in Central-Eastern Europe with 270 ski resorts[10]. The pistes are getting considerably better, and it is a growing market. Skiing in Poland is significantly cheaper than in Western or northern Europe. Demand for skiwear in Poland is predominantly for cheaper, less value-added products in the middle market.

Many of the key players in this segment are outdoor brands and retailers (see below for examples). Specialist ski brands include: 4F (Poland), Toni Sailer (Germany), Dynastar (France), Black Crows (France), Rossignol (France), Salomon (France), SOS (Sweden).

TIP: Ski jackets/suits are a seasonal product with higher perceived added value across all markets. This means that initial target markets could also include more competitive skiing countries such as France and Germany. Ski jackets share many of the functional/performance and construction aspects of outdoor jackets. By starting with this niche, suppliers can develop capabilities and build manufacturing experience and efficiencies allowing them to then target the wider outdoor jacket segment.

2.5.5 Designing products and processes for circularity

Lengthening the garment lifecycle is a key consideration for the design and production of jackets because of the relatively high investment in these garments, particularly in the premium and luxury segments. Scandinavian brands in particular tend towards more minimalistic and timeless looks and colours that endure. There is also a significant 2nd hand market for premium and luxury jackets sold through sites such as vestiairecollective.com, vinted.com and depop.com.

Durability and repairability and their related models are circular practices that are well suited to the technical outdoor wear segment in particular where garments must be of high quality to be able to withstand extreme conditions and consumers often form an emotional attachment to the clothing that allows them to pursue their interests and passions.

Wherever possible, raw materials should be made from recycled inputs in line with the outdoor industry-wide commitment to reduce the reliance on virgin fossil fuel-based raw materials. As recycled polyester and polyamide performance fabrics made from single-use plastic waste are becoming mainstream, brands are looking to explore additional innovative options. ISPO – the leading trade fair for sporting goods and sports fashion - is a good source for information on the latest innovations in recycled inputs and circularity.

Jackets are complicated products with a lot of stitching and components. Outdoor jackets in particular consist of multiple materials, membranes, coatings, adhesives, and trims, preventing economically efficient recycling.

To aid recyclability, outdoor brands and retailers are focusing on solutions to current barriers to recyclability including:

- Mono-materiality within fabrics and garments (e.g. 100% recyclable, multi-layered performance fabrics by Polartec® and Amphitex™)

[10] https://www.skiresort.info/ski-resorts/poland/#:~:text=List%20and%20map%20of%20all,served%20by%20718%20ski%20lifts

- Ease of disassembly (e.g. microwave-dissolvable threads Wear2® Thread)
- Substitution or removal of PFCs/PFAS - toxic chemicals contained in water proofing finishes which hamper recyclability and are harmful to the environment and human health (e.g. **PFC-Free Superhydrophic -** *Amphidry*™ **Yarn and** DIMPORA fluorine-free, waterproof membranes)

Design policies should be based on current recycling technologies with a keen eye on emerging and promising technological development.

Complex jacket products contain many components from various supplier factories. This makes it challenging for brands to know exactly what is in their products. Accurate and reliable data collection throughout the supply chain is critical for the recycling process. Tier 1 suppliers willing and able to monitor materials and processes within their upstream supply chain can have an important role to play.

TIP: Create a supplier database and collect data from your upstream supply chain partners (certifications, costs, audits etc). Summarise and present this information to your buyers.

3. The European and Swiss market for men's underwear

3.1 Trade

The 2021 value of European imports for men's cotton underwear was significantly higher than men's underwear of man-made fibres at approx. 2bn USD compared to 246m USD. The segment also experienced significant growth during the period 2017-2021 at 35.3% whilst the man-made segment had negative growth of -2.5%.

Poland (ranking 5th and 7th for cotton and man-made fibre segments respectively) experienced very high growth in both segments (176% and 117%) in the period 2017-2021. Also bucking the man-made fibre downward trend are Sweden and Denmark, the latter experiencing significant growth in the same period at 89%.

The top three men's underwear importers Germany, France and Netherlands are all countries with strict and/or increasing sustainability and circularity requirements, driven by national legislation and policies which provides opportunities for higher quality, more durable and sustainable products.

Although Norway and Denmark have a population under 10m and Sweden's population sits at just over 10m, all three countries have high GDP and high average wages. Consumers are willing to pay more for value-added (particularly sustainable) products, and standards are amongst the highest within Europe regarding CSR and quality. These countries can easily be served together.

Italy remains a key importer of men's underwear (ranking 4th and 6th in terms of value of imports in the cotton and man-made segments respectively in 2021).

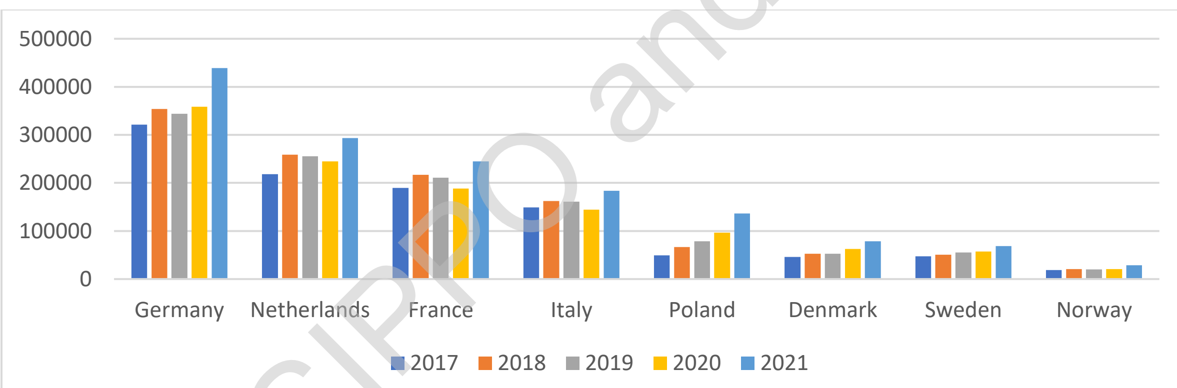

Figure 4 Imports of men's cotton underwear (thousand USD)

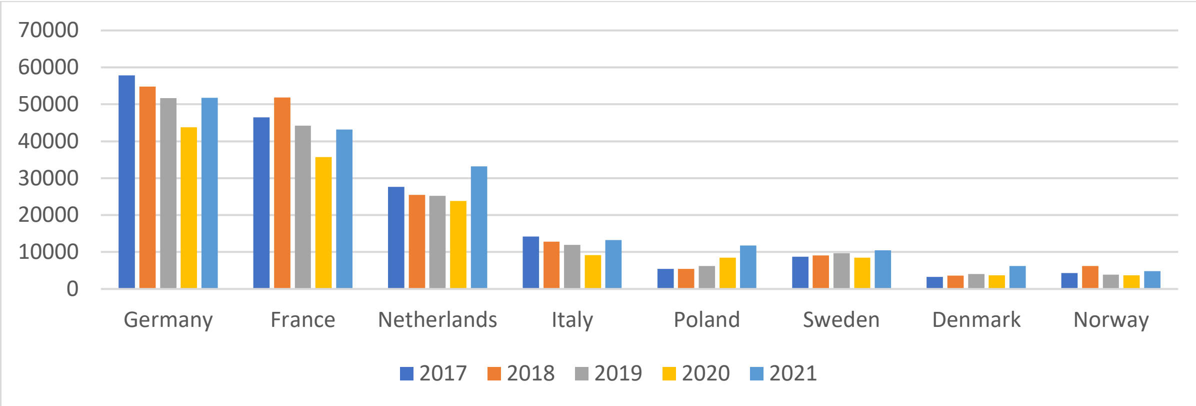

Figure 5 Imports of man-made fibre men's underwear (thousand USD)

In terms of the (2021) value of exports to the region, Sri Lanka ranks 5th in both fibre segments whilst market leaders are China and Bangladesh. Top importers from Sri Lanka are Italy, the Netherlands and Germany.

3.2 Consumption

3.2.1 Premiumisation of men's underwear

The men's underwear segment is witnessing a rising demand for premium underpants due to a higher level of comfort, superior fit and improved support. The increase in engagement in physical and outdoor recreational activities has also fuelled investment in higher quality underwear that is comfortable and allow men to perform at their best.

3.2.2 Consumers are prioritizing comfort and functionality

Previously, advertising for men's underwear centred around masculinity and aesthetics. Increasingly however, practical product features are highlighted including smoothness, comfort, support, soft fabrications, ease of movement and breathability. Many of these considerations are especially important for the increasing number of European men who are engaging in sports and leisure activities.

3.3 Trade structure and distribution

There are various channels through which men's underwear is sold on the European market (see Figure 3). Some suppliers and buyers use multiple channels in parallel to take advantage of opportunities and minimise risks. The choice of channel will depend on factors such as product competitiveness/price level, innovation level or end market.

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries and even directly to consumers. However, as the supply chain gets shorter there is also more risk for the manufacturer.

A more direct distribution channel makes sense for producers of lower added value products targeting the budget or lower middle market segments in order to increase margin. The medium-low price volume market is growing with supermarkets becoming an increasingly important point of sale for this category. It is important to note however that large budget/middle-market retailers and supermarkets have increasingly strict requirements for compliance for all products.

Online platforms such as [Alibaba](), [Wish](), [Amazon]() or [Wolf & Badger]() sell products from independent brand-manufacturers to end consumers in Europe. Manufacturers need to invest in a web shop, stock, order management and customer service. The biggest challenge for manufacturers is return policies and a lack of brand awareness, making it difficult to find buyers outside the budget market.

When targeting a new market it is advisable to start with popular / fast-growing small or medium sized brands. These brands often focus on a certain niche. In the shorter term this strategy may not be profitable, but it will enable a manufacturer to understand the market and trends before they try to open up a larger customer with increased risk. These SME brands are highly profiled in their market and their success is often monitored by the bigger retailers and brands. Therefore, doing business with a fast-growing SME brand can be a perfect door opener.

