

LEATHER GOODS



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The CBI (Centre for the Promotion of Imports from developing countries) is an agency of the Dutch Ministry of Foreign Affairs. The CBI was established in 1971. The CBI's mission is to contribute to the economic development of developing countries by strengthening the competitiveness of companies from these countries on the EU market. The CBI considers social values and compliance with the most relevant environmental requirements to be an integral part of its policy and activities.

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Please write to us in English, the working language of the CBI.

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EU MARKET SURVEY

LEATHER GOODS

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Leather Free

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REPORT SUMMARY

This survey profiles the EU market for leather goods. The emphasis of the survey lies on those products that are of importance to developing country suppliers. The major national markets within the EU for those products are highlighted. The survey includes statistical market information on consumption, production and trade, and information on trade structure and prices and margins. Furthermore, contact details of trade associations and other relevant organisations is provided.

This market survey covers leather and travel goods sold by specialist retailers, department stores and other outlets, most of which also sell some garments like belts. Because the leather branch not only deals exclusively with leather, but also encompasses all sorts of products made from textiles, “artificial” - (plastic, nylon, vulcanised fibre) and paperboard, in increasingly larger proportions, these products are also included in this survey. The leather goods covered in this survey are:

Product groups	Products
Handbags	Handbags with and without shoulder strap
Small leather goods	Wallets, purses, billfolds, key/tobacco pouches, cigarette cases
Briefcases	Briefcases, attaché cases, portfolios, school bags
Belts	Waist belts, shoulder belts
Travel goods	Travel bags, rucksacks, sports bags, and toilet-bags
Suitcases	Suitcases, trunks, vanity or beauty cases
Other bags/cases/boxes	Shopping bags, tool bags, jewellery boxes, cases for maps, cutlery, binoculars, cameras, computers, phone holsters

Consumption

The European Union ranks among the leading markets for leather goods in the world. In 2001, EU demand for leather goods was roughly estimated to be around €4.7 billion. The EU leather goods market is dominated by 5 countries, which in 2001 together accounted for 80 per cent of the total EU retail sales: the United Kingdom (23 per cent), Germany (21 per cent), France (14 per cent), Italy (13 per cent), and Spain (11 per cent). Since the second half of the 1990s, a healthy economy

combined with increased fashion consciousness and more variety in the design both of goods manufactured of leather and non-leather materials (nylon, fibre, and textiles) has given a strong impulse to this mature market.

Production

Europe has traditionally been regarded as a reliable supplier of high quality leather goods. In 2001, the total value of EU production, at factory prices, amounted to € 3.6 billion. Italy accounted for more than 46 per cent of this total, of which handbags are the main items produced. Other large EU producers of leather goods are France, Spain, the United Kingdom and Germany. Since the late 1980s, there has been a continuous decrease in the EU's total output of leather goods. Particularly for high volume items (bags, travel goods, small leather goods), the production of leather goods has often been shifted to Eastern Europe, non-EU Mediterranean states and Asia.

Imports

The EU ranks among the leading importers of leather goods in the world. In 2001, the EU is estimated to have imported more than a third of total world imports of leather goods, equalling 1.017 thousand tonnes with a value of €6.0 billion. A large share of this total originates from developing countries (56 per cent of total import value). Germany, which imports 21 per cent of total EU imports of leather goods, is the largest EU market for these goods. Germany is followed by France (18% of EU imports in 2001), the United Kingdom (18%), and Italy (12%). Almost all EU countries increased their imports of leather goods in recent years. China is by far the largest supplier of leather goods to the EU with a total of € 2.7 billion – which is almost half (44 %) of total EU imports of leather goods. Next to China, other EU countries, India, Vietnam, Hong Kong and Switzerland are important suppliers of leather goods.

Exports

In 2001, the total value of EU exports was € 5.5 billion, of which 44 per cent went to other EU countries. Between 1999 and 2001, total EU exports grew by 37 per cent in value. Italy and France are both major producers and are the largest exporters of leather goods in the EU. In 2001, Italy accounted for 36 per cent of total EU exports of leather goods, France ranked second with 32 per cent

Developing countries

The majority of all EU imports of leather goods are supplied by developing countries. In 2001, these countries accounted for 56 per cent (€ 3.4 billion) of

the total value and 65 percent (485 thousand tonnes) of the total volume of all EU imports of leather goods. The developing countries' share of global trade in leather goods has increased enormously in the last two decades. This is especially true for China, where leather goods were developed as an extension of the textile industry. Instead of exporting hides and skins as semi-finished materials, developing countries can make higher profits by producing finished leather goods. Two trends in the leather goods industry have had a major influence on the role of producers in developing countries. First, EU manufacturers continue to contract low-cost, labour intensive items to foreign manufacturers. Second, EU importers, who in the past only dealt with ready-made articles, are now willing to assist foreign low-cost suppliers in product development according to their specific requirements. Measured in value, travel bags are the most important product group imported from developing countries, representing 28 percent of total EU leather goods imports from developing countries. This product group is, in descending order, followed by other bags (19%), handbags (19%), suitcases (14%) and small leather goods (13%). EU imports from developing countries are expected to grow further, which provides extra opportunities for developing country exporters. Most developing countries have the best chances by targeting the low-price end of the market. EU countries that are particularly interesting for producers from developing countries are the Netherlands, Belgium the United Kingdom and Germany.

Trade structure

The trade channels for leather goods in Western European countries are characterised by an enormous diversity. In the EU the most important distribution channel for leather goods is the wholesale channel. Another important distribution channel is formed by domestic EU manufacturers. Importers/wholesalers, domestic manufacturers and agents were responsible for three-quarters of total Dutch leather goods imports. Department stores, buying groups and mail-order houses, account for the remaining quarter. Trade fairs or trade associations are the best starting point to get into contact with different companies in the distribution channel that could be interested in new suppliers. Another way to approach the EU market is to get in touch directly with EU manufacturers or importers/wholesalers of leather goods. Developing country exporters with a genuine wish to enter the EU market essentially have to monitor and understand developments in the target countries.

Prices and margins

The market prices for leather goods are not set by any (inter) national organisation or institution. This means prices are free and competitive. In principle, importers

maintain fairly close control over the recommended retail prices, but parallel imports, an oversupply of goods and the growing success of discounters have seriously disturbed this situation. As a rule, importers who buy from developing countries look for low-priced merchandise. The margins they apply differ for each product/market combination and can be influenced by several factors.

