

## Designer Fashion in the Australian Market

### 1.0 MARKET STRUCTURE<sup>1</sup>

#### 1.1 Background

Australia is New Zealand's largest and most established export market for fashion, taking nearly 70 percent of total apparel exports.

It is an attractive market for fashion designers given the size and nature of the retail sector; the relative ease of doing business and the duty free status of New Zealand manufactured apparel under Closer Economic Relations (CER).

New Zealand apparel is seen as offering unique, fresh design and has a reputation for high quality. Awareness of New Zealand fashion has been boosted by the success of designers at Australian Fashion Week and at New Zealand Fashion Week which attracts Australian buyers and media.

Opportunities for apparel exporters also exist in a range of niche sectors such as knitwear, sports and outdoor wear, corporate apparel, streetwear, children's clothing, and fashion for plus sizes.

#### 1.2 Market size

Australia has a large and competitive fashion sector, and according to Datamonitor the Australian apparel retail industry was worth A\$16.3 billion in 2007, an increase of 4.5 percent from 2006.<sup>2</sup>

The following table shows household expenditure on clothing, broken down by state, taken from the Australian Bureau of Statistics' most recent household expenditure survey.

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<sup>2</sup> Datamonitor, Apparel retail in Australia industry profile.

Summary of Expenditure on Clothing, Survey 2003/04 (estimated annual expenditure)<sup>3</sup>

	<b>Expenditure on clothing by State (A\$ millions)</b>	<b>Percentage distribution</b>	<b>Change in expenditure from 1998/99 to 2003/04</b>
NSW	3,841	34%	19.5%
Victoria	3,146	28%	28.3%
Queensland	1,928	17%	48.8%
South Australia	877	8%	37.0%
Western Australia	963	8%	23.0%
Tasmania	253	2%	17.9%
Northern Territory	76	1%	129.6%
ACT	248	2%	44.5%

Women's clothing is estimated to account for 48 percent of the total retail clothing share, followed by men's clothing (24 percent), infant's clothing (nine percent), girl's clothing (six percent), and boy's clothing (four percent).<sup>4</sup>

### 1.3 Growth Rate

Australian economic research agency IBISWorld forecasts that retail clothing revenue will grow by 16.3 percent until 2012/13, an annualised rate of around 3.1 percent annually, which is broadly in line with the overall retail sector.

The retail industry has benefited from low unemployment and high consumer confidence, however given current economic conditions and low consumer confidence, retail spending is expected to slow.

Once a major expense, clothing now accounts for only around five percent of total household spending. It is a highly seasonal and volatile industry with a growing level of imports, and a fairly saturated domestic market. Independent retailers face continued pressure from larger players such as department stores as well as franchise and chain stores.

Some niche sectors in the apparel industry are forecast to grow faster than others, e.g. womenswear, baby and children's clothing.

Online retailing (e-tailing) will continue to grow. Some of the major apparel retailers and labels have established websites and use them to promote new products as well as point of entry for sale. However, neither of the two major department stores have online

<sup>3</sup> Australian Bureau of Statistics, *Household Expenditure Survey 2003/04*. The next Household Expenditure Survey will be run in 2009-2010

<sup>4</sup> The remaining share was made up of headwear, hosiery, accessories, and materials. Source: IBISWorld.

shopping. There are a growing number of boutique fashion e-tailers, such as frockshop.com.au and mycatwalk.com.au, and some of these feature Australian and New Zealand designers

#### 1.4 Known factors influencing growth rate

Key factors influencing the market growth for apparel include real gross domestic product (GDP) growth, personal disposable income growth and the unemployment rate. The Economist Intelligence Unit forecasts for these are:

Year	Real GDP Growth (%)	Personal disposable income per capita growth (%)	Unemployment rate (%)
2009	2.1	-8.9	4.7
2010	2.3	-3.1	4.9
2011	2.6	6.1	5.0
2012	2.7	5.3	5.1

Source: Economist Intelligence Unit.

## 2.0 COMPETITIVE ENVIRONMENT

### 2.1 Major players in the market

The Australian retail market is highly competitive and dominated by major retailers.

The main types of Australian clothing retail outlets include:

- department stores (David Jones, Myer)
- discount department stores (Target, Kmart etc)
- retail chains – national and regional (Sportsgirl, Country Road etc)
- boutiques – ranging from luxury brands to boutiques offering a selection of local and international labels. Most are independent stand alone stores, with only a handful of multi-boutique retailers e.g. Blondies in Melbourne, More in Perth and the FAT stores in Sydney and Melbourne.

