

PUTTING ESTONIAN STYLE ON THE MAP

Meelis Milder, chief executive of upmarket fashion retailer Baltika, talks to Lidija Liegis about its growing success, the challenges he has faced and the importance of giving something back to his homeland.

When you think of the fashion industry, Estonia may not be the first country which comes to mind as being at the forefront of style and design. Meelis Milder, the CEO of fashion group Baltika, might challenge this. "Not all good fashion comes from Italy," he says. "People believe Baltika has something unique to offer. There are customers who value a local brand and want to help it expand across borders."

Founded in 1978 as a raincoat manufacturer, Baltika has grown to become the largest fashion retail group in the Baltic states. The group comprises five brands across 125 stores, with key markets in the Baltic states, Russia, Poland, Belarus and Ukraine. It sells products from its online store to over 30 countries. In September, it branched into Western Europe, launching a franchise store in Tenerife, Spain. So what sets Baltika apart from its competition, and what is the key to its success? Many of its triumphs can be attributed to its management under Milder. After graduating in economics from the University of Tartu in Economics, Milder worked briefly as a management consultant. Aged 26, he joined Baltika in 1984 as manager of its Valga production unit in southern Estonia. He became director general three years later, a promotion which brought with it responsibility for Baltika's overall progress. After the collapse of the Soviet Union in 1991, Milder was promoted to CEO of the group. Milder is widely lauded as an exceptional business leader. A testament to this is the multiple awards of recognition he and Baltika have received. These include winning



Businessman of the Year, Estonian Leader Example, Best Domestic Clothing Brand and Most Innovative Brand. Most notably, Milder was awarded the Order of the White Star of the Republic of Estonia in recognition of

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industrial designers in the Baltic states. Milder's wife Maire joined the company in 1999, Milder explains that this came about at a colleague's suggestion. Despite the occasional disagreement, Milder believes that



Baltika operates a vertically integrated business model which handles everything from a brand's conception and development, to design, outsourcing, retail and multichannel marketing and sales. Despite his own >>

as a team, they have been a benefit to the company. Maire is currently the brand and retail development director and together with her husband is the majority shareholder of the business.

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The competition has increased tremendously, as well as the general pace and tempo of the industry. People expect a larger selection of products, faster, and at more competitive prices

modest disavowal of the title of entrepreneur, Milder clearly excels in innovation and is in close touch with consumer needs. The most significant recent change is adapting to new consumer shopping habits — notably an increase in online shopping. As a result, Baltika expanded and is re-launching its online store, AndMore Fashion, in September 2014. “An area that has changed greatly is how people discover, choose and purchase products. More than 80% of our clients go online before going into a store. We are at the beginning of a new era that is going to demand much greater flexibility from the fashion industry to keep up with customers’ changing habits,” says Milder.

This autumn Baltika will launch a new bonus scheme, AndMore, in Estonia and Lithuania. Customers increasingly expect a unified longer distinguish between online shopping and going into a store. “They expect all the details and different Channels to work like a

business: “The quality of the products remains, we have a deep understanding of regional customers’ needs, a well-balanced brand portfolio, and a belief in local talented people working for us.”

Baltika’s 125 outlets include two franchise stores in Belarus and 17 franchise stores in Ukraine. It recently changed its operating model in Ukraine, now choosing to have a franchise agreement with a trusted long-term partner. It is possible that the current political situation in Ukraine influenced this change, but Milder does not speak openly about the reasons behind the decision. He says only that the key factor was to “eliminate some direct financial risks for the group,” emphasising the fact that “for the client nothing has changed — our brand has 17 shops there and we plan to stay there for our customers.”

Of its 1,254 employees, Baltika inevitably attracts staff from outside the Baltic states. Nevertheless it retains an ethos of using solely local Estonian designers and honing local talent. It works closely with the Estonian Academy of Arts, offering traineeships for fashion, interior design and textile students. This includes providing marketing and brand-related training courses. Many graduates who have worked in the fashion industry abroad come back to work for Baltika because “they can do more exciting things and grow faster. Finding, growing and offering a platform for local talent, skills and vision to shine is important to us,” explains Milder.