EU market access requirements

In trade, EU buyers are concerned with the five following points linked like a chain, which will snap if one of them is too weak: price, quality, reliability, speed and technology. This chain is used in the leather industry for evaluating suppliers, and should therefore be taken into account by developing country suppliers who want to export to the EU. Buyers may also check if the product adheres to international standards or to the standards in their own country. In addition, environmental aspects are important for exporters of leather goods to the EU, as EU importers and consumers are taking increasingly more notice of these aspects. Import duties are another aspect to consider by exporters. In general, all goods, including leather goods, entering the EU are subject to import duties.

Based on market developments described in part A, part B furthermore develops a set of export marketing guidelines. It is demonstrated how information is to be used to identify opportunities in the market, and how these have to be evaluated against the capabilities of the company. The information collected should then be combined into a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis on the basis of which a decision to export can then be taken. The last chapter discusses relevant marketing tools that can be used to increase the chances of success. Finally, the appendices contain a number of addresses that may be useful for companies developing their export strategy and researching their target market.

This report should be read in conjunction with other CBI publications. Additional information can be found on the CBI website.

INTRODUCTION

This CBI survey consists of two parts: EU Market Information and EU Market Access Requirements (Part A), and Export Marketing Guidelines (Part B).

Market Survey	
Part A	
EU Market Information and Market Access Requirements	
EU Market Information <i>(Chapter 1-8)</i> Product characteristics Introduction to the EU market Consumption and production Imports and exports Trade structure Prices	EU Market Access Requirements <i>(Chapter 9)</i> Quality and grading standards Environmental, social and health & safety issues Packaging, marking and labelling Tariffs and quotas
Part B	
Export Marketing Guidelines: Analysis and Strategy	
External Analysis (market audit) <i>(Chapter 10)</i> <i>Opportunities & Threats</i>	Internal Analysis (company audit) <i>(Chapter 11)</i> <i>Strengths & Weaknesses</i>
Decision Making <i>(Chapter 12)</i>	
SWOT and situation analysis: Target markets and segments Positioning and improving competitiveness Suitable trade channels and business partners Critical conditions and success factors (others than mentioned) Strategic options & objectives	
Export Marketing <i>(Chapter 13)</i>	
Matching products and product range Building up a trade relationship Drawing up an offer Handling the contract Sales promotion	

Chapters 1 to 8 of Part A profile the EU market for leather goods. The emphasis of the survey lies on those products, which are of importance to developing country suppliers. The major national markets within the EU for those products are highlighted. Furthermore statistical market information on consumption, production and trade, and information on trade structure and opportunities for exporters is provided.

Chapter 9 subsequently describes the requirements which have to be fulfilled in order to get market access for the product sector concerned. It is furthermore of vital importance that exporters comply with the requirements of the EU market in terms of product quality, packaging, labelling and social, health & safety and environmental standards.

After having read Part A, it is important for an exporter to analyse target markets, sales channels and potential customers in order to formulate export marketing and product strategies. Part B therefore aims to assist (potential) exporters from developing countries in their export-decision making process.

After having assessed the external (Chapter 10) and internal environment (Chapter 11), the (potential) exporter should be able to determine whether there are interesting export markets for his company.

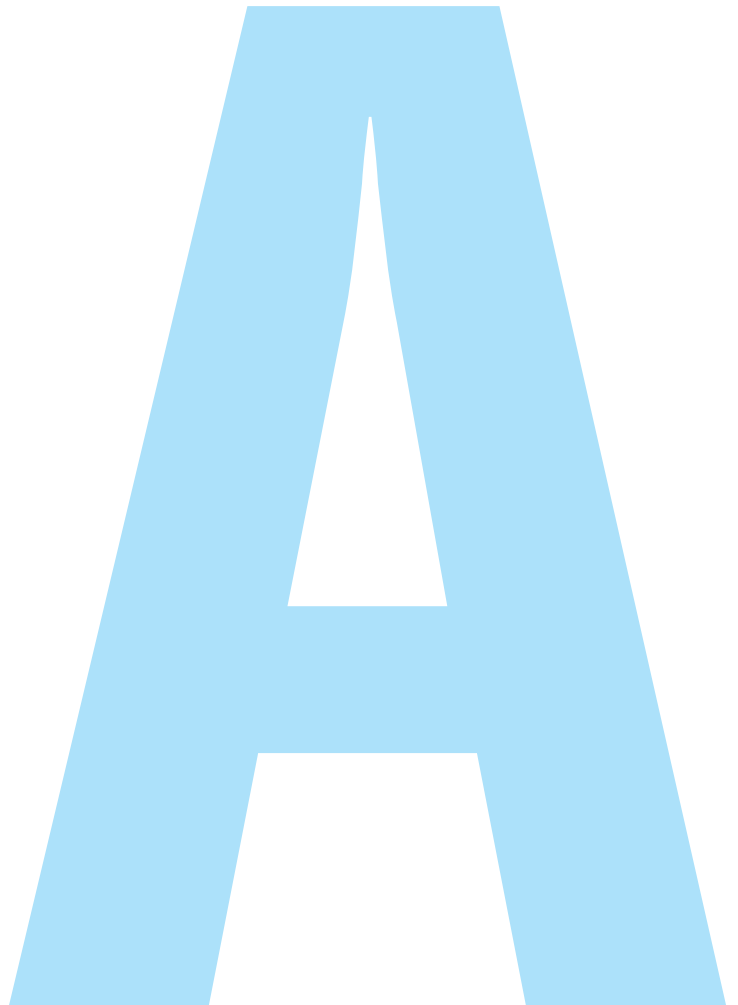
In fact, by matching external opportunities and internal capabilities, the exporter should be able to identify suitable target countries, market segments and target product(s) within these countries, and possible trade channels to export the selected products (Chapter 12).

Chapter 13 subsequently describes marketing tools which can be of assistance in successfully achieving the identified export objectives.

The survey is interesting for both starting exporters as well as exporters already engaged in exporting (to the EU market). Part B is especially interesting for more experienced exporters starting to export to the EU and exporters looking for new EU markets, sales channels or customers. Starting exporters are advised to read this publication together with the CBI's Export planner, a guide that shows systematically how to set up export activities.

Part A

EU market information and EU market access requirements





1 PRODUCT CHARACTERISTICS

1.1 Product groups

The products covered in this report are those made of tanned, coloured and/or finished leather of hides (bovine or equine animals) and of skins (sheep, goat, pigs, reptiles etc.). The main focus will be on leather goods and travel items sold by specialist retailers, department stores and other outlets. Leather garments (including gloves), footwear or upholstery leathers are not covered in this survey. Information on these related products can be found in the following CBI market surveys:

- Leather garments
- Footwear
- Personal protective equipment (for protective gloves and safety footwear)

The leather branch not only deals exclusively with leather, but also encompasses all sorts of products made of textiles, artificial materials (plastic, nylon, vulcanised fibre) and paperboard, or combinations of these materials. In some product groups, the materials other than leather account for large proportions and are, therefore, included in this survey. For all product groups of leather goods (for which descriptions are given below), the percentage of EU imports that is actually made of leather or imitation leather as opposed to other materials is presented in the table below.