According to IBISWorld, department stores account for 35 to 40 percent of total men's and women's clothing sales. Small independent operators account for just 20 percent of sales, with the other 40 percent coming from franchised and chain stores.

Myer is the largest department store chain in Australia ([www.myer.com.au](http://www.myer.com.au)) and operates 65 stores with annual revenue of over A\$3.32 billion. Myer was part of Coles Myer but is now majority owned by private US equity firm Texas Pacific Group.

David Jones is an independent medium sized department store ([www.davidjones.com.au](http://www.davidjones.com.au)) with annual revenue of around A\$1.9 billion. It operates 36 stores across Australia.

Both David Jones and Myer compete strongly in the fashion area. Both have stables of designers which they sign to supply to their store exclusively and not to the other department store.

Another department store operator is Harris Scarfe Australia ([www.harrisscarfe.com.au](http://www.harrisscarfe.com.au)) with 24 stores in South Australia, Victoria and Tasmania and total annual revenue of about A\$280 million.

In addition, there are a large number of speciality chains in Australia, for example:

- Specialty Fashion Group ([www.specialtyfashiongroup.com.au](http://www.specialtyfashiongroup.com.au)). Brands include Millers Fashion Club and Katies.
- Country Road Ltd
- Just Group Ltd (Just Jeans, Jay Jays, Jacqui E, Peter Alexander, Dotti, Portmans)
- Sussan Corporation (Sussan, Suzanne Grae, Sportsgirl)

## **2.2 Marketing strategies**

Having a point of difference and establishing sought after brands are key success factors in the crowded Australian marketplace.

Media exposure plays a strong role in influencing designer fashion sales. There are a number of public relations professionals in Australia specialising in positioning fashion brands with media and ultimately with consumers.

If you are just starting out, and looking at handling PR direct, then the sort of promotional material you should consider preparing includes:

- media releases to launch each collection
- a company profile, which is updated annually to include new milestones, as well as fact sheets about your collection which could cover the types of materials you use, any environmental credentials, target market, price range, key stockists
- a biography, with information about the designer/s and any awards won etc
- a lookbook – these are very valuable tool for presenting your collection to fashion editors and they give you longevity through the season as the media refers back to them.

If you are new to the market, ensure you are familiar with all the key magazines and newspapers and other media. From these you can get a lot of information about the right people to engage with and what sort of things they are interested in covering. Fashion editors, assistants and market assistants are all looking for new products.

Participation in trade and consumer marketing events can be a useful marketing tool. Australian Fashion Week is the leading trade event for designer fashion and attracts a large contingent of Australian and international media and buyers (see Section 5 for more information on Australian events). Australian buyers and media also attend New Zealand Fashion Week.

### **2.3 Distribution channels**

Most New Zealand fashion companies sell through an agent or distributor, although new designers may start by selling direct to selected stores and building up interest in the label.

The majority of fashion agents in Australia are state-based which means designers may need to appoint several agents to achieve the coverage desired. Good agents are highly sought after and are selective about which labels they chose to represent. Commission rates will depend on the type of services provided – they usually range from 10 to 15 percent. Debt collection can be an issue and some agents may assist with this. Most apparel suppliers offer early payment discounts.

It is not uncommon for companies to have two or three agents during the course of their life cycle. As such you should maintain close links with your end buyers. Regular market visits are an excellent source of feedback and market information.

New Zealand designer fashion is sold mainly through upmarket independent boutiques and department stores. As such, designer labels can quickly reach saturation. The higher the price-point the greater the exclusivity required to maintain brand desirability. Boutique buyers are increasingly discerning about the new labels they invest in. They are looking for strong design, quality finishing and excellent customer service. They will demand a level of exclusivity in the area they service, in order to differentiate themselves from nearby department stores and boutiques.

Other distribution options in Australia could include establishing an in-house sales team, developing your own retail outlets, or operating a franchise operation.

In terms of physical distribution, you do need to take into account the size of the Australian market. The large distances between the major centres can mean servicing clients in areas such as Perth is more costly both for yourself or your agent e.g. freight

can be expensive for small orders or returns, as well as higher travel costs to visit buyers.

### **Key markets**

Given the population spread, the eastern seaboard states of New South Wales, Victoria and Queensland make up the majority of apparel sales. Sydney, Melbourne and Brisbane have large established economies and a high number of fashionable boutiques. Perth in Western Australia is also an excellent fashion market.

Melbourne is the headquarters for Myer, and also for Coles which owns Target and Kmart. Sydney is the heart of the Australian media as well as being the main buying centre for tourist and duty free outlets and the headquarters for David Jones. Queensland presents opportunities for designer fashion along with resort, swimwear and other leisurewear.