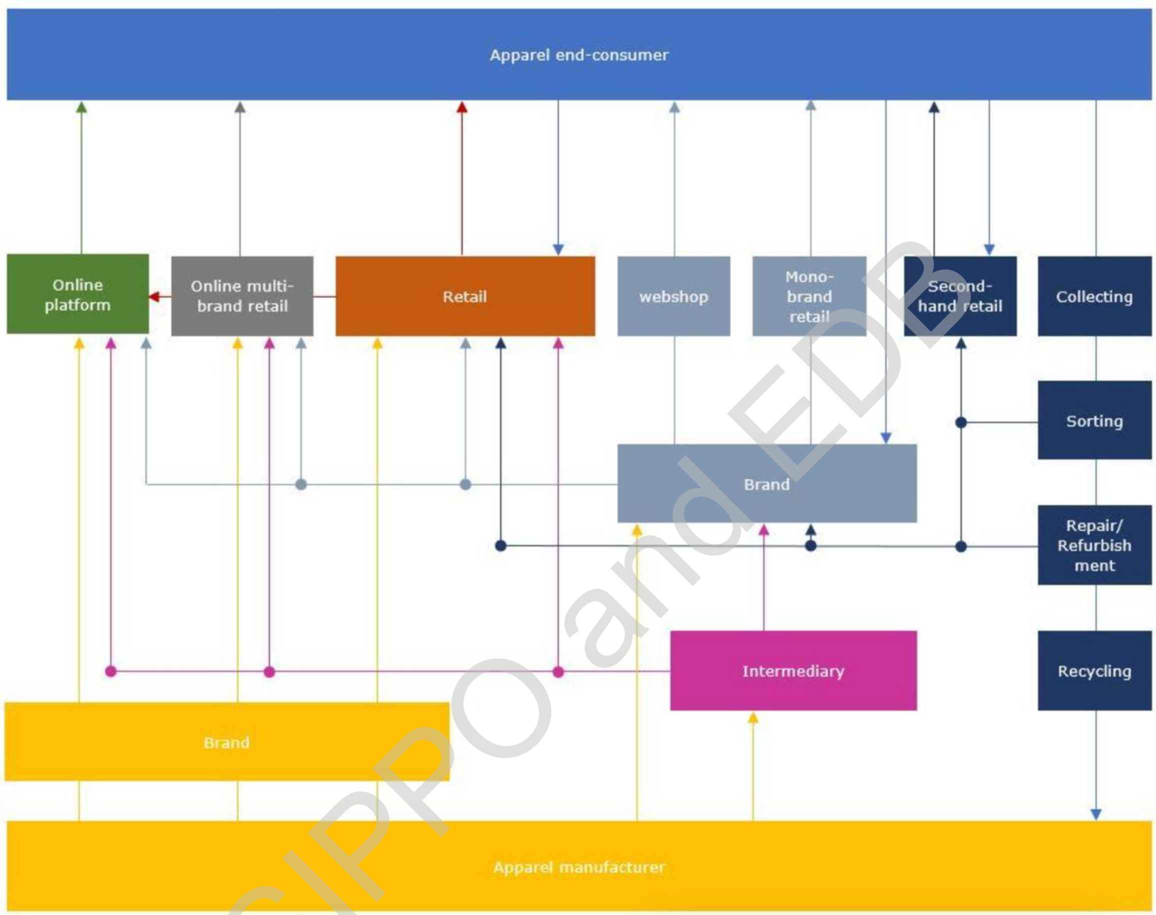

Figure 6 Distribution channels for apparel on the EU and Swiss market

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3.4 Price and quality

European buyers in the Men's underwear and briefs market can primarily be classified by price-quality level. However, some prices in the premium and middle market segments can be similar with the premium segment more heavily branded.

Supermarkets - and even pharmacies - in the biggest EU markets for Men's underwear and briefs are now offering a range of basics at very competitive prices. Specialised underwear brands, which cater mostly to the middle and premium market segments, have also been growing recently.

The men's underwear and briefs market can be segmented as follows:

3.4.1 The luxury market

In the luxury market, European brands sell highly fashionable men's underwear at very high retail prices. Buyers in this segment have high standards regarding washability, durability and fit but in particular regarding design and brand image. Order quantities are low. This market is stagnant. Brands include: Versace (Italy), Zimmerli (Switzerland), Dolce & Gabbana (Italy) and Zegna (Italy).

3.4.2 The upper middle (premium) market

Fashion and specialist brands in the premium market distinguish themselves either through a high level of branding, a focus on sustainability and/or a focus on high-tech specifications. Buyers in this segment have high standards regarding washability, durability and fit. Brands include: Emporio Armani (Italy), Tommy Hillfiger (Netherlands), Björn Borg (Sweden), Hugo Boss (Germany), CDLP (Sweden), HANRO (Austria), Schiesser (Germany), Kust (Poland) and HOM (French design, Austrian owned).

3.4.3 The middle market

Practical consumers shop in the middle market for both functional and fashionable underwear, sold either in singles, twin packs or multi-packs. Many multi-product fashion retailers in the middle market sell underwear for men. The focus is on safety, comfort, washability, durability, fit and medium-quality materials. Order quantities are high, retail prices medium. This segment is growing.

Specialist brands include: Huber (Austria), Intimissimi Uomo (Italy), Bruno Banani (Germany), Muchachcomolo (NL), Swegmark (Sweden) and Cornette (Poland).

In the middle and upper middle market segments, many buyers (particularly Scandinavian and German) are increasingly requiring the use of more sustainable, organic, regenerated and/or plant-based fibres. New, smaller sustainability-focused brands are emerging to cater to this growing market. Danish brand Organic Basics is a market leader in sustainable, practical briefs in this segment.

Brands and retailers include: Mey (Germany), Organic Basics (Denmark), Vatter (Germany) and Swedish Eco (Sweden).

3.4.4 The budget market

The budget market has brands and retailers catering to price-conscious consumers who are looking for basic and functional briefs that have good quality, are easy to wash and are safe. Some more sustainability-focused Northwest European retailers such as H&M, C&A and Zeeman are starting to incorporate organic materials into collections at price points that do not differ significantly from their core collection. Polish brands tend to be manufacturer-owned and sold through ecommerce sites such as Amazon at very low prices. Order quantities are high and retail prices are low (with almost all underwear sold in multipacks), so margins are also low. This market is stable.

Brands and retailers include: HEMA (Netherlands), H&M (Sweden), Carrefour (France), Zeeman (Netherlands) and C&A (Netherlands).

3.5 Opportunities

The global men's underwear market size was valued at USD 37.11 billion in 2022 and is expected to register a compound annual growth rate CAGR of 5.4% from 2023 to 2030. Market growth can be attributed to the growing disposable income of the European population, an increasing metrosexual male population that is spending more and more on fashion products as well as an increased awareness about health, sustainability, best fit and personal hygiene. The market for men's underwear requires a high level of flexibility. Many retailers and brands sell men's underwear as a side product. They are often serviced by companies that have a stock service and speedy delivery. It is advisable to keep stock in the basic fabrics. This will give the buyer increased flexibility and speed to market.

Focus on adding value to this segment. Technical fabrics like anti-bacterial will add value to your proposition and create a unique selling point. A very good example in the market is the company Uniqlo from Japan. They have developed a technical synthetic men's underwear collection in the mid segment and were able to take a large market share by focussing on quality and added value.

Sourcing fabrics in this segment will give you a competitive advantage. Do not only focus on China, but also look towards countries such as India and Egypt for high stapled cotton.

3.5.1 Increasing product diversification

The increase in availability of a wide range of product options through a broader range of retail formats is propelling the market growth. Millennials are driving the demand in the men's underwear market as they are more receptive to new and different products including colour, fabric, print, style and functionality.

European buyers are always looking for special designs, materials or production methods that will help them stand out in the market. Preferred suppliers are increasingly expected to showcase regular design collections with original designs and fabrications and to incorporate new techniques and technologies for garment construction into those collections.

Features and functionality that buyers and consumers of men's underwear may require include:

Anti-odour	Washability	Wearability
Breathability	Sweat/moisture wicking	Thermal properties

Ventilation	Stain resistance	Anti-microbial
Quick drying	Colour fastness	Anti-yellowing (for whites)
Seamless	Anti-thigh chafing	Soft/smooth feel
Support	4-way stretch	

Additional functionality can be applied to fibres and fabrics through special treatments, finishes and/or constructions, including moisture-wicking, odour control and antibacterial properties. P*olygiene®* is a Bluesign-approved treatment developed in Sweden that uses low concentrations of silver salt for odour control and antibacterial properties.

TIP: Suppliers can add value by improving product development capabilities and assuming responsibility for due diligence (pre-production) testing.

3.5.2 Organic cotton

In addition to being natural, renewable and biodegradable, cotton has a number of properties that make it the most popular fibre type for men's underwear. It is soft, comfortable, breathable and highly absorbent. It is one of the most economical fibres and is also durable and highly washable (it withstands heat, detergents and even bleach). However, cotton is not considered to be sustainable – it is a very thirsty crop linked to high water and chemical/pesticide use.

Organic cotton uses less energy and water to produce than conventional cotton. It is grown without chemical pesticides or fertilisers and contains no genetically modified organisms.

Organic cotton is the most sustainably described fabric within the men's underwear segment.

TIP: Demand for organic cotton is outstripping supply. Suppliers that source "transitional" or "in-conversion" cotton (organic cotton produced by farmers switching to organic cotton and whose cotton is not yet certified) can support the process of scaling up the production of organic cotton as well as support farmers making the transition towards organic practices. More information can be found here.=

3.5.3 Alternative fibres

Hemp is strong, soft and breathable and has natural antibacterial and anti-odour properties. It is more sustainable as the hemp crop requires little water to grow and replenishes soil nutrients to help improve soil health. As a natural plant-based fibre it is also biodegradable.

Modal is a type of rayon – regenerated cellulosic fibre - made from beech tree pulp.

It is considered to be a more sustainable fabric than synthetics on account of its biodegradability, however production is still chemical intensive and polluting. Modal is much softer and more absorbent than cotton whilst also being naturally moisture-wicking which helps to support the body's natural temperature regulation. It is durable and highly washable due to high shrink and fade resistance and high strength when wet. Modal has natural anti-bacterial properties that help prevent odours. Whilst it is highly breathable it is not so supportive which makes it more suitable for everyday wear rather than activewear. Modal fabric can also be easily dyed in vivid colours, making it very versatile.

Modal fabric is anticipated to register the fastest CAGR of 5.8% between 2023 and 2030 in the men's underwear segment. With similar properties to Modal, ***Bamboo*** and (branded) ***TENCEL***™ Lyocell are other types of Rayon that are increasingly popular for men's underwear.

TIPS: Consider the HIGG Material Assessment Tool to calculate the environmental impact of different materials used in product design. Order the sustainable materials guide by MODINT here. Follow the Textile Exchange for news and information regarding more sustainable materials.

3.5.4 Recycled fibres

Recycled cotton, nylon and polyester are increasingly incorporated into products in order to make them more sustainable. Recycled cotton is often blended with other types of fibres to increase its strength and longevity, such as regular cotton, polyester, nylon, acrylic, or spandex. It is therefore usually present in much lower percentages than recycled polyester or nylon.

TIP: Learn about the latest trends and developments in raw materials by visiting (online/offline) international fairs some of which are product category specific. A comprehensive list can be found here. Interfilière (lingerie and activewear materials and accessories), Salon International de la Lingerie (Underwear, loungewear and home wear) and Supreme Body & Beach, (Shapewear, nightwear, underwear and swimwear) are leading international trade fairs for this segment.

3.5.5 Niche segments

Technical Sports underwear
The sports underwear market size is projected to reach USD 17 billion by 2027 from an estimated USD 9.1 billion in 2021.

More and more brands in both the fitness and underwear-specialist segments are bringing sports underwear to market. Examples include Björn Borg (Sweden), Danish Endurance (Denmark), CDLP (Sweden), Swegmark (Sweden) and Decathlon (France). Even some larger mainstream fashion retailers such as H&M are incorporating a small range within capsule activewear collections.

Product features include:

- Lightweight through the use of polyester and nylon stretch fabrications.
- Moisture-wicking via special fabric construction
- Mesh for increased breathability
- Rubber strips to prevent shorts from riding up.
- Ventilation zones
- Unexposed stitching/flat-lock seams to prevent chafing/friction.
- Tagless/labelless
- Special pouch construction for support
- Paneling for shaping and fit
- Antimicrobial and anti-odour fabric treatments

Base layers
Although trading under a different HS Code, a study of men's underpants would not be complete without mention of base layers. An increase in outdoor recreational activities has given the traditional thermal

underwear segment a boost from simply the traditional long john/thermal underwear to incorporate technical base layers that keep you comfortable, warm, cool and/or dry.

Garments are increasingly adapted to provide other functionality through construction and/or fabric for example seamless, zoning, ventilation, improved breathability, lightweight, compression, even wind-blocking.

Merino wool is naturally thermo-regulating, soft, moisture-wicking and odour resistant whilst synthetics and synthetic blends with special fabric constructions to improve breathability are lightweight, highly supportive and more affordable. They are now the base layer of choice across the outdoor and sports segments.

Many Scandinavian brands produce high quality base layers including Helly Hansen, ODLO, Haglöfs and Bergans of Norway.

Gender neutral underwear

Gender diversity is increasingly accepted in society. At 1.9 percent, Generation Z - people born between 1997 and 2004 - has the highest percentage of people who say they identify as transgender (or gender non-conforming) among all previous three generations.

European brands offering gender-neutral underwear include KÖN underwear (Sweden) and Wayeröb (Italy). They generally feature elements drawn from both men's and women's underwear.