1.2 Customs/statistical product classification

The classification system used for both Customs and statistical purposes in The Netherlands and the EU member countries is the Harmonised Commodity Description and Coding system (HS). This unified coding system was introduced on January 1, 1988 to harmonise the trading classification systems used worldwide and to allow for improved international comparability of foreign trade statistics. This system, the Harmonised System (HS), is based on a ten-digit product classification.

Product groups	Products	% leather*
Handbags	Handbags with and without shoulder strap.	41%
Small leather goods	Wallets, purses, billfolds, key pouches, cigarette cases, tobacco pouches, passport holders etc.	51%
Briefcases	Briefcases, attaché cases, portfolios, school bags.	35%
Belts	Waist belts, shoulder belts.	100%
Travel bags	Travel bags, rucksacks, sports bags, toilet bags	3%
Suitcases	Suitcases, trunks, vanity or beauty cases.	7%
Other bags/cases/boxes	Shopping bags, tool bags, jewellery or cutlery boxes, map cases, cutlery cases, cases for binoculars, computers cameras, phone holsters.	13%

* Percentage of total EU imports volume that is made of leather or imitation leather, 2001.

Table 2.1 HS code classification of leather goods

HS code	Productgroup
4202 11 10	Briefcases, attaché cases, portfolios, school bags and similar containers of leather or imitation
12 11	Briefcases etc. of plastic sheeting
12 91	Briefcases etc. of plastic, vulcanised fibre or textile
11 90	Suitcases, trunks, vanity cases, similar containers of leather or imitation
12 19	Suitcases etc. of plastic sheeting
12 50	Suitcases etc. of moulded plastic
12 99	Suitcases etc. of plastic or textile
19 10	Suitcases, trunks, vanity cases, briefcases, attaché cases, school bags, bags or similar containers of aluminium
19 90	Suitcases, briefcases etc. of other material
21 00	Handbags, with or without shoulder straps, incl. those with handles of leather or imitation
22 10	Handbags of plastic sheeting
22 90	Handbags of fabric
29 00	Handbags of vulcanised fibre, paper or paperboard
31 00	Small leather goods: wallets, purses, key pouches, tobacco pouches or similar articles carried in the pocket or handbag, of leather or imitation
32 10	Small leather goods: wallets etc. of plastic sheeting
32 90	Small leather goods: wallets etc. of textile
39 00	Small leather goods: wallets etc. of vulcanised fibre, Paper or paperboard incl. spectacle cases of moulded plastic
91 10	Travel bags, toilet bags, rucksacks, sports bags of leather or imitation
92 11	Travel bags, toilet bags, rucksacks, sports bags of plastic sheeting
92 91	Travel bags, toilet bags, rucksacks, sports bags of textile
91 80	Other bags: shopping bags, tool bags, jewellery or cutlery boxes, map cases cutlery cases, cases for binoculars, musical instruments, cameras, phone holsters and similar containers of leather or imitation
92 19	Other bags: shopping bags, tool bags etc. of plastic sheeting
92 98	Other bags: shopping bags, tool bags etc. of textile
99 00	Travel bags and other bags/cases/boxes of vulcanised fibre, paperboard or other material
4203 30 00	Belts, waist belts and shoulder belts of leather or imitation

Table 2.1 gives a list of the relevant HS code groups for the leather goods covered in this report. The list of codes, all of which can be found in Chapter 42 of the Harmonised System, consists of eight-digit codes, which could be further divided into sub-groups to the extent of ten digits.

Below, some pictures of the products within the different product groups are given.

- Small leather goods: wallet, billfold, purse, passport holder etc.



- Handbags: classic handbag, handbag with metal furnitures, fashionable handbag



- Suitcases and travel bags



- Briefcases



- Belts



2 INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since 1 January 1995 the EU has consisted of 15 member states. Ten new countries will join the European Union in 2004. Negotiations are in progress with a number of other candidate member states.

In 2002, the size of the EU population totalled 379.4 million; the average GDP per capita amounted to approximately € 21,023 in 2002.

Overview 15 EU countries, 2002

Population	379.4 million
Area	31,443,000 km²
Density	83 people per km²
Languages	11 (excl. dialects)
GDP/capita	€ 21,023
Currencies	€, UK£, DKr., SKr.
Exchange	€ 1 = US\$ 0.99

Source: The World Factbook 2002

Population and GDP of selected EU-countries, 2002

Countries	Population	Age 15-64	GDP
Germany	83.3	68%	2,206
France	59.8	65%	1,556
UK	59.8	66%	1,485
Italy	57.7	67%	1,416
Spain	40.1	68%	836
The Netherlands	16.0	68%	417

Source: The World Factbook 2002

Within Western Europe – covering 15 EU member countries, Iceland, Liechtenstein, Norway and Switzerland – more than 20 million enterprises are active. Small and medium-sized enterprises (SMEs) accounted for the lion's share. In 2000, the average turnover per enterprise of SMEs and large enterprises amounted to € 600,000 and € 255 million respectively.

EU Harmonisation

The most important aspect of the process of unification (of the former EC countries), which affects trade, is the harmonisation of rules in the EU countries. As the unification allows free movement of capital, goods, services and people, the internal borders have been removed. Goods produced or imported into one

member state can be moved around between the other member states without restrictions. A precondition for this free movement is uniformity in the rules and regulations concerning locally produced or imported products. Although the European Union is already a fact, not all the regulations have yet been harmonised. Work is in progress in the fields of environmental pollution, health, safety, quality and education. For more information about harmonisation of the regulations visit AccessGuide, CBI's database on non-tariff trade barriers at www.cbi.nl/accessguide

Monetary unit: Euro

On 1 January 1999, the euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. In 2002 circulation of euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

The most recent Eurostat trade statistics quoted in this survey are from the year 2001. In this market survey, the € is the basic currency unit used to indicate value.

Trade figures quoted in this survey must be interpreted and used with extreme caution. The collection of data regarding trade flows has become more difficult since the establishment of the single market on 1 January 1993. Until that date, trade was registered by means of compulsory customs procedures at border crossings, but, since the removal of the intra-EU borders, this is no longer the case. Statistical bodies like Eurostat cannot now depend on the automatic generation of trade figures. In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in this market survey is obtained from a variety of different sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, both in the summary and throughout the text, as also in comparisons of different EU countries with regard to market approach, distribution structure, etc.