Popular colours, styles and fabrications can vary between the states mainly as a result of climate differences. For example, given the warmer weather in Sydney and Brisbane, is it not common to see heavy knits or fabrics, they are generally light to medium weight, and colours tend to be lighter and brighter.

### **Buying Seasons**

The Australian buying seasons for designer fashion are April/May for spring/summer, and September/October for autumn/winter – although in general buying times are creeping forward. Buyers are also increasingly looking for new stock during the season to keep their stores fresh and interesting.

## **2.4 Pricing**

New Zealand designers have been able to command good prices in this market. It is important to determine pricing with reference to competitive and complementary brands available.

Pricing should be quoted to buyers in Australian dollars and should include insurance and freight.

In your pricing you will need to take into account all your export costs including any agent's commission, discounts for prompt payment etc

The average retail mark up is 100 percent but can be as much as 150 percent or more.

## 3.0 REGULATORY OVERVIEW

### 3.1 Customs

General information on Australian Customs and Duties is available in NZTE's How-to guide to doing business in Australia, available at [www.nzte.govt.nz/australia](http://www.nzte.govt.nz/australia).

All goods imported into Australia must be cleared through Australian Customs. A customs import entry must be lodged for goods above \$1,000 per consignment. Consignments valued at, or below, these amounts may be cleared on an approved form, the Informal Clearance Document (ICD), which is available at Customs offices or at the Australian Customs website, [www.customs.gov.au](http://www.customs.gov.au).

Customs entry processing is subject to cost-recovery charges. Customs duty rates and GST also apply at customs. Your customs broker or freight forwarder can advise you on customs duty rates.

New Rules of Origin for trans-Tasman trade came into effect on 1 January 2007. The new CER rules of origin are based on a change of tariff classification (CTC) approach, which means for the majority of tariff lines, an exporter need simply satisfy the condition that there has been a specified change in tariff classification between any imported materials from third countries, and the completed good being exported to Australia.

Under the previous Rules of Origin, New Zealand and Australian goods were given preferential treatment or duty-free entry if either of the following criteria was met:

- Fifty percent of the product's content was manufactured in New Zealand and/or Australia.
- Fifty percent of the total value of the product had been added through production in New Zealand.

Exporters may use the new rules or continue to use the previous rules until 2012.

See the Guide to Doing Business in Australia or the Australian Customs' website for more information.

For countries other than New Zealand, tariffs on clothing are generally 17.5 percent, but will move to 10 percent from 2010 and five percent from 2015 (these rates are lower still for countries Australian has entered free trade agreements with e.g. Thailand). Australia imports significant amounts of textiles and clothing from China and to a lesser extent India and Fiji.

## **Bringing samples to Australia**

Goods may be brought into Australia on a temporary basis without the payment of Customs duty or taxes for a period of up to 12 months. These goods are referred to as Temporary Imports.

A security or undertaking will be required by Customs. This must be sufficient to cover the customs duty and taxes if the goods are not re-exported within the approved period. You should also be able to provide copies of normal commercial import documents such as commercial invoices, packing lists, bills of lading or airway bills, and quarantine certificates (if required).

Another way goods can be brought into Australia on a temporary basis is under the cover of a 'carnet', which allows goods to be brought into Australia without the payment of Customs duty and taxes and without the need for a formal customs entry.

The use of a carnet to cover the temporary admission of goods considerably simplifies and expedites the formalities for temporary importation for both the importer and Customs. However, there is a fee so you will need to assess the value of your samples and how many times you intend visiting the market.

When the goods arrive in Australia, the carnet holder will need to present the carnet to Customs for processing.

The carnet must also be produced to Customs on export for processing. The goods will need to be identified. The carnet itself will be the proof of export.

Australia accepts two types of carnets, ATA Carnets and CPD carnets (more commonly known as FIA/AIT carnets).

To obtain a carnet to bring goods into Australia, contact your local Chamber of Commerce.

## **GST**

The Goods and Services Tax (GST) is a 10 percent tax that applies to nearly all goods and services consumed in Australia including imported apparel.

Customs charge GST to the importer of the goods regardless of whether or not the importer is registered for GST.

More information about GST, and who is responsible for paying it, can be found in the NZTE's How-to guide to doing business in Australia, available at [www.nzte.govt.nz/australia](http://www.nzte.govt.nz/australia).

Ideally you should be registered for GST – this particularly applies when you are dealing with buyers new to importing. If you are not GST registered buyers will have to pay the GST upfront to customs before they will release your freight. They can claim this GST back but many prefer not to have to pay it upfront.