Gay underwear

Research conducted in 2016 indicated that of all the European countries, Germany had the largest percentage of its population identifying as LGBT (7.4%) with the figure as high as 11.2% for the 15-29 age group. Styles are generally skimpy and sexy. Within this segment there is a lot of scope for differentiation through colours and designs.

Key features include elasticated straps for butt-shaping and lifting, backless/jockstrap design, mini briefs, tanga briefs, bikini briefs, thongs, colourful boxers with contrast designs, micro mesh fabric and pouch feature for enhancement.

Independent gay underwear brands are sold via online specialist sites for example Gentlewear (Germany) and Inderwear (France) or via their own webshops. Examples include: Manstore (Germany), TOF Paris (France) and Barcode Berlin (Germany). Some mainstream fashion underwear brands are also popular including Emporio Armani, Diesel, HOM and Olaf Benz due to their use of bold designs or classic styles.

It is within this consumer segment that shapewear for men is gaining ground with tummy control (high waisted boxer briefs) and butt enhancement (padded boxer briefs) functionalities.

TIP: By starting with a niche, suppliers can develop capabilities and build manufacturing experience and efficiencies allowing them to then target the wider, more mainstream segments.

3.5.6 Designing for circularity

With resale and donation less feasible for intimates, circular models should focus on durability to extend the life of garments through high quality fibres, washability and garment construction (for example seamless constructions have no weak points in the garment).

Recycled cotton, nylon and polyester are increasingly used for men's underwear. However, recycled cotton is often blended with other types of fibres to increase its strength which makes recycling a challenge. Further, most men's knitted underwear contains spandex or elastane making them difficult to recycle.

Garments are usually downcycled rather than used to make new quality products. Technology does exist however in early form for the separation of polyester and elastane blended materials via Re:lastane.

Whilst more sustainable elastane/spandex options are being developed, for example elastane made from recycled pre-consumer waste (*LYCRA*® EcoMade) and bio-based elastane (creora® bio-based, which replaces 30% of petroleum-based resources with bio-based raw materials), neither are biodegradable or recyclable. Plant based fibre, Sorona® is a potential alternative. It can be recycled in any normal polyester recycling stream.

TIP: Follow circular initiatives where brands and innovators share information and innovations (e.g. SAC, Fashion For Good (FFG), H&M Foundation Global Change Award).

4. European and Swiss market for women's briefs

4.1 Trade

The value of European imports for women's briefs made from cotton and man-made fibres was similar at approx. 1.27bn USD for each category in 2021. The cotton segment experienced higher growth at 26% during the 2017-2021 period compared to 15.5% for man-made fibres.

In terms of (2021) import value, the largest markets are Germany, France, Italy and the Netherlands. Poland (ranking 5th and 6th for cotton and man-made fibre segments respectively) experienced very high growth (144% and 106%) in the period 2017-2021 compared to the European average of 26% and 11.5%.

Sweden and Denmark ranked 10th and 11th in the cotton category and 9th and 10th in the man-made fibre category. Whilst these countries experienced only modest growth for cotton imports during the 2017-2021 period, for man-made fibre imports both markets experienced growth more than double that of the European average of 11.5%.

Producers in developing countries should take the following points into consideration when deciding which markets to target:
Germany, France and the Netherlands are highly competitive markets.

With low GDP and wages and lagging far behind its Western European counterparts in terms of sustainability awareness, Poland is not a market for more value-added, sustainable products.

Although Norway and Denmark have a population under 10m and Sweden's population sits at just over 10m, all three countries have high GDP and high average wages. Consumers are willing to pay more for value-added (particularly sustainable) products, and standards are amongst the highest within Europe regarding CSR and quality. These countries can easily be served together.

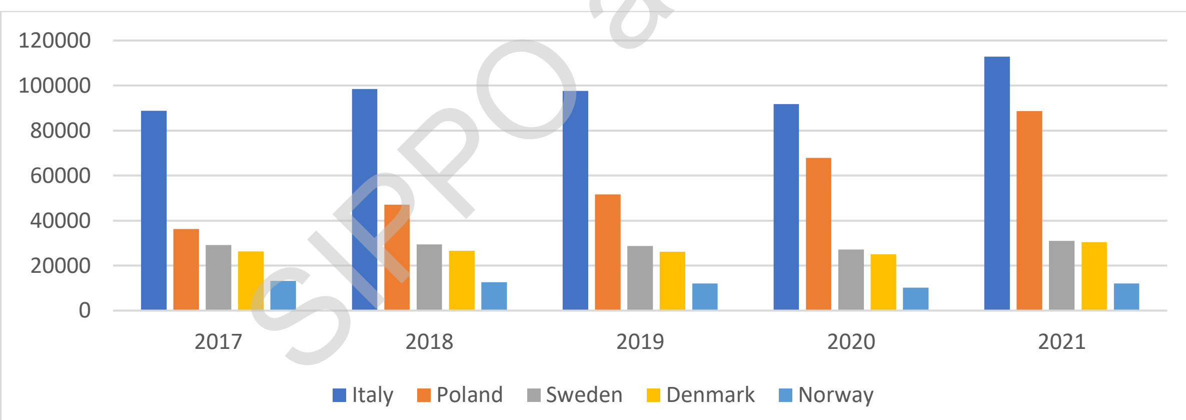

Figure 7 Imports of women's cotton briefs (thousand USD)

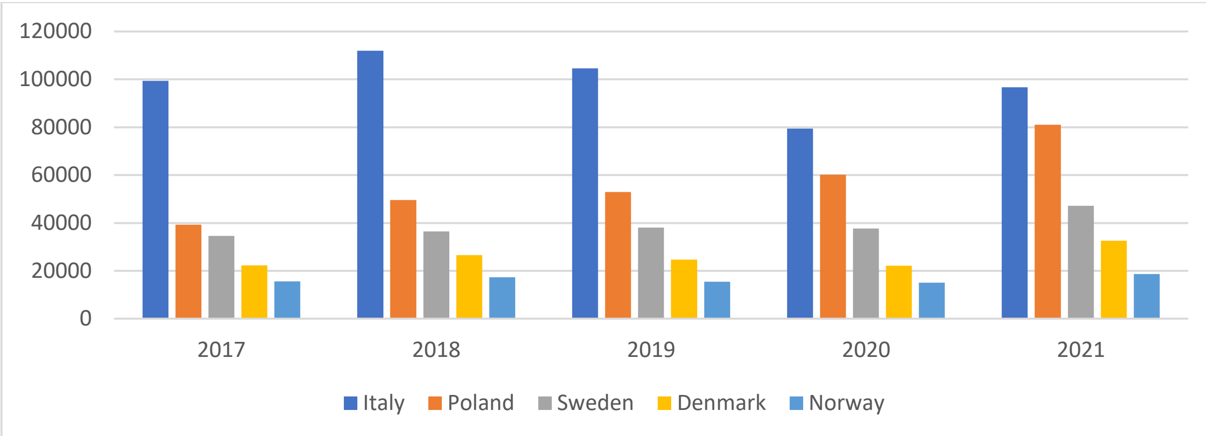

Figure 8 Imports of man-made fibre women's briefs (thousand USD)

In terms of the (2021) value of exports to the region, Sri Lanka ranks 4th and 7th for the cotton and man-made fibre segments respectively whilst market leaders are China and Bangladesh. Top importers from Sri Lanka are Italy, the Netherlands, Germany and Poland (for cotton briefs) and Italy, the Netherlands, Sweden and Poland (for man-made fibre briefs).

4.2 Consumption

4.2.1 The body positivity movement is driving growth through inclusivity

An increase in the availability of product options suitable for a diverse range of consumers and uses is propelling the market growth. So too is a marked shift from advertising messaging centred around being "sexy for men" to that which promotes women's empowerment, inclusivity and body positivity (being comfortable in one's skin). Inclusivity and female empowerment are making inroads in mainstream fashion across all segments, in parallel with increased awareness of mental health issues amongst consumers and driven by increased ethnic diversity, rising obesity among the population, an ageing population as well as an increased acceptance of gender fluidity and of other social issues among women. However, the women's intimates' market is – as can be expected - one of the biggest drivers of these changes. Digitally native brands (companies that operate exclusively or mostly in the digital space) are leading the way and are also amongst the brands that are most heavily focused on promoting sustainability values.

4.2.2 Consumers are prioritizing comfort and functionality

The COVID-19 pandemic accelerated the already-popular comfort dressing movement across all fashion segments. However, it is the women's empowerment and health and wellness movements that have had the biggest impact on the women's briefs segment in recent years. Women are increasingly participating in a more active lifestyle, aided by the breaking down of barriers such as those that relate to religious beliefs and values, menstrual health and traditional gender roles.

Women's briefs are trending towards less complicated, more minimalistic and more comfortable styling and functional features that facilitate - rather than hamper – movement.

4.3 Trade structure and distribution

There are various channels through which women's briefs are sold on the European market (see Figure 3). Some suppliers and buyers use multiple channels in parallel to take advantage of opportunities and minimise risks. The choice of channel will depend on factors such as product competitiveness/price level, innovation level or end market.

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries and even directly to consumers. However, as the supply chain gets shorter there is also more risk for the manufacturer.

A more direct distribution channel makes sense for producers of lower added value briefs targeting the budget or lower middle market segments in order to increase margin. The medium-low price volume market is growing with supermarkets becoming an increasingly important point of sale for this category. It is important to note however that large budget/middle-market retailers and supermarkets have increasingly strict requirements for compliance for all products.

Online platforms such as Alibaba, Wish, Amazon or Wolf & Badger sell products from independent brand-manufacturers to end consumers in Europe. Manufacturers need to invest in a web shop, stock, order management and customer service. The biggest challenge for manufacturers is return policies and a lack of brand awareness, making it difficult to find buyers outside the budget market.

When targeting a new market it is advisable to start with popular / fast-growing small or medium sized brands. These brands often focus on a certain niche. In the shorter term this strategy may not be profitable, but it will enable a manufacturer to understand the market and trends before they try to open up a larger customer with increased risk. These SME brands are highly profiled in their market and their success is often monitored by the bigger retailers and brands. Therefore, doing business with a fast-growing SME brand can be a perfect door opener.

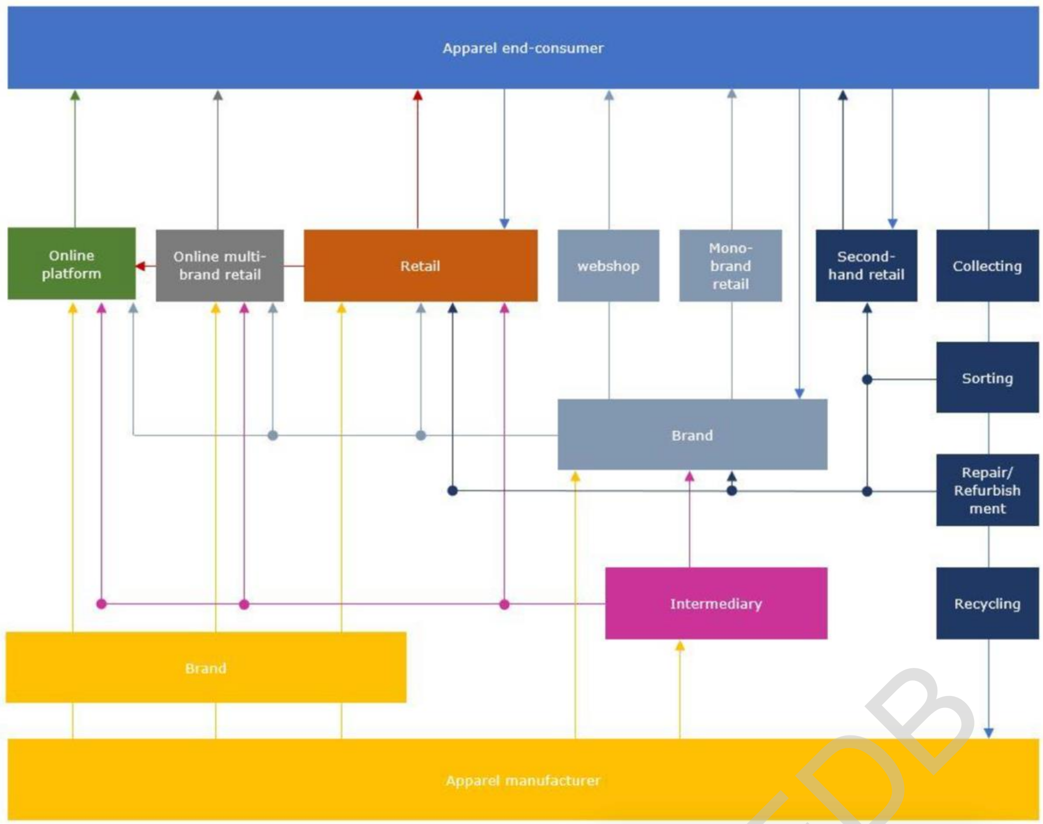

Figure 9 Distribution channels for apparel on the EU and Swiss market

4.3.1 Buyer relationships and servicing different types of buyers

Different buyers can be distinguished by their role and place within the value chain. These factors determine the challenges they face in the market as well as their needs, requirements and the way in which they do business. Each type of buyer requires a specific approach from its suppliers. It is important to choose the right channel based on the factory's individual capabilities as well as the end-market segment(s).