For more information on the EU market, please refer to the CBI's manual *Exporting to the European Union*.

3 CONSUMPTION

In this section, data from Eurostat are used. These data should be treated with caution since the presented (apparent) consumption levels are derived from production and trade data (with consumption equalling national production plus imports minus exports). These consumption data are therefore given in wholesale rather than retail prices. Moreover, as trade within the EU below a certain threshold value is not registered, national consumption is overestimated in those cases where a country exports substantial parts of its production (or imports) in relative small quantities to other EU countries. Similarly, national consumption is underestimated for those countries that import a large share of their imports in relatively small quantities. Also, production data are likely to be underreported, causing an underestimation of national consumption levels. The balance of all effects will differ for each country.

3.1 Market size

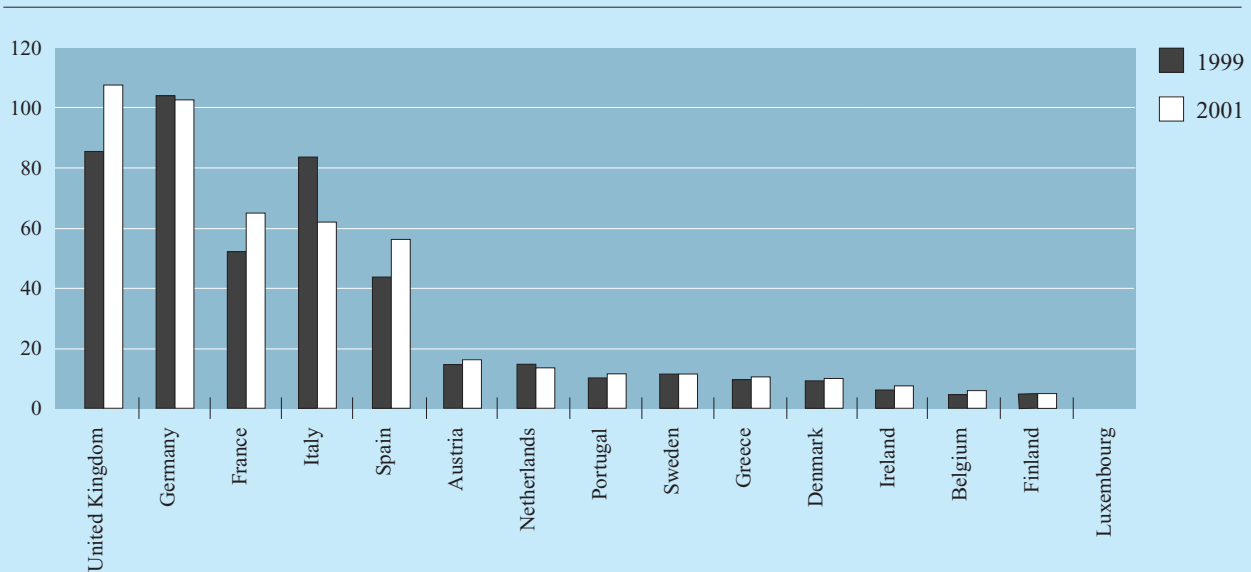
The European Union ranks among the leading markets for leather goods in the world, with 379.6 million consumers in its 15 member states. In 2001, European demand for leather goods was roughly € 4.7 billion. Figure 3.1 presents a breakdown for all member states.

As the figure shows, the EU leather goods market is dominated by 5 countries, which in 2001 accounted for 80 percent of total EU retails. These largest markets are the United Kingdom (23 percent),

Germany (21 percent), France (14 percent), Italy (13 percent), and Spain (11 percent), with the percentages representing their shares of the total value of EU consumption in 2001. The Netherlands is the seventh largest market for leather goods, accounting for 3 percent of EU consumption of leather goods in 2001. Compared to 1999, there has been a shift in these market shares, the most notable ones being a large decrease in Italy's share of total EU consumption with 6 percent, as well as an increase in the UK's share with 3 percent. The large decline in Italy's consumption of leather goods in the period 1999 - 2001 was caused by a large decline in the consumption of mainly leather handbags, due to an economic downturn in Italy. Other factors at play were increasing competition of cheaper handbags made of artificials, and imported copies of large brands sold in street markets at very low prices. The Netherlands and Germany also experienced a decline in the consumption of leather goods, although to a lesser extent than Italy. All other EU countries experienced an increase in the consumption of leather goods in the period 1999-2001.

Total EU consumption increased as well in the period 1999-2001, and in fact this presents a continuation of a trend started in the mid-1990s. Before the mid-1990s, EU consumption of leather goods stagnated due to adverse economic conditions, since the majority of leather goods was regarded as nonessential luxury items. In the second half of the 1990s however, a healthier economy resulted in rising per capita income in the EU and thus stimulated consumer spending in

Figure 3.1 Consumption of leather goods in all EU member states, 1999 and 2001, € million



Source: CBS (2003)

most countries on non-essential items. Related to this, demand for travellers' requisites (suitcases, travel bags, rucksacks, and computer cases) has increased vigorously as more people travel for holiday or business. Similarly, more women in business has meant an increased demand for brief- and document cases and other office-related cases, while their higher disposable incomes have created an increased demand for high quality leather handbags. The overall demand for bags/cases/holders for computers, mobile phones and other kinds of office accessories has increased. An increased fashion consciousness has further stimulated this market. A large group of consumers likes to keep up with the latest trends in fashion; they often replace leather goods, even when this is not strictly necessary. In addition, an increasing variety in the design of leather goods and an increasing use of new non-leather materials (nylon, fibre, and textiles) has given a strong impulse to this mature market. Also, lower prices and increased supply through department stores has exposed a larger group of consumers to leather goods, resulting in increased sales. In the coming years, the market for leather goods is expected to grow further since the above-mentioned developments will continue to be relevant. The largest potential growth is in the market for travel goods (travel bags, rucksacks, briefcases).