### **3.2 Regulatory and licensing restrictions or difficulties**

The main requirements relate to labelling including sizing, care instructions, and fibre content. Importers must ensure that goods entering Australia are correctly marked.

All labels must be:

- in English
- in prominent and legible characters
- on a principal label or brand attached to the goods in a prominent position in a permanent manner
- include the country of origin - 'New Zealand' must be written in full on all documentation, as the abbreviation 'NZ' will not be accepted. Articles of apparel must have a sewn in label showing the country of origin prominently displayed (in the collar region for upper garments and in the middle rear waistband for lower garments). To qualify for duty free access all garments exported to Australia must be labelled "Made in New Zealand."

Imported apparel is subject to additional labelling regulations under the Fair Trading Act.

Garment labels must include:

- the fibre content e.g. wool, cotton
- care instructions
- warning labels concerning flammability if they are for children's night clothing.

These labelling regulations follow the Australian/New Zealand Standards. The most relevant standards are:

- AS/NZS 2392:1999 Textiles - Labelling of clothing, household textiles and furnishings
- AS/NZS 1957: 1998 Textiles - Care labelling
- AS/NZS 2621: 1998 Textiles - Guide to the selection of correct care labelling instructions from AS/NZS 1957
- AS/NZS 1249:2003 (fire hazard labelling requirements mainly regarding children's nightwear)

## **4.0 RECOMMENDED STRATEGIES**

### **4.1 Possible points of differentiation for New Zealand companies**

New Zealand fashion is highly regarded for:

- being fresh and individual
- excellent quality and fit
- distinctive fabrics

New Zealand companies also have a reputation for providing good customer service and being “easy to deal with”. It is important to maintain these critical success factors. Retailers and consumers are always looking for something “new”.

### **4.2 Tactical recommendations on market entry**

Research the market – understand the retail outlets you want to target, the labels they currently stock and which labels you see yourself hanging alongside, as well as pricing and other general impressions of the market.

If you appoint an agent it is critical that you select the right person. You also need to work proactively with them to develop your label and listen to any feedback on what the market requires. Ensure you visit regularly once you have established accounts, to build and maintain relationships with your buyers, and get feedback first hand.

Ensure you have a full sample range to show buyers – buyers tend to buy what they see so they like to see the samples in the full colour range not just swatches. You need to ensure your fit and sizing is consistent.

Be professional and disciplined in your quality control and delivery schedules, and have a good debt management plan in place. Poor quality or late deliveries will result in returned or cancelled orders. Retailers are working to tight selling schedules, which have become more pronounced as the major department stores go to sale earlier.

You should check out the credit worthiness of new buyers. In some cases you may be able to ask for a percentage payment upfront before despatching the goods.

Develop a marketing and communications strategy to support your sales and build brand awareness. As the market becomes more competitive, a dynamic public relations strategy is becoming a critical success factor.

### 4.3 Recommendations on long term strategic issues for exporters to consider

Some of the longer term issues to consider are common with other markets.

They include:

- The convergence of the traditional selling seasons and consumer access to global media resulting in demand for certain styles/looks now. This is leading to shorter delivery times, an increased number of collections per year, and demand for more transeasonal clothing. Designers have to be more flexible in both design and production.
- Increasing globalisation of the industry, with a growing trend to offshore manufacturing in order to stay competitive. Coupled with this however, is increased public concern sustainability. In Australia, the Homeworkers' Code of Practice is a voluntary agreement which aims to eliminate the exploitation of outworkers in the textile, clothing and footwear industry.
- Innovation and R&D in the industry which will see new products and processes developed leading to more technical, durable and functional textiles, giving brands increased points of differentiation.

### 4.4 Sustainability issues

In a recent survey by PricewaterhouseCoopers a quarter of the businesses surveyed reported that customers are currently looking for 'green' or 'carbon-neutral' versions of products and services, suggesting that there is some level of demand in the market place. Heightened public awareness of climate change appears to be impacting consumer buying decisions and consumer demand.<sup>5</sup>

Another recent survey by CHOICE found that almost half of the consumers that were surveyed consider the environmental impact of producing clothing very or quite important.<sup>6</sup>

However, companies need to be careful when making 'green' or 'sustainable' claims. A report by the Mobium Group has found that while a majority of Australian consumers want business to improve their environmental performance, 88 percent treat 'green' claims with scepticism and distrust. They see credible third party verification by well-known, trusted organisations as the best way to distinguish between greenwash and genuine environmental claims.<sup>7</sup>

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<sup>5</sup> PricewaterhouseCoopers, *Carbon Countdown*, January 2008.

<sup>6</sup> CHOICE, *Consumer awareness survey*, July 2008. CHOICE is the public face of the Australian Consumers' Association.