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries. However, as the supply chain gets shorter, in addition to more margin, there is also more risk for the manufacturer.

End consumers (reached directly via online platforms such as Alibaba, Wish, Amazon or Wolf & Badger are a difficult target group because of complicated customer service demands.

Independent brands typically develop a collection 12 months in advance. A manufacturer will need a large sample room as brands require salesman samples (SMS) of each collection style to then present to various retailers and collect orders. Every sample needs to be actual: meaning it must look exactly like the product will in the shop, with branded hangtags and accessories. It may take many months before orders are placed. This sales process can cause delays to production as well as uncertainty in forecasting quantities, including for raw materials.
Smaller (niche) brands will most likely require manufacturers to service them with stock. This can be done in two ways:

- By keeping stock material and trims that will create great flexibility and fast delivery
- By keeping ready-made stock in a warehouse in Europe

Larger, ***own-brand retailers*** and department stores have total control over all aspects of product design, development, labelling, distribution and marketing. Many of these retailers have buying offices in production regions in order to better monitor product development, production and quality. Usually offering high order quantities, they are looking for, and are able to demand, very low prices and costing transparency from their suppliers. Retailers can place an order relatively easily as they only need one development sample for order confirmation. As developer *and* end buyer, they are able to make fast decisions. However, as a result, their purchasing behaviour may be unpredictable. They also have strict requirements for compliance. Manufacturers will develop a relationship with the buying office or the head office and will offer varying degrees of additional service such as materials sourcing. Supermarkets and Hypermarkets such as TESCO, HEMA and Carrefour and large fashion retailers such as M&S, Zara, C&A and H&M are amongst this group. Manufacturers servicing them are generally large and well established and already have the right certifications in place.

Intermediaries such as ***agents, traders and importers*** act as a 'middleman' between the manufacturer and companies further up the value chain, which means they need to keep their prices close to the factory price. This leaves less negotiation room for the manufacturer. Furthermore, traders require flexibility from manufacturers regarding quantities and qualities.

Building relationships with other, more value-adding, intermediaries such as ***private label companies and full-service vendors*** (who handle the whole process from product design to quality control to import) can help smaller manufacturers access the European market whilst helping them to build knowledge and capacity. This is particularly important for customers that require higher levels of compliance and for more complex, innovative products.

When targeting a new market it is advisable to start with popular / fast-growing small or medium sized brands. These brands often focus on a certain niche. In the shorter term this strategy may not be profitable, but it will enable a manufacturer to understand the market and trends before they try to open up a larger customer with increased risk. These SME brands are highly profiled in their market and their success is often monitored by the bigger retailers and brands. Therefore, doing business with a fast-growing SME brand can be a perfect door opener.

It is also important to take time to understand the way of working of buyers from individual countries within the EU. Italy is Sri Lanka's biggest trade partner for apparel and to expand existing relationships within this market whose requirements and ways of working are familiar is easier than opening new markets. There are many ways to grow existing exports for example through new services, products, price segments etc. The identification of new geographical markets should always be aligned with current business and products. It is always easier to open "similar" countries, for example France has a similar business culture to Italy and buyers often share the same product requirements (handwriting), including sizing.

4.4 Price and quality

European buyers in the women's briefs market can best be classified by price-quality level. Supermarkets in the biggest EU markets for women's briefs are now offering a range of basics at very competitive prices. Specialised women's underwear chains, which cater mostly to the middle market, have also been growing recently. The women's briefs market can be segmented as follows:

4.4.1 The luxury market

In the luxury market, European brands sell highly fashionable, luxurious briefs (including shapewear) at very high retail prices. Buyers in this segment have extremely high standards regarding design, brand image, washability, durability, fit, cut and use of luxury materials, such as high-quality lace. Order quantities are low. This market is stagnant. Brands include: La Perla (Italy), Eres (France), Aubade (France), Versace (Italy).

4.4.2 The upper middle (premium) market

The upper-middle market caters to fashion conscious consumers. Styles are fashionable, minimalistic or with extensive use of good-quality lace. Focus is on washability, durability, fit, cut and high-quality materials. Retail prices are mid-high, order quantities are low to medium. This segment is growing. Specialist brands and retailers include the following: Chantelle (France), Lise Charmel (France), Marie-Jo (Italy), Schiesser (Germany), Marlies Dekkers (Netherlands).

4.4.3 The middle market

Practical consumers shop in the middle market for both functional and fashionable briefs and shapewear. The focus is on safety, comfort, washability, durability, fit and medium-quality materials. Order quantities are high, retail prices medium. This segment is growing. Many multi-product fashion retailers in the middle market also sell women's briefs. Specialist brands and retailers include: Intimissimi (Italy), Ten Cate (Netherlands), Björn Borg, Sweden), Hunkemöller (Netherlands).

In the middle market segment, buyers (particularly Scandinavian) are increasingly requiring the use of more sustainable, organic, regenerated and/or plant-based fibres. New, smaller sustainability-focused (and size inclusive) brands are emerging to cater to this growing market. Danish brand Organic Basics is a market leader in sustainable, practical briefs in this segment. Brands and retailers include: Mey (Germany), Organic Basics (Denmark), Miss Mary (Sweden), Swedish Eco (Sweden), Bare (Sweden), Woron (Denmark), Moons & Junes (Denmark).

4.4.4 The budget market

The budget market has brands and retailers catering to price-conscious consumers who are looking for basic and functional briefs that have good quality, are easy to wash and are safe. Some more sustainability-focused retailers such as H&M, C&A and Zeeman are starting to incorporate organic materials into collections at price points that do not differ significantly from their core collection. Order quantities are high and retail prices are low (with most briefs sold in multipacks), so margins are also low. This market is stable. Brands and retailers include: HEMA (Netherlands), H&M (Sweden), Carrefour (France), Zeeman (Netherlands), C&A (Netherlands).

It is worth noting that the budget and middle markets in Poland have followed neither the sustainability nor the more minimalistic trends that we are seeing in North and Western European countries and favour the luxury look of lace. Examples include: Gorsenia, Ewa Bien, Samanta, Dalia.

4.5 Opportunities

The global women's lingerie Market size was valued at USD 39.81 Billion in 2020 and is projected to reach USD 79.80 Billion by 2028. Women's briefs is a specialised product category that requires specialized manufacturers. As China is becoming more expensive buyers are looking for alternative sources that can offer them the production flexibility they need. To increase your flexibility, you need to consider keeping fabric stock for your basic items. Sourcing fabrics will be the easiest way to diversify. Do not only focus on China but also on countries such as: India, Pakistan and Egypt. The diversity of fabrics will enable you to offer the buyer different price levels and options. Invest in sourcing innovative synthetic fabrics. This will create a unique selling point that makes you stand out from the competition. Visit EU lingerie fairs to research the latest developments and innovations. Try to collaborate with fabric suppliers that can add value to your proposition and create a partnership. This will enable you as a partner to protect your export market share and use the unique fabric developments to open new doors and expand your business.

4.5.1 Increased levels of product diversification

In response to consumer calls for more inclusivity, brands and retailers are offering extended sizing, darker (and more) shades of nude underwear, more gender-neutral styles and products designed with comfort first and foremost in mind.

Additional functionality can be applied to fibres and fabrics through special treatments, finishes and/or constructions, including moisture-wicking, odour control and antibacterial properties. *Polygiene®* is a Bluesign-approved treatment developed in Sweden that uses low concentrations of silver salt for odour control and antibacterial properties.

TIP: Suppliers can add value by improving product development capabilities and assuming responsibility for due diligence (pre-production) testing.

4.5.2 Organic cotton

In addition to being natural, renewable and biodegradable, cotton has a number of properties that make it the most popular fibre type for women's briefs. It is soft, comfortable, breathable and highly absorbent. It is one of the most economical fibres and is also durable and highly washable (it withstands heat, detergents and even bleach). However, it is not considered to be sustainable – it is a very thirsty crop linked to high water and chemical/pesticide use. Organic cotton uses less energy and water to produce than conventional cotton. It is grown without chemical pesticides or fertilisers and contains no genetically modified organisms.

Organic cotton is the most sustainably described fabric within the women's briefs category.

TIP: Demand for organic cotton is outstripping supply. Suppliers that source "transitional" or "in-conversion" cotton (organic cotton produced by farmers switching to organic cotton and whose cotton is not yet certified) can support the process of scaling up the production of organic cotton as well as support farmers making the transition towards organic practices. More information can be found here.

4.5.3 Recycled fibres

Recycled cotton, nylon and polyester are increasingly incorporated into products in order to make them more sustainable (including branded ECONYL for lace). Recycled cotton is often blended with other types of fibres to increase its strength and longevity, such as regular cotton, polyester, nylon, acrylic, or spandex. It is therefore usually present in much lower percentages than recycled polyester or nylon.

TIP: Learn about the latest trends and developments in raw materials by visiting (online/offline) international fairs some of which are product category specific. A comprehensive list can be found here. Interfilière (lingerie and activewear materials and accessories), Salon International de la Lingerie (Lingerie, loungewear and home wear) and Supreme Body & Beach, (Shapewear, nightwear, lingerie and swimwear) are leading international trade fairs for this segment.

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It is considered to be a more sustainable fabric than synthetics on account of its biodegradability, however production is still chemical intensive and polluting. Modal is much softer and more absorbent than cotton whilst also being naturally moisture-wicking which helps to support the body's natural temperature regulation. It is durable and highly washable due to high shrink and fade resistance and high strength when wet. Modal has natural anti-bacterial properties that help prevent odours. Whilst it is highly breathable it is not so supportive which makes it more suitable for everyday wear rather than activewear.

With similar properties to Modal, ***Bamboo*** and (branded) ***TENCEL***™ Lyocell are other types of Rayon that are increasingly popular for women's briefs.

TIPS: Consider the HIGG Material Assessment Tool to calculate the environmental impact of different materials used in product design. Order the sustainable materials guide by MODINT here. Follow the Textile Exchange for news and information regarding more sustainable materials.

4.5.4 Niche segments

The following niche segments are experiencing growth and are increasingly being adopted by mainstream brands and retailers.

Sports underwear

The global sports underwear market size is projected to reach USD 17 billion by 2027 from an estimated USD 9.1 billion in 2021.