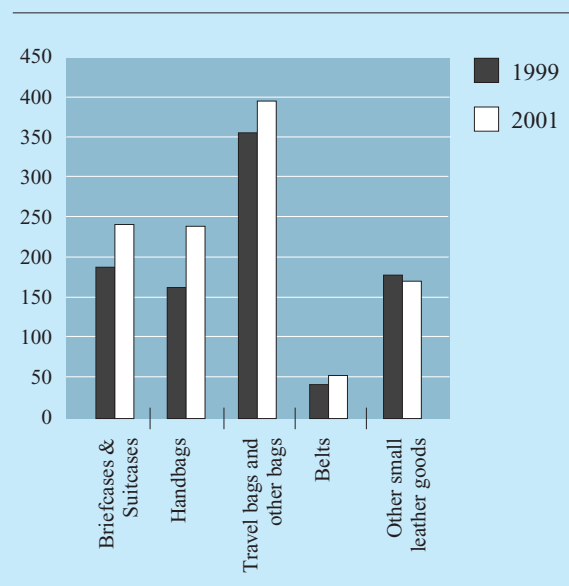
A description of the 6 largest EU markets for leather goods is given below.

United Kingdom

In 2001, the British market was the largest EU market for leather goods and also the fastest-growing one in recent years. This market is clearly divided between people from the South (basically the London area) who have a higher income and who prefer goods made of leather and people from the North, who are very price-conscious and who buy more goods made from artificials. Figure 3.2 presents total UK consumption of leather goods with a breakdown per product group, 1998 and 2000.

In 2001, consumption of leather goods in the UK represented almost a quarter (23 percent) of total EU consumption of leather goods, amounting to € 1.1 billion. From 1999 to 2001, growth in this market has been strong with an increase of the consumption of leather goods in the UK by 24 percent in value (Euros). Due to this very strong growth and due to a severe decline of Italian consumption of leather goods since 1999, the UK has surpassed Germany and Italy, which were the largest and second largest consumers of leather goods in 1999. Travel bags and other bags combined were the main products bought in the UK market, accounting for more than a third (36 percent) of total sales of leather goods. Briefcases and suitcases together and handbags constituted other large groups, each

Figure 3.2 Consumption of leather goods in the UK, 1999 and 2001, € million



Source: CBS (2003)

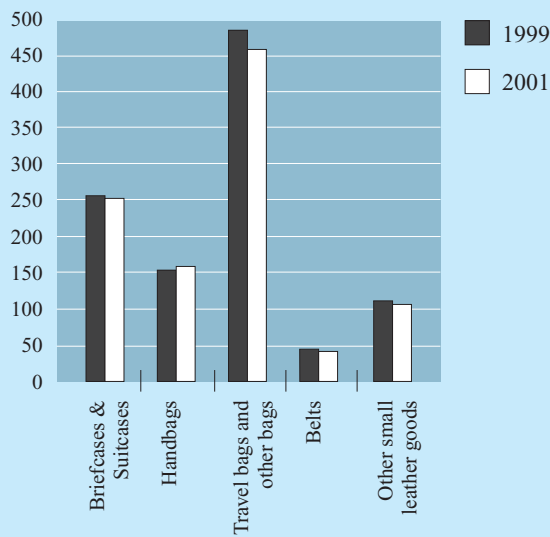
accounting for almost a quarter (22 percent) of the market. These two product groups were also the fastest growers in the period 1999 to 2001, mainly due to an increase in the amount of British people travelling and the related rise in demand for travel goods. Practicality and quality are the most important considerations for the British when choosing a briefcase or travel bag. With respect to handbags it should be noted that some British women prefer not to buy leather handbags, since they prefer not to use any animal products and instead buy bags of natural fabric, while younger women tend to prefer handbags with a synthetic look. Small leather goods accounted for 15 percent of the market. The smallest product group in the market was belts, good for 5 percent of total sales of leather goods in the UK. In 1999, about 28 percent of total British consumption of leather goods were locally produced. In 2001, this number had been reduced to 24 percent, due to outsourcing to low cost countries.

Germany

With a population of 82 million inhabitants and a high average per capita GDP, Germany was the second largest EU market for leather goods in 2001. It should be noted, however, that the inhabitants from the former East Germany are only able to spend about half as much as their West German neighbours. Figure 3.3 presents German consumption of leather goods with a breakdown per product group, for both 1999 and 2001.

In 2001, consumption of leather goods in Germany represented over a fifth (21 percent) of total EU consumption of leather goods, amounting to € 1.0

Figure 3.3 Consumption of leather goods in Germany, 1999 and 2001, € million



Source: CBS (2003)

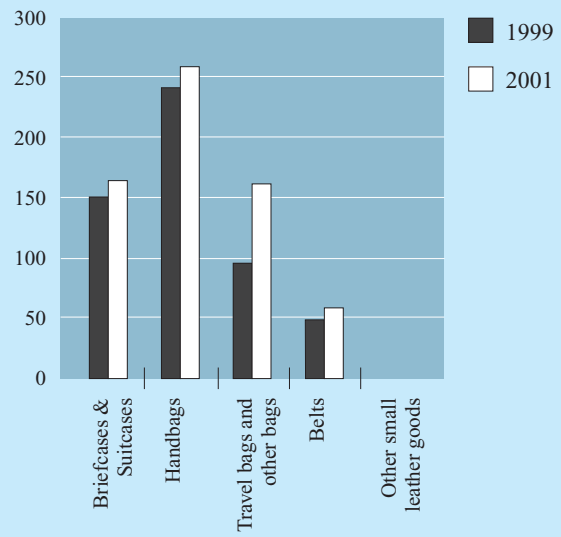
billion. Travel bags and other bags combined represented the largest sub market, accounting for almost half (45 percent) of total German consumption of leather goods. Briefcases and suitcases together accounted for one quarter (25 percent) of the total. Handbags represented 16 percent, small leather goods 11 percent, and belts 3 percent of total consumption of leather goods in Germany.

France

The French market was the third largest EU market for leather goods in 2001. France also experienced high growth of its leather goods market from 1999 to 2001, with consumption of these goods increasing with 24 percent. Figure 3.4 presents total French consumption of leather goods with a breakdown per product group, in 1999 and 2001.