As well as using local designers, many of the clothes are produced in Estonia. In particular the tailored products such as outerwear, suits, jackets and trousers tend to be made locally. Baltika comprises five brands; their mission is to create “quality fashion that allows people to express themselves and feel great.” This includes womenswear brands Ivo Nikkolo and Bastion, quality menswear brand Baltman, which also offers tailor-made suits; and mens

BALTIKA IN NUMBERS

SALES IN JULY (€ thousand)	RETAIL SALES	WHOLESALE (inc. franchise)	ONLINE SALES	TOTAL SALES	STORES
2014	4,521	414	70	4,961	125
2013	3,997	257	15	4,272	124

and womenswear lines Mosaic, and Mosaic, which offer upmarket leisure and workwear. One of the most challenging aspects of Milder’s role has been adapting to changing political and economic environments. Milder oversaw Baltika’s transformation from a nationalised production company in the Soviet Union market, to its privatisation in 1991 and the launch of its first brand, Baltman. Baltman is based on Baltika’s long-time experience in menswear production.

“Everything around us changed — we needed to re-design the whole business model, establish our own retailers, develop new brands and create complete collections,” says Milder. “Now the challenge is to develop and manage different brands. It has been an interesting and sometimes bumpy ride.” As a result, one of the key aspects of his role has been learning to be flexible.

In Milder’s 23 years of working as CEO he has weathered his share of difficulties. The global economic crisis hit the Baltic states particularly hard and Milder says he had to learn to be more adaptable and to react more quickly. “Customers are more demanding, competition is higher. Businesses have to be more focused on their core strengths. In the last 12 months we have focussed heavily on creating full brand strategies for our five brands.” This meant taking a multichannel approach

emphasising franchises, shop-in-shop and concession partnerships, wholesale operations and online sales. When asked about current growth rates and sales turnover, Milder claims to be content with both. Baltika’s consolidated sales revenue from July totalled €4,961 million, a 16% increase compared to the same period last year. Wholesale revenues increased by 61% compared to July of the last year, and online sales increased by 33%. Across the Baltic states, retail sales went up by 34% in Latvia, 14% in Lithuania and 8% in Estonia. Milder explains that he is more interested in improving the business rather than enjoying its winnings: “As a manager I often find it a challenge to properly acknowledge and celebrate our achievements.” A further test, he explains, is keeping the local knowledge and skills of the industry as well as competing with large international brands. “You have to be at the frontline and evolve to stay in



Baltika Brands

BALTMAN: Created in 1991, this brand sells high-quality men’s business wear. It is reputed for its use of luxurious fabrics. It also offers a bespoke suit making service. Its designers have received three Golden Needle design awards. Stores are located in the Baltic states.

MONTON: Baltika’s largest brand was launched in 2002. It has stores in the Baltic states, Russia, Ukraine and Belarus. It opens a franchise store in Tenerife in September.

MOSAIC: Renowned for its durable and high-quality clothes for men and women. It is one of Baltika’s biggest wholesale brands, with shops in the Baltic states, Ukraine and Russia.

IVO NIKKOLO: A premium womenswear designer brand established in 1994 by Estonian Ivo Nikkolo and acquired by Baltika in 2006. Known for its original designs and use of premium fabrics. Shops are in the Baltic States.

BASTION: The oldest of the five brands, womenswear producer Bastion was established in 1987 and acquired by Baltika in 2012. It is especially well known for its formalwear. Bastion has stores in Latvia and Estonia, and will open its first franchise store in Tenerife, Spain in September.

the game. We are constantly adjusting to the changing consumer trends and expectations.” In terms of competition, Baltika contends with international brands as well as local designers. When asked about future directions, Milder hints that he wants to maintain his company ethos of using local designers and producers, whilst continuing to expand in Europe and beyond. “Our strategy is to build up our brands to make them internationally strong. We have talented designers, a vision, and a

unique cultural, historical and geographical background that allows us to add a new voice to the mix. We believe in our people and the product that we make. We have investors and partners who believe in our ability to do so. Our next big challenge is to transfer this belief into customers across Europe and further,” says Milder. His quiet determination and demonstrable resourcefulness leave me in no doubt that he will be able to do so. ■