According to Eurostat, the percentage of the EU population aged 15 or over keeping fit or engaging in recreational physical activities at least once per week was 44.3% in 2019. The countries where participation in sport was most common were Denmark, Sweden, Germany, Luxembourg and Austria. In the EU as a whole, in 2019 more men (47 %) than women (42 %) exercised regularly. However, amongst the above-mentioned countries the percentage of women who practise sport and engage in leisure activities was either higher or almost equal to that for men. The highest gender gap in favour of women was recorded in Denmark (5 percentage points).

Sports briefs make use of technical fabrics and/or garment design and construction to allow for moisture management and comfort during physical activity. Features and functionality include anti-chafing, anti-odour, ventilation zones, fast drying, seamless, cotton gusset, label less, breathable, moisture-wicking and 4-way stretch.

The most common fabrication used in this segment is nylon/elastane and the use of recycled nylon is increasing in line with the general sustainability trends associated with sportswear consumers and brands. Sports brands such as ODLO, Björn Borg, Adidas and Puma have special sports underwear lines. However, even large fashion retailers such as H&M are incorporating sports briefs into their collections.

Female hygiene underwear

The global menstrual underwear market was valued at US$ 200.7 million in 2020 and is expected to reach US$ 1206 million by the end of 2027. Galaxus, Switzerland's largest online retailer which is making inroads into the German and Austrian markets reported that in 2022 “No other product group gained as much popularity among Galaxus customers as period underwear. The number of orders grew 24-fold”.

The market has been driven by a growing awareness of menstrual hygiene through initiatives such as World Menstruation Day, a breaking down of social taboos surrounding menstrual health and advances in product development and technical innovation. Further, there is increasing awareness amongst consumers regarding the harmful environmental impact of single-use menstrual products.

Germany reduced its tax on menstrual hygiene products in 2020 from 19% to 7% and Italy has also lowered its rate of VAT on sanitary pads and tampons. It remains to be seen whether other European countries will follow suit.

Most period briefs are made from four layers of fabric in order to 1) wick away moisture 2) trap odour 3) absorb fluids and 4) prevent leaking. Some utilise special stretch material that provides mild compression to help with cramps. Others have pockets where a heat-pack can be added to soothe cramps.

Many menstrual underwear brands are developing and/or marketing their briefs for light leakages as a result of urinary incontinence. Estimates indicate that 25-45% of women will develop urinary incontinence during their lifetime, many of them as a result of childbearing. Urinary incontinence can impact many aspects of women’s lives including the ability to engage in physical exercise.

Menstrual underwear is now entering the sports and active wear arena. Puma, for example, is already collaborating with the Australian period and incontinence underwear label Modibodi.

Originally only offered by specialist niche brands, menstrual underwear has now entered the mainstream. Brands selling menstrual underwear include: Woron (Denmark), Lotties Period Underwear (Netherlands), Bamboozy (Netherlands), Elia (France), Skin Up (France), Rejeanne (France), Lindex (Sweden), La Redoute (France), Kora Mikino (Germany).

Whilst menstrual briefs cannot easily be recycled due to the use of multiple layers of different fibre types, compared to single-use sanitary pads and tampons they represent a more sustainable alternative. However, some brands are developing biodegradable, PFAS free alternatives.

Adaptive underwear

The fashion industry is starting to design clothing for people with disabilities, in line with the general trend towards inclusivity, providing them with convenience and independence. Leak proof underwear (discussed above) can be considered to be adaptive underwear.

Adaptive briefs are intended for people who have a disability or injury, use a wheelchair, have serious mobility problems, suffer from chronic illness or pain, or are recovering from a surgical procedure such as a C-section. However, adaptive briefs can also be useful for anyone who needs to change discreetly in a location where it’s difficult to get fully undressed, such as in an aeroplane bathroom or while camping. Liberare (France) is a leading EU brand in this segment.

Erotic underwear

Erotic underwear typically involves the use of lace, mesh or fishnet fabrics and special (usually synthetic/man-made) materials such as leather-look textiles and metal or plastic trims and accessories. This category originated from the erotic industry and used to be sold only in niche stores. Now it has been adopted by some mainstream retailers. Some of the first companies that brought erotic underwear to the mainstream market are Agent Provocateur and Marlies Dekkers. The complex designs require high-level craftsmanship and the ability to work with different materials.

Gender neutral underwear

Gender diversity is increasingly accepted in society. At 1.9 percent, Generation Z - people born between 1997 and 2004 - has the highest percentage of people who say they identify as transgender (or gender non-conforming) among all previous three generations.

European brands offering gender-neutral underwear include KÖN underwear (Sweden) and Wayeröb (Italy). They generally feature elements drawn from both men's and women's underwear.

Shapewear and support wear

Europe's shapewear market continues to grow thanks to technical innovation and sociocultural factors such as the growing participation in sports and the increased attention consumers pay to their physical appearance.

Shapewear, also known as foundation garment, is a form of undergarment designed to help mould, hold or push the body into a preferred shape and make it appear smoother, firmer and slimmer. Garments are usually seamless through bonding and/or laser cutting techniques. Shapewear products have enhancing or corrective functions and are often worn with a specific outfit. Garments are typically made from nylon and spandex for superior stretch, support and smoothing, usually with a cotton gusset. Niche uses include bridalwear as well as maternity/post-natal wear.

TIP: By starting with a niche, suppliers can develop capabilities and build manufacturing experience and efficiencies allowing them to then target the wider, more mainstream segments.

4.5.5 Designing for circularity

With resale and donation less feasible options for intimates, circular models should focus on durability to extend the life of garments through high quality fibres, washability and garment construction (for example seamless constructions have no weak points in the garment).

Recycled cotton, nylon and polyester are increasingly used for women's briefs. However, recycled cotton is often blended with other types of fibres to increase its strength which makes recycling a challenge. Further, most women's briefs contain spandex or elastane making them difficult to recycle. Garments are usually downcycled rather than used to make new quality products. Technology does exist however in early form for the separation of polyester and elastane blended materials via Re:lastane.

Whilst more sustainable elastane/spandex options are being developed, for example elastane made from recycled pre-consumer waste (*LYCRA*® EcoMade) and bio-based elastane (creora® bio-based, which replaces 30% of petroleum-based resources with bio-based raw materials), neither are biodegradable or recyclable. Plant based fibre, Sorona® is a potential alternative. It can be recycled in any normal polyester recycling stream.

TIP: Follow circular initiatives where brands and innovators share information and innovations (e.g. SAC, Fashion For Good (FFG), H&M Foundation Global Change Award).

5. European and Swiss market for babywear

5.1 Trade

The 2021 value of European imports for knitted baby wear was significantly higher than the woven segment at approx. 3.4bn USD compared to approx. 1.01bn USD. The overall growth during the period 2017-2021 for the knitted segment was 19.2% (almost twice the global average) compared to 4.2% for woven.

The largest markets for baby wear are Germany, France, Spain, Poland and Italy. In the knitted segment, Denmark achieved a rank of 7th. Poland and, in particular, Denmark experienced significant growth in the period 2017-2021 achieving 43.9% and 144.7% respectively. Italy showed negative growth in the same period (-10.2%) which may be to a certain extent reflective of the fact that Italy has one of the lowest birth rates in Europe.

In the woven segment, Italy, France and the Scandinavian countries all showed negative growth during the 2017-2021 period compared to the European average of 4.2%.

Producers in developing countries should take the following points into consideration when deciding which markets to target for baby wear:

- Germany and France are countries with strict and/or increasing sustainability and circularity requirements, driven by national legislation and policies. This provides opportunities for higher quality and sustainable products in line with the overall segment trends.
- Germany has a relatively low birth rate whilst France's birth rate is above the EU average.
- A large proportion of Europe's premium babywear brands are from France and Italy
- Much of Spain's imports can be attributed to a few large international retailers and the import statistics do not reflect the country's relatively low GDP and underperforming local market.
- With low GDP and wages and lagging far behind its Western European counterparts in terms of sustainability awareness, Poland is not a market for more value-added, sustainable products.
- In Scandinavia, consumers are willing to pay more for value-added (particularly sustainable) products.

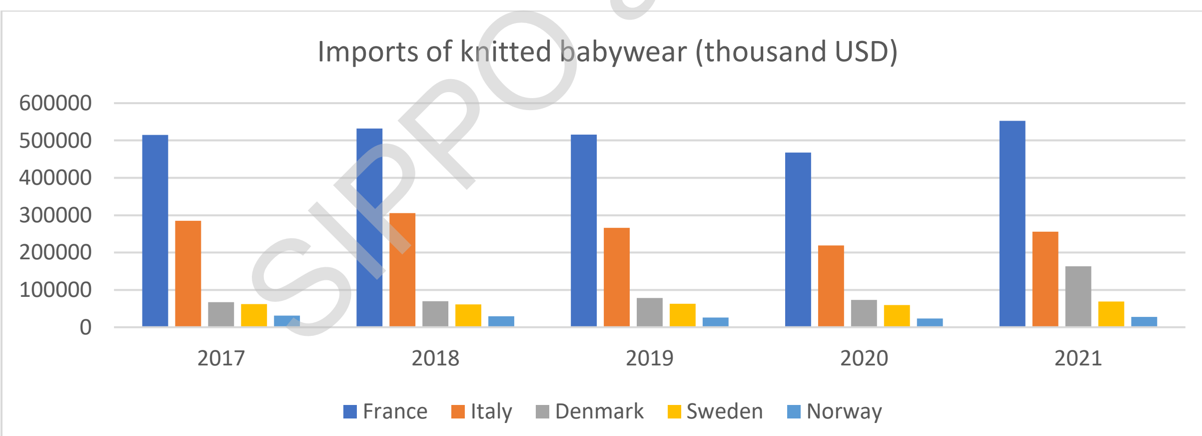

Figure 10 Imports of knitted baby wear (thousand USD)

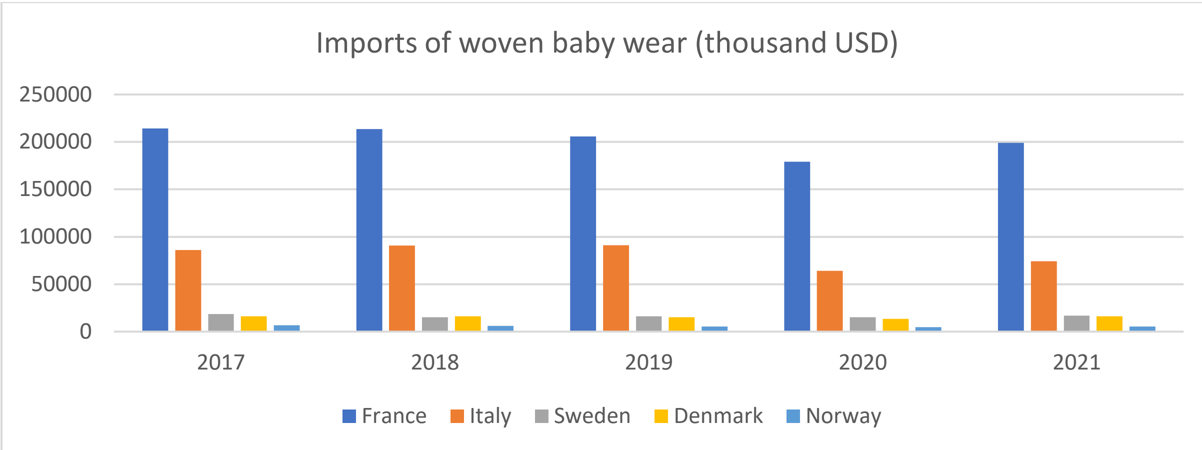

Figure 11 Imports of woven baby wear (thousand USD)

In terms of value of exports to Europe in 2021, Sri Lanka ranked 20th and 35th in the knitted and woven categories respectively. In the knitted segment, Bangladesh experienced growth in the period 2017-2021 higher than the global average whilst China's exports stagnated. In the woven segment, China experienced negative growth during the same period. This indicates that price is an important factor especially for volume market segments but also that production is moving away from China which creates opportunities for focused, efficient manufacturers willing to specialise in baby wear. Differentiation is key to targeting more value-added markets in this category.