In 2001, consumption of leather goods in France represented 14 percent of total EU consumption of leather goods, amounting to € 0.65 billion. From 1999 to 2001, growth in this market has been strong with an increase of 24 percent in value. Handbags formed the main product group sold on the French market, accounting for 40 percent of total sales of leather goods. Briefcases and suitcases combined accounted for 25 percent. Travel bags and other bags combined formed an almost equally large group, accounting for 25 percent of total sales in France. Belts accounted for the smallest share of the French leather goods market (7 percent). No data was available on

Figure 3.4 Consumption of leather goods in France, 1999 and 2001, € million



Source: CBS (2003)

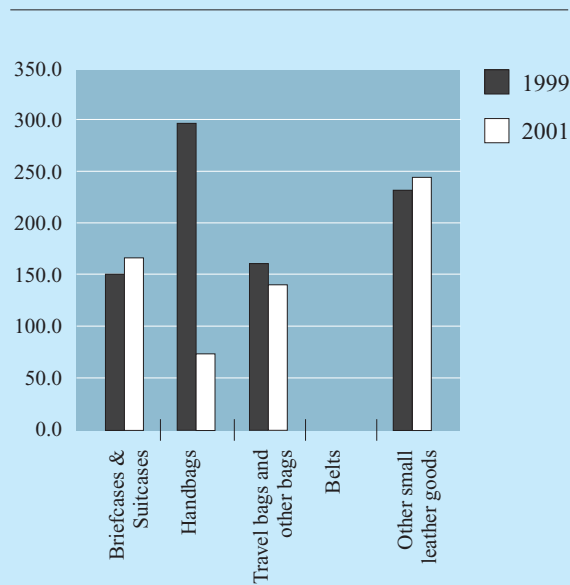
consumption of small leather goods. In the period 1999 to 2001, all groups showed increased consumption levels. The fastest growing product group was travel bags and other bags combined. Although French production of leather goods is larger than consumption, France still imports over € 1,0 billion of leather goods (see chapter 5).

Italy

In 2001, Italy was the fourth largest EU market for leather goods in 2001. In 1998, Italy still accounted for the largest share of total EU consumption, but Italian consumption of leather goods declined since 1998. With a decline of 25 percent in the period 1999-2001, Italy shifted down to the fourth rank. Particularly handbags experienced a strong decline in consumption. In 1999 this constituted the largest product groups with 39 percent, but in 2001 it ranked fourth with only 11 percent. Figure 3.5 presents Italian consumption of leather goods with a breakdown per product group, for both 1999 and 2001.

As mentioned above, in 1999 handbags formed the largest product group (35 percent) in the consumption of leather goods in Italy, but in 2001 these only accounted for 11 percent of total sales. In that year, small leather goods represented the most important product group consumed, accounting for 39 percent of total Italian consumption of leather goods. Travel bags and other bags combined accounted for about a third of total sales, where briefcases and suitcases combined accounted for over a fifth of total Italian consumption.

Figure 3.5 Consumption of leather goods in Italy, 1999 and 2001 (€ million)



Source: CBS (2003)

Their exact shares were 28 and 22 percent of total consumption respectively. No data was available concerning the consumption of belts. Next to France, Italy is the only country which produces more leather goods than it consumes. Compared to its consumption level, Italy produces relatively more than France. Although the Italian production of leather goods is larger than her consumption, Italy still imports over € 750 million of leather goods (see chapter 5)

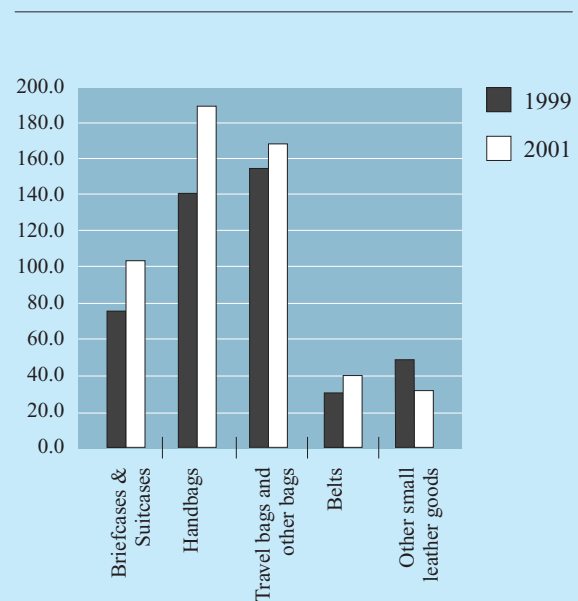
Spain

In 2001, Spain was the fifth largest EU market for leather goods. Spain experienced high growth of its leather goods market from 1999 to 2001, with consumption of these goods increasing with 21 percent in value. Figure 3.6 presents Spanish consumption of leather goods with a breakdown per product group, for both 1999 and 2001.

Handbags represented the largest product group, accounting for over one third (35 percent) of total Spanish consumption of leather goods. Travel bags and other bags combined followed, together accounting for another third (32 percent) of the total. Briefcases and suitcases combined represented 20 percent, and belts 7 percent. Small leather goods, the smallest product group accounted for 6 percent of total consumption of leather goods in Spain.

In the period 1999-2001, briefcases and suitcases, belts and Handbags were the fastest growing product groups (each over 25 percent growth), Travel bags and other bags had a modest growth of 11 percent, whereas small

Figure 3.6 Consumption of leather goods in Spain, 1999 and 2001 (€ million)



Source: CBS (2003)

leather goods showed a large decline (35 percent). As with other European countries, with exception of the Mediterranean countries Italy, France and Greece, the share of consumption satisfied by locally produced leather goods declined in recent decades. From 1999 to 2001, this share declined from 69 percent to 66 percent.

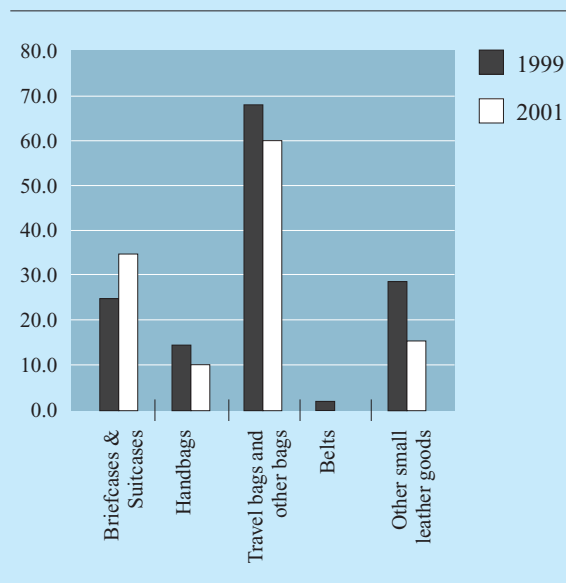
The Netherlands

The Netherlands was the sixth largest EU market for leather goods in 2001. Unlike most European national markets, the Netherlands experienced a decline in its consumption of leather goods from 1999 to 2001. The Netherlands had the second largest decline in the EU (12 percent). Figure 3.7 presents Dutch consumption of leather goods with a breakdown per product group, for both 1999 and 2001.