<sup>7</sup> Mobium Group, *Living LOHAS 2 report – executive summary*, October 2008.

In addition, the Australian Competition and Consumer Commission (ACCC) has been cracking down on businesses which wrongly claim that their products are “environmentally friendly” or “green”. For example, it has warned businesses against claiming that products are carbon neutral without providing proper accreditation and taking into account the life of the product.

The ACCC has also issued guidelines to educate businesses about their obligations regarding environmental claims under the Trade Practices Act. Under the guidelines, the ACCC advises companies to steer away from using the words "green", "environmentally friendly" or "environmentally safe". It says these are vague and could mislead consumers.<sup>8</sup>

## **5.0 MARKET RESOURCES AND CONTACTS**

### **5.1 GOVERNMENT**

Australian Customs Service

[www.customs.gov.au](http://www.customs.gov.au)

Information desk: +61 2 6275 6666

Email [information@customs.gov.au](mailto:information@customs.gov.au)

Fax: +61 2 9213 4043

Australian Quarantine

[www.aqis.gov.au](http://www.aqis.gov.au)

### **5.2 INDUSTRY**

Standards Australia

[www.standards.org.au](http://www.standards.org.au)

Council of Textile Fashion Industries of Australia

[www.tfia.com.au](http://www.tfia.com.au)

### **5.3 TRADE EVENTS**

**Rosemount Australian Fashion Week**

[www.rafw.com.au](http://www.rafw.com.au)

RAFW is Australia’s premier fashion trade event, and showcases designer collections from Australia, New Zealand and Asia. The main event is held in May in Sydney and showcases spring/summer collections. It attracts international and Australian buyers and

media and encompasses collection shows and an exhibition area. Designers need to apply for selection.

The organisers also arrange an event around the autumn/winter collections in October (best to check the website to see what is planned as it has changed over the past few years).

### **L'Oreal Melbourne Fashion Festival**

[www.lmff.com.au](http://www.lmff.com.au)

LMFF is Australia's largest consumer-focused fashion event. The week long festival held in Melbourne in March launches the autumn/winter collections and showcases leading contemporary designers, popular labels and emerging designers to consumers, retail buyers and the media. It encompasses collection shows, business events, in-store launches, art exhibitions and other events.

### **Preview**

[www.preview.net.au](http://www.preview.net.au)

Preview is a trade show for designer labels targeting boutiques and department stores. The event is held twice a year – in September in Melbourne (autumn/winter) and March in Sydney (spring/summer) – and covers designer womenswear, menswear, urban/streetwear, accessories and footwear. It is staged alongside Australian's largest apparel trade show Fashion Exposed.

### **Fashion Exposed**

[www.fashionexposed.com](http://www.fashionexposed.com)

Fashion Exposed is held twice a year (as above). It has traditionally appealed to labels targeting the more commercial middle end of the market. The event covers womenswear, menswear, childrenswear and boutique childrenswear, intimate apparel, bridal and eveningwear, swimwear, surfwear, streetwear, accessories and footwear.

### **Melbourne Spring Fashion Festival**

This event organised by the City of Melbourne showcases spring/summer collections and acts as a curtain raiser to the Melbourne Spring Racing Carnival including the Melbourne Cup. Held annually in September, the festival encompasses a series of

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<sup>8</sup> The guidelines are available on the ACCC website - [www.accc.gov.au/content/index.phtml/itemId/815763](http://www.accc.gov.au/content/index.phtml/itemId/815763)

runway shows that are free to the public, along with fashion events held throughout the city.

**Mercedes Benz Fashion Festival Brisbane**

[www.mbff.com.au](http://www.mbff.com.au)

A consumer fashion festival to launch the spring/summer collections in Brisbane.

**Australian Shoe Fair**

[www.australianshoefair.com](http://www.australianshoefair.com)

The fair is held twice a year, in Sydney in February as a stand-alone event and in September in Melbourne, co-located with Fashion Exposed, Preview and the Leather, Bags and Accessories Fair.

**5.4 INDUSTRY PUBLICATIONS / WEBSITES**

**Ragtrader**

[www.yaffa.com.au](http://www.yaffa.com.au)

Also publish the annual **Ragtrader Fashion Directory** (lists fashion agents in Australia etc)

**Apparel**

<http://www.retailmedia.com.au/magazine-apparel.shtml>

**Australasian Textiles & Fashion**

Phone: +61 3 5261 3966

[www.apparelb2bcentral.com](http://www.apparelb2bcentral.com) (online Fashion and textile news)

**Inside Retailing**

[www.insideretailing.com.au](http://www.insideretailing.com.au)

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