5.2 Consumption

5.2.1 *Declining birth rates may pose a challenge for some markets*

The declining birth rate in Europe poses a challenge to the segment. Several factors are thought to be driving that decline including socioeconomic incentives to delay childbearing, a decline in the desired number of children as well as institutional factors such as labour market rigidities, lack of childcare, and changing gender roles.

The following countries experienced a birth rate higher than the EU average of 9.5 in 2022: France, Belgium, the Netherlands, Sweden, Denmark and Norway. In Scandinavia, the high birth rate can be in part attributed to public policies that encourage working women to have children, including generous maternal/paternal leave benefits, parent/child sick day benefits, incentives to produce multiple children in short succession and excellent state funded childcare services and schools. By contrast, Germany's policies encourage women to leave the workforce to receive benefits, explaining Germany's failure to boost its low fertility rate which sits under the EU average. Italy's birth rate in 2022 was far short of the EU average. However, it is worth noting however that families in Southern European countries, including Italy and France, spend a large proportion of their disposable income on baby and children's wear.

5.2.2 *Premiumization of babywear*

While Europe continues to be one of the largest markets for babywear, it has been overtaken by Asia-Pacific in terms of size. For a number of years, the birth rates have been declining in Europe, placing pressure on the babywear segment. However, as couples are starting families later in life, they can allocate a larger share of their disposable income to baby products. The growth in double income families also alleviates this pressure. At the higher end, the premiumisation of babywear is creating opportunities with luxury brands also investing heavily in this market. Consumers are increasingly willing to spend a lot of money on premium brands for their children.

5.2.3 Growth of the second-hand market

Infants up to the age of 24 months outgrow their clothing sizes rapidly. As a result, there is a constant need for replenishment. The dual desire for affordability and high quality has fuelled an increase in the second-hand market for luxury and premium garments.

Online resale platforms that are adept at curating and editorialising will be the most successful. The Kids wear Collective, an online marketplace for pre-loved and past season designer babywear regularly curates' collections for department stores and other retailers and has opened its first international location in partnership with French department store Galleries Lafayette.

5.3 Trade Structure and distribution channels

There are various channels through which babywear is sold on the European market (see Figure 3). Some suppliers and buyers use multiple channels in parallel to take advantage of opportunities and minimise risks. The choice of channel will depend on factors such as product competitiveness/price level, innovation level or end market.

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries and even directly to consumers. However, as the supply chain gets shorter there is also more risk for the manufacturer.

A more direct distribution channel makes sense for producers of lower added value baby wear products targeting the budget or lower middle market segments in order to increase margin. The medium-low price volume market is growing with supermarkets becoming an increasingly important point of sale for this category. It is important to note however that large budget/middle-market retailers and supermarkets have increasingly strict requirements for compliance for all products.

Online platforms such as Alibaba, Wish, Amazon or Wolf & Badger sell products from independent brand-manufacturers to end consumers in Europe. Manufacturers need to invest in a web shop, stock, order management and customer service. The biggest challenge for manufacturers is return policies and a lack of brand awareness, making it difficult to find buyers outside the budget market.

On the other hand, building relationships with intermediaries such as ***private label companies and full-service vendors*** (who handle the whole process from product design to quality control to import) can help smaller manufacturers access the European market whilst helping them to build knowledge and capacity. This is a particularly suitable channel for value-added products with a higher specification and/or customers that require higher levels of compliance.

When targeting a new market it is advisable to start with popular / fast-growing small or medium sized brands. These brands often focus on a certain niche. In the shorter term this strategy may not be profitable, but it will enable a manufacturer to understand the market and trends before they try to open up a larger customer with increased risk. These SME brands are highly profiled in their market and their success is often monitored by the bigger retailers and brands. Therefore, doing business with a fast-growing SME brand can be a perfect door opener.

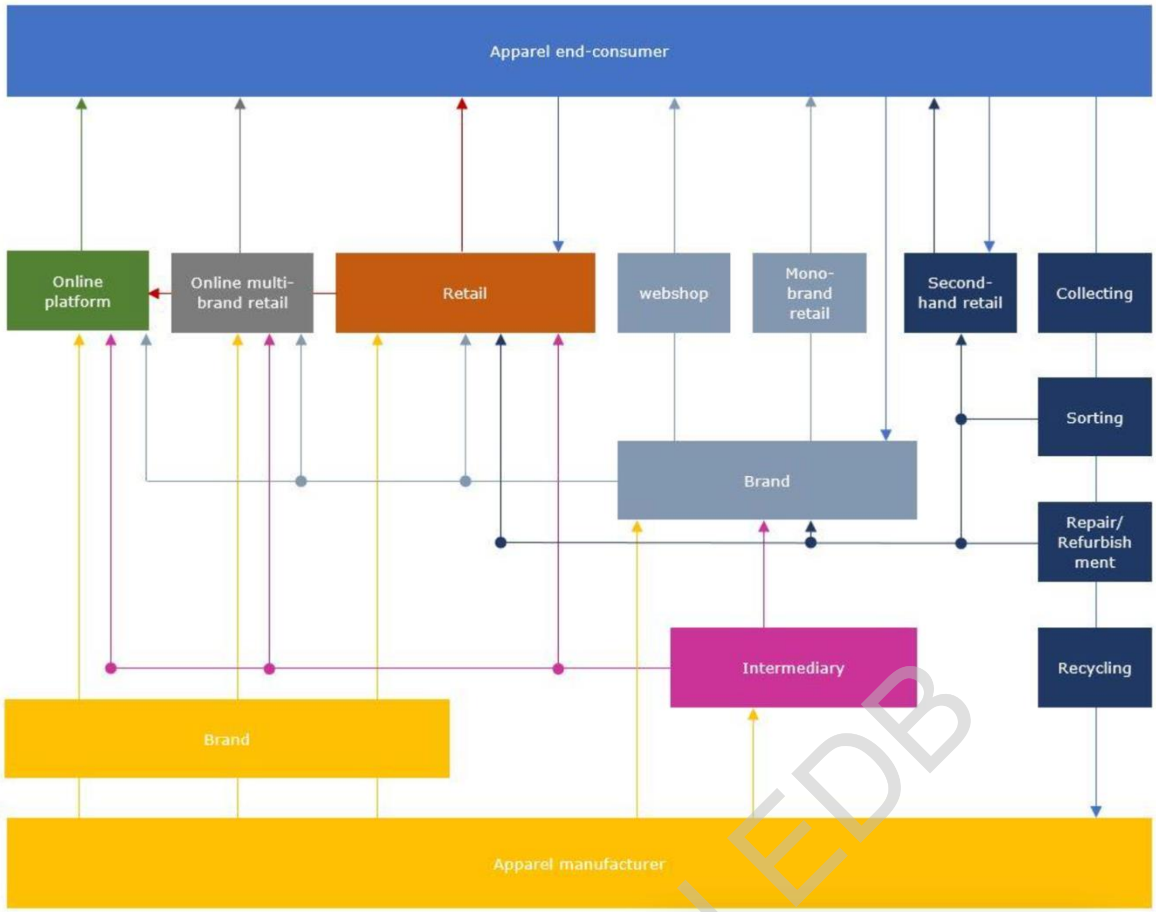

Figure 12 Distribution channels for apparel on the EU and Swiss market

5.3.1 Buyer relationships and servicing different types of buyers

Different buyers can be distinguished by their role and place within the value chain. These factors determine the challenges they face in the market as well as their needs, requirements and the way in which they do business. Each type of buyer requires a specific approach from its suppliers. It is important to choose the right channel based on the factory's individual capabilities as well as the end-market segment(s).

Advances in technology and communication have enabled manufacturers to supply directly to brands and retailers of all sizes all over the world, rather than going through intermediaries. However, as the supply chain gets shorter, in addition to more margin, there is also more risk for the manufacturer.

End consumers (reached directly via online platforms such as Alibaba, Wish, Amazon or Wolf & Badger are a difficult target group because of complicated customer service demands.

Independent brands typically develop a collection 12 months in advance. A manufacturer will need a large sample room as brands require salesman samples (SMS) of each collection style to then present to various retailers and collect orders. Every sample needs to be actual: meaning it must look exactly like the product will in the shop, with branded hangtags and accessories. It may take many months before orders are placed. This sales process can cause delays to production as well as uncertainty in forecasting quantities, including for raw materials.

Smaller (niche) brands will most likely require manufacturers to service them with stock. This can be done in two ways:

- By keeping stock material and trims that will create great flexibility and fast delivery
- By keeping ready-made stock in a warehouse in Europe

Larger, ***own-brand retailers*** and department stores have total control over all aspects of product design, development, labelling, distribution and marketing. Many of these retailers have buying offices in production regions in order to better monitor product development, production and quality. Usually offering high order quantities, they are looking for, and are able to demand, very low prices and costing transparency from their suppliers. Retailers can place an order relatively easily as they only need one development sample for order confirmation. As developer *and* end buyer, they are able to make fast decisions. However, as a result, their purchasing behaviour may be unpredictable. They also have strict requirements for compliance. Manufacturers will develop a relationship with the buying office or the head office and will offer varying degrees of additional service such as materials sourcing. Supermarkets and Hypermarkets such as TESCO, HEMA and Carrefour and large fashion retailers such as M&S, Zara, C&A and H&M are amongst this group. Manufacturers servicing them are generally large and well established and already have the right certifications in place.

Intermediaries such as ***agents, traders and importers*** act as a 'middleman' between the manufacturer and companies further up the value chain, which means they need to keep their prices close to the factory price. This leaves less negotiation room for the manufacturer. Furthermore, traders require flexibility from manufacturers regarding quantities and qualities.

Building relationships with other, more value-adding, intermediaries such as ***private label companies and full-service vendors*** (who handle the whole process from product design to quality control to import) can help smaller manufacturers access the European market whilst helping them to build knowledge and capacity. This is particularly important for customers that require higher levels of compliance and for more complex, innovative products.

When targeting a new market it is advisable to start with popular / fast-growing small or medium sized brands. These brands often focus on a certain niche. In the shorter term this strategy may not be profitable, but it will enable a manufacturer to understand the market and trends before they try to open up a larger customer with increased risk. These SME brands are highly profiled in their market and their success is often monitored by the bigger retailers and brands. Therefore, doing business with a fast-growing SME brand can be a perfect door opener.

It is also important to take time to understand the way of working of buyers from individual countries within the EU. Italy is Sri Lanka's biggest trade partner for apparel and to expand existing relationships within this market whose requirements and ways of working are familiar is easier than opening new markets. There are many ways to grow existing exports for example through new services, products, price segments etc. The identification of new geographical markets should always be aligned with current business and products. It is always easier to open "similar" countries, for example France has a similar business culture to Italy and buyers often share the same product requirements (handwriting), including sizing.

5.4 Price and quality

The babywear market can be segmented primarily on the basis of price/quality level.

More sustainable – particularly organic - choices can be found within all segments from budget to luxury whilst premium (particularly specialist babywear) brands and middle market brands have a more consistent focus on more sustainable materials. Due to new French legislation, the budget segment in France is becoming stricter on the use of hazardous chemicals and is therefore also increasing its focus on sustainability.

5.4.1 The luxury market

Luxury brands that have created babywear collections include: Gucci (Italy), Kenzo (France), Dior (France), Moschino (Italy) and Moncler (Italy).

Specialist baby and kids wear brands in the luxury segment include: Tartine et chocolat (France), Il Gufo (Italy) and Bonpoint (France).

There is a growing 2nd hand market for luxury babywear products through online apparel resale platforms such as Vinted as well as baby and kid swear curated platforms such as the kid swear Collective.