Trolleys and other bags combined represented the largest product group, accounting for half (50 percent) of total Dutch consumption of leather goods. Briefcases and suitcases combined formed the second largest product group sold, accounting for 30 percent of the total. Small leather goods and handbags were the smallest product groups, which accounted respectively for 13 and 8 percent of total consumption, while the consumption of belts no data was available in 2001. In the period 1999-2001, briefcases and suitcases was the only product group which showed growth, whereas the consumption of the other groups experienced a decline.

As in many EU countries, the share of consumption of leather goods satisfied by local producers has declined

Figure 3.7 Consumption of leather goods in The Netherlands, 1999 and 2001 (€ million)



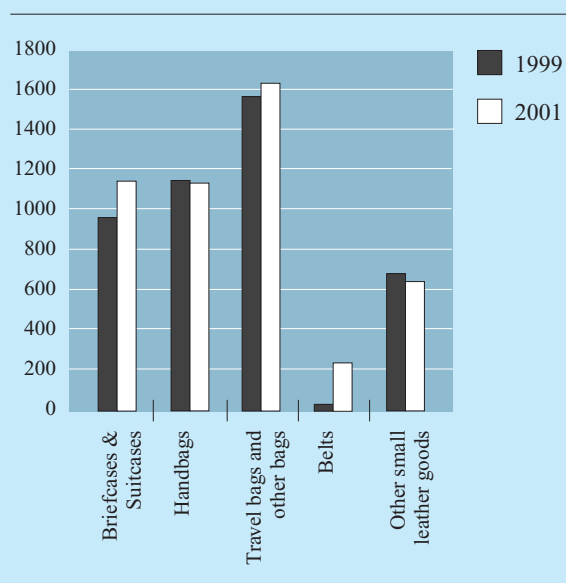
Source: CBS (2003)

in recent decades in the Netherlands. From 1999 to 2001, this share declined from 12 percent to 5 percent.

3.2 Market segmentation

The market for leather goods can be segmented into the product groups mentioned in chapter 1. Consumption

Figure 3.8 EU Consumption of leather goods per product group, 1999 and 2001, € million



Source: CBS (2003)

data however, are not available for all these separate product groups. Although the available consumption data do cover all product groups, in some cases these data are only available for combinations of product groups rather than for each separate product group. This is the case for the product groups briefcases and suitcases, and for the product groups travel bags and other bags. Comparisons of the data presented in this section with the data elsewhere in this report should therefore be done with caution. Data for EU consumption per product group in 1999 and 2001 are presented in the figure below.

As the figure shows, travel bags and other bags combined represented the largest product group within EU consumption of leather goods, in 2001 accounting for more than one third (34 percent) of total consumption. Compared to 1999, these travel bags and other bags experienced a growth in consumption of 6 percent. Briefcases and suitcases combined formed the second largest product group, accounting for almost a quarter (24 percent) of total consumption in 2001. This product group also increased its sales with 18 percent compared to 1999. Handbags represented another large share of total EU consumption, accounting for 23 percent in 2001. Handbags however did experience a decline in sales in the period 1999-2001 of 2 percent. The smallest product groups in value were other small leather goods and belts, respectively accounting for 14 and 5 percent. Compared to 1999, EU consumption of small leather goods decreased somewhat, whereas the consumption of belts experienced a large increase (53 percent).

EU consumption of each of these product groups will be further elaborated below.

Travel bags and other bags

As stated above, travel bags and other bags combined represented the largest product group within EU consumption of leather goods, in 2001 accounting for more than one third (34 percent) of total consumption. Compared to 1999, these travel bags and other bags experienced a growth in consumption of 6 percent. This is thought to be attributable to growth in consumption of mostly travel bags. Other bags include mainly shopping bags, tool bags, jewellery boxes/cases, and cases for spectacles, cameras, and office accessories. The growth of the market share of travel bags is explained by the fact that an increasing number of Europeans have been travelling since the mid-1990s and they also travelled more often, due to a healthier economy. Travelling increased both for holiday and business. Also, since the mid 1990s, increasing amounts of travel goods have been sold by department stores, mail order houses or other large retail outlets. Demand for traveller's requisites (suitcases, travel bags, and rucksacks) in general increased in this period. The same effect is therefore also visible for suitcases (see below). However, a stagnation in demand for travel goods is

expected, as people started to travel less after the events of September 11th, 2001. In addition, due to a recession in Europe, economic growth slowed down since 2001, which has further depressed consumption of leather goods

Requirements for travel bags:

- Larger travelling bags should have two handles for easy carrying and a rather long (removable) adjustable shoulder strap. “Patchwork” is completely unacceptable for heavy travelling items.
- To prevent pick pocketing, rucksacks should have a large zipper that is worn next to the owner’s back.

Travel bags are not very sensitive to changes fashion. These products are designed and purchased for their functionality and do not change much in form.

Figure 3.9 presents the consumption of travel bags and other bags for all EU countries in 1999 and 2001.

As can be seen from the graph, of all EU countries Germany and the UK have the largest share (respectively 27 and 24 percent) of total EU consumption of travel bags and other bags, amounting to respectively € 455 million and € 395 million. Spain follows with 10 percent of the total, amounting to € 168 million. Sales in France (10 percent), Italy (8 percent) and the Netherlands (4 percent) amount to respectively € 163 million, € 134 million, and € 60 million. The most notable changes in the period 1999 to 2001 in the consumption of travel bags and other bags were that France increased its share in total EU consumption with 4 percentage points, while the share of Germany and Italy decreased with 3 and 2 percentage points respectively.

Suitcases

As mentioned above, demand for travel goods has been on the increase in recent years. Sales of suitcases have therefore shown a similar increase. Consumption statistics for suitcases only are not available, but rather for suitcases and briefcases combined. Together they formed the third largest product group, accounting for 24 percent of total consumption in 2001. This product group increased its sales with 18 percent compared to 1999, probably mainly due to an increasing share of suitcases.