5.4.2 The premium market

Most brands in this segment are small to medium sized specialist baby and kids wear brands. Whilst French and Italian brands focus heavily on design, craftsmanship and high-quality materials, Scandinavian brands tend to focus more on the sustainability of materials as well as processes.

Similar to the luxury segment, there is a growing 2nd hand market for premium babywear products through specialist kid swear second hand stores, online general apparel resale platforms such as Vinted as well as baby and kids wear curated platforms such as the kids wear Collective. Brands in this segment include: Nicoletta Fanna (Italy), Ginnibo (Italy), Jacadi (France), Mini Rodini (Sweden), Petit Bateau (France) and Serendipity Organics (Denmark).

5.4.3 The middle market

Due to lack of branding, unique designs and/or lower levels of quality and durability, products at end of life are usually given away, thrown away or discarded in textile bins.

Polarn O Pyret has implemented a take back scheme offering vouchers for traded in POP products at end of life.

Specialist babywear brands are increasing their use of organic cotton and some brands (such as Joha) may use more luxurious materials such as merino wool at reasonable price points. Brands include: Prenatal (Italy), Joha (Denmark) and Polarn O Pyret (Sweden).

5.4.4 The budget market

In the budget segment, many garments are sold in duo or multi-packs. Larger retailers are increasingly incorporating organic cotton into their babywear collections at prices that do not differ significantly from the core collection.

Brands and retailers that sell babywear include: Name It (Denmark), H&M kids (Sweden), Carrefour (France), La Redoute (France).

Due to a lack of branding, unique designs and/or lower levels of quality and durability, products at end of life are usually given away, thrown away or discarded in textile bins.

5.5 Opportunities

The global baby apparel market size was USD 62.04 billion in 2019 and is projected to reach USD 82.54 billion by 2027[11]. The increased online accessibility of babywear as well as the addition of supermarkets as points of sale are aiding the expansion of the market. The growing use of social media amongst parents as a way to share images of their children with friends and family has also fuelled the demand for unique designs in babywear. There is also a significant market in new-born baby gifts often consisting of clothing which should be of high quality and uniquely differentiated.

5.5.1 Organic clothing

European parents are increasingly interested in buying organic clothes, especially those who can afford upmarket prices. This is closely linked to an increased awareness amongst parents of the environment, which is leading into new consumption patterns such as choosing natural fabrics and looking for sustainable certifications. Organic clothes are generally more expensive than non-organic clothes, which means that consumers also expect high quality and design.

Cotton is breathable, soft, durable, highly absorbent and has great washability – all reasons why cotton is the most widely used fibre for baby clothes. Increasingly, organic cotton is being used as the fibre is grown and processed without chemicals or fertilisers which is better for both environment and baby. However, organic cotton only accounts for less than 1% of all the cotton currently produced in the world and it will take time to scale up production[12]. Companies that source "transitional cotton" (organic cotton produced by farmers switching to organic cotton and whose cotton is not yet certified) can support this process as well as support farmers making the transition towards organic practices. Tommy Hillfiger is an example of a brand marketing transitional cotton in its babywear line.

TIP: Demand for organic cotton is outstripping supply. Suppliers that source "transitional" or "in-conversion" cotton can promote this unique selling point to their buyers. More information can be found here.

5.5.2 Alternative fibres

Wool regulates and adjusts to the body temperature, which makes it a perfect base layer all year around. It is also even more absorbent than cotton. Wool, in particular ***Merino Wool***, is especially popular in Scandinavia. Merino wool is also good for eczema prone skin. The fibre is much finer than traditional wool fibre, which makes it much softer. In addition, the natural oil in merino wool helps to lubricate the skin and lock in moisture, providing a barrier against irritants. Merino wool has a natural crimp which helps it retain its shape and elasticity.

Modal is a type of rayon – regenerated cellulosic fibre - made from beech tree pulp. It is considered to be a more sustainable fabric than synthetics on account of its biodegradability, however production is still chemical intensive and polluting. Modal is soft, breathable, hypo-allergenic, absorbent and thermoregulating which makes it especially suitable for baby wear. It is also durable and highly washable due to high shrink and fade resistance and high strength when wet. For all of these reasons it is highly suitable for baby wear.

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[11] https://www.fortunebusinessinsights.com/baby-apparel-market-102106

[12] https://www.voguebusiness.com/sustainability/organic-cotton-a-centrepiece-of-sustainable-fashion-is-in-short-supply#:~:text=Organic%20cotton%20accounts%20for%20less,Fashion%20can%20help%20change%20that.&text=Organic%20cotton%20production%20is%20down,cent%20of%20total%20cotton%20production.

TIPS: Consider the HIGG Material Assessment Tool to calculate the environmental impact of different materials used in product design. Order the sustainable materials guide by MODINT here. Follow the Textile Exchange for news and information regarding more sustainable materials.

5.5.3 Gender-neutral styling and colours

Many retailers are choosing to do away with gender differentiation when categorising baby and kids wear with many also preferring to stock more muted, neutral colours. This trend has been driven by an increased desire amongst parents to refrain from imposing gender-based stereotypes onto children as well as the very practical consideration that clothes can be reused for multiple children of different genders.

TIPS: Avoid extensive use of traditional gender-specific colours in your collections. Visit (online or in person) trade fairs for inspiration regarding seasonal colour trends. Kids wear-specific trade fairs include CIFF Kids (Copenhagen) and Pitti Immagine Bimbo (Italy).

5.5.4 Niche segments

Smart baby apparel

Sudden Infant Death Syndrome (SIDS) is the unexpected death of healthy babies who are less than a year old. In most Western countries, the rate of SIDS dropped dramatically after 1990 (the era of safe sleep campaigns). Whilst the infant mortality rate in Europe has dropped from as much as 82.2 per 1000 live births in 1950, the 2021 rate was still as high as 3.1 and therefore remains a primary concern for parents[13].

Smart baby apparel is wearable smart clothing that tracks information from sensors attached to baby clothes that can be used to monitor and identify risks to babies' health or safety on a real time basis. They can measure heart rate, breathing, blood oxygen levels and sleeping position. Some examples include OWLET (a smart sock that tracks a baby's heart rate and oxygen level) and NANIT (a camera measures the tiny movements of patterns within the construction of a sleepsuit to monitor breathing).

Smart wear for babies is still in the development stage in many cases. The biggest downside currently is false alarms which can be distressing. A number of challenges still need to be overcome before it becomes a mass product. However, smart clothes have great potential due to the fact that they address the health and safety concerns of new parents with regards to their children.

Personalisation/custom baby clothes

Custom printed or embroidered baby wear – in particular baby grows and t-shirts – are popular, particularly amongst new parents. These items are usually purchased online through specialist web shops as well as ecommerce sites dedicated to handcrafted and/or unique designs such as Etsy. The quality of many of these items is not high. There is scope to develop a higher quality, more sustainable offer in this area. In addition, new-born gifts are often considered to be more thoughtful if personalised.

Babywear that grows with the child

Some baby and kids wear products are developed with additional functionality to tackle the issue of babies growing out of clothing quickly, something that ordinarily would put off some parents from spending on higher quality, more expensive and more sustainable garments. Garments convert, adjust and/or "grow" as the child grows. This is usually achieved through the use of special fabric, folds and/or additional hardware.

[13] https://www.statista.com/statistics/1258353/infant-mortality-rate-in-europe/

Examples of brands on the global market specifically manufacturing innovative clothes for babies that grow include: Petit Pli, Beyamade and Kindercapsule.

Mainstream brands are also starting to offer garments with similar, more isolated, features within garments, for example adjustable outerwear sleeve lengths and adjustable waists.

TIP: By starting with a niche, suppliers can develop capabilities and build manufacturing experience and efficiencies allowing them to then target the wider, more mainstream segments.

5.5.5 Designing for circularity

Lengthening the garment lifecycle is a key consideration for babywear, particularly if the segment is to fully transition to becoming more sustainable in its choice of raw materials including trims. There is already a significant and growing market for second hand garments in the babywear sector and therefore durability and product quality are key. Adjustable and/or reinforced garment designs allow babies and toddlers to wear clothes for longer whilst high quality construction and raw materials increase wearability and washability.

Wherever possible, raw materials should be manufactured from renewable, plant-based sources and/or recycled inputs. New developments in buttons and snap buttons (used frequently for babywear items) include biodegradable and/or recycled buttons made from:

- plant based materials such as potato starch (e.g. EcoGreen snaps from Prym)
- natural materials such as casein (a surplus of milk protein) (e.g. FM Buttons)
- recycled water bottles (e.g. EcoWhite from Prym)

To aid recyclability, where possible fabrics should not be composed of different fibres as this makes it more difficult to recycle with current recycling capabilities. Trims are also being developed that at the same time comply to strict safety standards and facilitate garment disassembly prior to recycling. For example YKK has designed a snap button that can be removed with a common household tool (a flathead screw driver).

For gifted items, packaging should be made from recycled, recyclable and/or biodegradable materials.

TIP: Follow circular initiatives where brands and innovators share information and innovations (e.g. SAC, Fashion For Good (FFG), H&M Foundation Global Change Award).

Special product requirements

When it comes to babywear, there are five key product category-specific requirements to take into consideration, which reflect the main concerns of parents when purchasing clothing for their babies. Many of these product requirements can be achieved through material choice.

Health

Babies' skin is sensitive and delicate. The skin of new-borns is 20% thinner than the skin of an adult. Harmful substances, chemical dyes and allergens penetrate it much faster[14]. Clothes, especially those that come into contact with the skin should be soft and non-irritative. Brands are increasingly offering chemical-free, hypoallergenic and antibacterial products as well as those that have been dyed with only natural dyes.

Safety

Safety considerations for babywear relate to garment design features and mechanical safety. Garments and components must not get displaced through movement in such a way that might pose a safety hazard. The

[14] https://ctnbee.com/blog/en/safe-children-fabrics/

quality of construction and attachment of components is important as they must not detach easily to avoid a choking hazard. Guidelines and legislation exist to minimise hazards.

In addition to the General Product Safety Directive, the EU has specific legislation and/or standards for the safety of babies and/or children's clothing including the following:

- *EN 14682 Safety of Children's Clothing*
- *EN 14878 Burning behaviour of children's nightwear*
- *EN 17394 – Textiles and Textile Products. Safety of children's clothing - Security of attachment of attached components*.

There are also many restricted chemicals that have stricter (lower) limits for children under 3 years of age. These include, but may not be limited to, the following substances and groups of substances: Formaldehyde, O-Phenylphenol, Heavy metals, Organotin compounds, Phthalates, Polycyclic Aromatic Hydrocarbons.

Therefore, testing for (and certification to prove) chemical compliance with REACH legislation and Oekotex 100 and GOTS (amongst other) standards is of paramount importance for babywear. It is recommended that an individual risk assessment be carried out on any garment in order to ensure that it does not present a hazard to the wearer.

Practicality
Baby garments must be easy to fasten and unfasten and styles should be appropriate for smaller body sizes. They should be durable in order to withstand frequent washing as well as maintain their quality for resell or for giving away as "hand-me-downs". Additional features such as reinforced knees can contribute to increased durability.

Comfort
Freedom of movement, stretchability, thermoregulation, breathability and softness against the skin are all important considerations for babywear. Higher levels of comfort are achieved through fabric choice and/or garment construction.

Washability
Baby clothes get soiled easily and need to withstand washing at high temperatures without the risk of shrinking or fading.

TIP: Challenges bring opportunity. The special requirements of the European babywear segment offer great possibilities for suppliers willing to specialise in this segment and invest in capabilities for research and development, testing and compliance.

6. Conclusions

Through desk research, we evaluated and summarised current key Swiss/EU trends, developments and market characteristics affecting the Value Added Textiles sector. This included looking at the regulatory context as well as consumer trends and behaviour and how both are influencing retail, buying and service models, creating opportunities for forward-thinking suppliers.

Figure 13 Influence of consumer trends on buying and service models

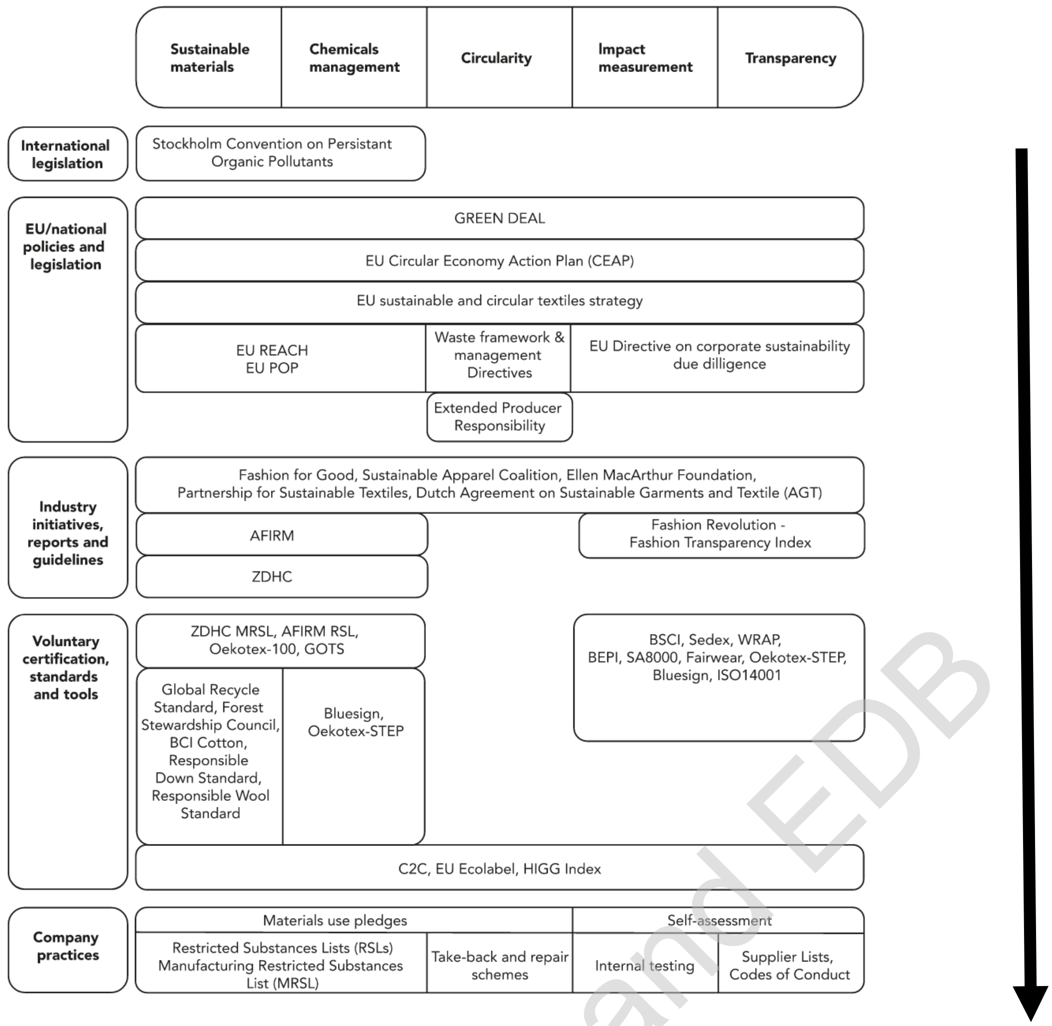

Figure 14 Influence of the regulatory context on buying and service models

Sustainability is without a doubt the most important aspect of Value Added Textiles. During the research we identified five key sustainability impact areas:

- Sustainable materials
- Chemicals management
- Circularity
- Transparency
- Impact measurement

By exploring what is being done in these areas by different actors at different levels in the value chain (from policy-making by legislative bodies at international and EU level through to individual company practices) we identified changing requirements and resulting opportunities.

The sector level market study indicated that a well-structured ***chemicals management*** system which ensures proper legislative compliance has become a mandatory requirement of market entry for exporting VATs to EEA and Switzerland.

At the same time, competitive advantage can be achieved by increasing service levels in the areas of:

- (circular) design
- sustainable raw materials sourcing and development (including packaging and trims)
- technical raw materials sourcing and development (including trims)
- certification and product quality/safety testing
- transparency and impact measurement
- flexibility/speed to market

As a result of an increase in Green Deal-related general and textile-specific action plans, strategies and targets, in future, many of these aspects will become mandatory (e.g. transparency, certification, impact measurement) or at least significantly more important (e.g. sustainable RM sourcing and development). This is where forward-thinking suppliers can differentiate themselves the most as strategic supplier-partners.

The research highlighted that for small to medium-sized manufacturers in developing countries, larger (private label and full service) intermediaries are an interesting type of buyer, particularly for more complex products where capacity-building can be supported. Alternatively, smaller brands and retailers are also interesting, particularly if they target a certain niche. The bigger brands and retailers are only potential buyers if the manufacturer already has the right certifications and can handle large volume orders.

The outcomes of the sector market study formed the basis on which individual product / market briefs (for product categories selected during phase 1) were elaborated.

Export/import as well as development statistics were used to highlight the individual markets that offer most opportunity for the export of the selected product categories from Sri Lanka.

Through quantitative and qualitative desk research, market changes, requirements and trends were analysed to identify market positioning and export opportunities for Sri Lankan manufacturers. The advice given was based on a commercial approach which used statistics to identify change and opportunity and market knowledge to identify unique market “attack” strategies.

It should be noted that expanding exports with existing countries and buyers is always the most efficient approach to grow market share and should therefore always be at the core of a manufacturer’s export strategy. As Italy is Sri Lanka’s biggest partner for apparel exports, we have included the Italian market for all product categories, even where statistically the market is showing signs of stagnation.

The statistics show that, following the general sector trends, production is shifting away from China in the more complicated babywear, outdoor jacket and skiwear categories. These are categories where Sri Lanka does not currently have a well-established export business and therefore this presents an opportunity. China is maintaining market share in the fashion jacket, men’s underwear and women’s briefs categories. In the latter two categories Sri Lanka already has established business and could expand market share by diversifying into niche segments.

When researching and creating individual product market briefs, special focus was placed on product-specific trends, opportunities and solutions relating to the sourcing and development of more sustainable raw materials and designing for circularity, two key areas of potential differentiation highlighted by the sector market study. This research can be referred to when further developing sustainability strategies per product category in future.

6.1 Product-market recommendations

6.1.1 Jackets

Sri Lanka is not a well-established producer of jackets to the European market. Opportunities exist for first-movers and forward-thinkers to produce high quality, durable, value added and more sustainable products for premium markets in Scandinavia as well as Sri Lanka's biggest apparel trading partner, Italy.

Generally speaking, in comparison to the fashion segment, outdoor wear brands and retailers across all markets (with the exception of Poland) have a more consistent sustainability focus and are looking more holistically at the garment - beyond fabrics - including trims, techniques and even packaging solutions throughout the supply chain. Competitive advantage would come through continuous investment in R&D and the building of supplier-buyer relationships rather than speed to market and design capabilities. In this same segment, production is shifting away from China which is also creating opportunities.

Ski jackets - which share many of the functional/performance and construction aspects of outdoor jackets – are a seasonal product with higher perceived added value across all markets. This means that initial target markets could also include France and Germany. Further, due to Poland's high growth in skiwear imports, parallel developments could be made for the Polish market with less functionality and lower performance levels.

By building manufacturing experience and developing a network of suppliers of jacket fabrics from Asia, the business will become more competitive and efficient over a period of approximately three years. This will enable the industry to then target lower level, more competitive markets like France, Germany and the Netherlands, including the fashion-outdoor and outdoor-to-urban segments.

As jackets are a more complex and costly product, differentiation can be further achieved by providing full transparency (in terms of raw materials origin, production processes, factory conditions and cost).

6.1.2 Babywear

Sri Lanka is not a well-established producer of babywear to the European market. Opportunities exist for first-movers and forward-thinkers to produce high quality, durable, value added and more sustainable products for premium markets.

The knitted category has the most potential not only because it is the largest but also because – being used for almost all innerwear - it is the category that tends to use more sustainable (particularly organic) materials. Denmark's very high import value growth in this category coupled with the high birth rates in Denmark, Norway and Sweden suggest that the premium segment in Scandinavia should be a primary focus.

The biggest opportunities for adding value in this segment are directly related to the most significant challenges faced by European brands and retailers and their supply chains: increasingly strict legislation regarding safety, the use of harmful chemicals, testing and transparency.

The demand for high quality, durable products made with more sustainable materials will only increase in Scandinavian countries (where consumer awareness of sustainability and circularity issues is highest) as well as countries like France (which is enforcing new environmental legislation that goes beyond even EU legislation).

Whilst Italy lags behind other countries in terms of sustainability awareness and legislation, it is Sri Lanka's largest apparel trading partner and shares many cultural and business characteristics with France. Parents in both countries also spend a lot of their disposable income on baby and kidswear. Therefore, despite both markets stagnating, both should be considered.

6.1.3 Men's underwear

Sri Lanka is already a well-established producer of men's underwear to the European market which offers opportunities to diversify and expand market share.

The medium-low price volume market is growing with the increased visibility of men's underwear products in supermarkets and other retail stores. Key men's cotton underwear importers Germany, France and Netherlands are all countries with strict and/or increasing sustainability and circularity requirements, driven by national legislation and policies which provides opportunities for higher quality, more durable and sustainable products, particularly organic cotton and modal.

Whilst man-made fibre Modal and sports underwear made from synthetic/stretch fibres are on the rise, the trade statistics indicate that in the fashion segment less synthetics are being used for men's underwear. The significant growth in organic cotton underwear offered at affordable prices in the fashion segment is also influencing the trends seen in the data.

In Scandinavia, and Sweden in particular, which saw significant growth in man-made men's underwear during the 2017-2021 period, there is a lot of potential for sports underwear, particularly that made from more sustainable recycled nylon or polyester. In parallel with this, synthetic technical base-layers – produced by a vast number of active, outdoor and ski wear brands in Italy, France, Germany and, in particular, Scandinavia – would be a complimentary product.

Opportunities for less sustainability-focused and more traditional, design-led products exist within the (particularly German and French) gay segment, the premium Italian fashion segment and Polish fashion segments.

6.1.4 Women's briefs

Sri Lanka is already a well-established producer of women's briefs to the European market which offers opportunities to diversify and expand market share.

The similar European trade levels of women's briefs made from man-made fibres and from cotton illustrates the diversity of product within the market. Alternative fibres to cotton (such as modal, Tencel and bamboo) are already well established and many of the various "niches" have become relatively mainstream (including shapewear, sports underwear and period underwear).

The most promising opportunity within the women's briefs category is more sustainable briefs targeted at the Scandinavian market. This market (Sweden and Denmark) experienced significant growth in the man-made fibre segment in the period 2017-2021 which indicates an increased use of fibres such as modal and Tencel as well as potentially in the sports underwear segment where recycled polyester and nylon present opportunities. Organic cotton however is still extremely important and has become a standard in this region. Sweden was also one of the top four importers of women's briefs made with man-made fibres from Sri Lanka in 2021. In line with Scandinavia's laser focus on sustainability and women's empowerment, it is expected that the menstrual underwear market will continue to grow also in this region.

Opportunities for less sustainability-focused and more traditional, design-led products exist within the Italian and Polish markets. Italy and Poland were both within the top four importing countries for cotton and man-made women's briefs from Sri Lanka in 2021, with Poland experiencing high growth.

Suppliers wishing to target the growing sports underwear niche could target both men's and women's and/or expand to include women's sports bras as a complimentary product.