The main sizes for classical suitcases are:

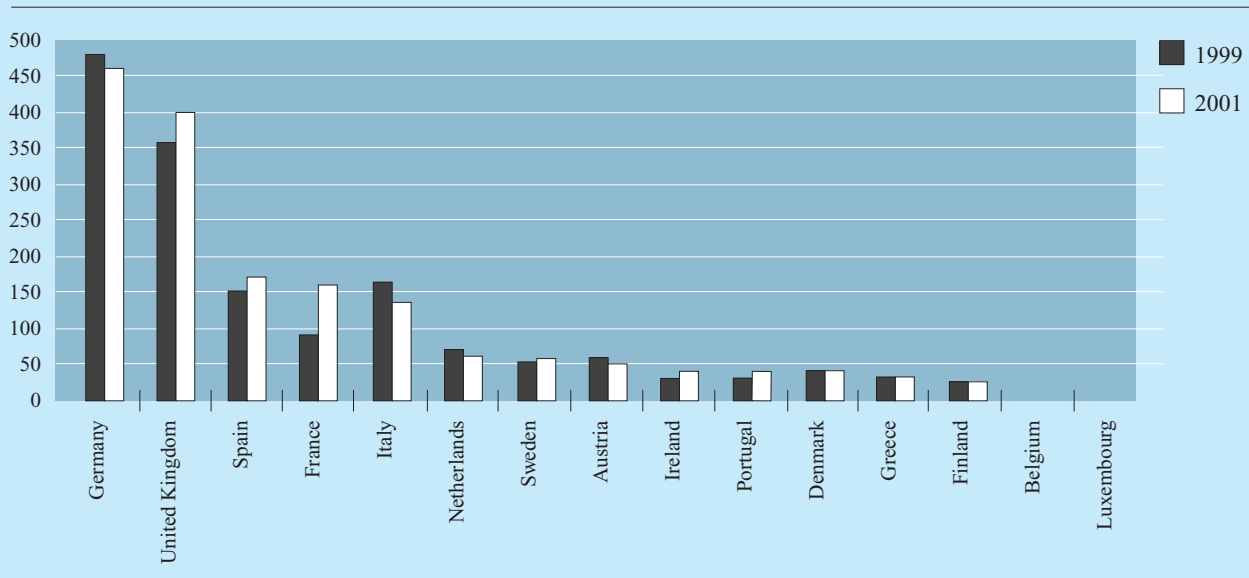
- 70 and 75 cm (with wheels)
- 60 and 65 cm (without wheels)

Classical suitcases with 2 or 4 wheels (at the bottom) have lost a large share of the market, because of the growing popularity of the “trolley-case”, which has two wheels at the rear and an extendible handle, making it much easier to transport. Trolleys now hold the major share of the suitcase segment. Airline companies use different maximum sizes for suitcases, depending on the aircraft. In general, a size of 115 cm as total for length + height + width are the maximum acceptable size for “cabin luggage”. The 115 cm can be divided as 55 + 40 + 20 cm or 55 + 35 + 25 cm respectively. Consumers generally prefer suitcases with nylon or optilon zippers to metal zippers.

The most popular colours of suitcases are:

- leather items: saddle brown, black, chestnut
- artificial items: navy blue, green, red, black, grey.

Figure 3.9 Consumption of travel bags and other bags in the EU, by country, 1999 and 2001, € million



Source: CBS (2003)

The majority of suitcases are made not of leather but of artificial materials. For suitcases, artificial fabrics or plastic have the advantage of being more durable and lighter in weight.

Exporters are advised to offer sets of suitcases and other travelling items in the same styling and colour combination. As garment bags are still in demand in the EU, exporters could add these when presenting their collection to EU buyers.

Briefcases

Growth in sales of briefcases has been steady and continuing in department stores and office centres. Attaché cases are still popular, but document and briefcases are increasingly fashionable. Demand has especially increased lately for briefcases with a solid compartment for a laptop. Large briefcases should have two solid combination locks and both locks and fittings should be of good quality. For smaller briefcases one lock is sufficient. Linings in men's items are preferred in fine leather (not too bulky) or artificial silk. Standard writing paper measures 31 x 21 cm (A4) and briefcases should have the possibility of containing two sheets of this paper next to each other.

Men's shoulder bags should have a handle on top and a rather long shoulder strap. The wrist straps on men's purses to be held in the hand should be rather wide. However, the demand for both men's shoulder bags, and wrist bags has declined recently. Exporters should supply sample products in this segment in black, golden brown and dark brown.

The EU market for briefcases, and for business items in general is expected to grow further because women

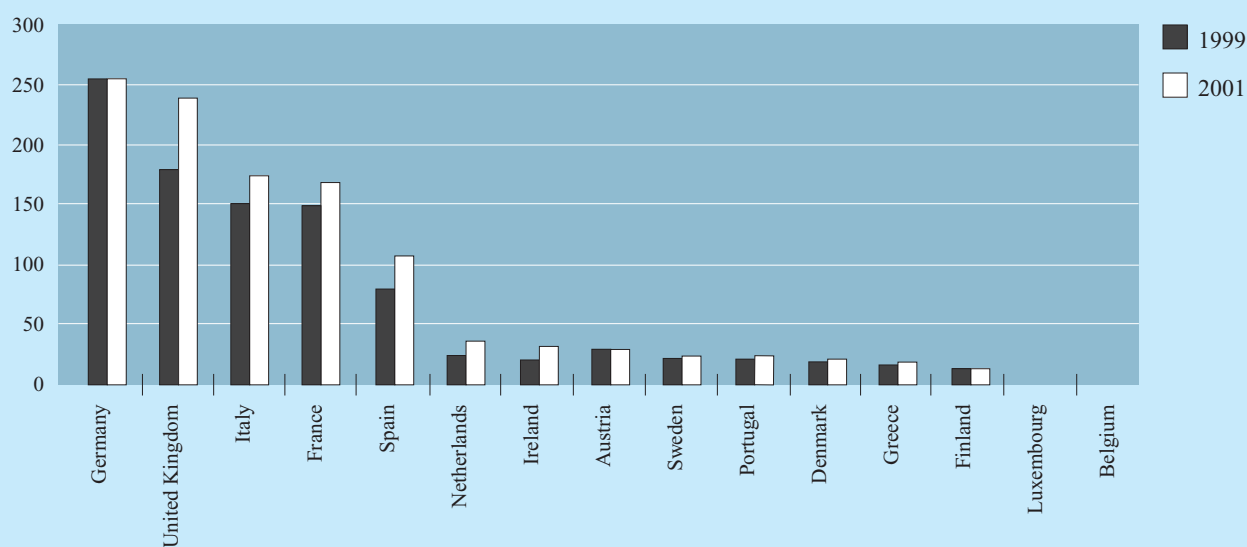
form a new group of consumers, increasingly attracted to these products. Women nowadays prefer briefcases over attaché cases. Figure 3.10 presents the consumption of briefcases and suitcases combined, for all EU countries in 1999 and 2001.

The consumption of briefcases and suitcases in 2001 was highest in Germany (22 percent), amounting to € 252 million. The UK is the second largest market with 21 percent of the total, valued at € 239 million. Italy (15 percent), France (14 percent) and Spain (9 percent) follow, with consumption at € 174 million, € 163 million, and € 104 million respectively. In France there was a similar reduction in the market for handbags, equally decreasing its share in the EU market with 7 percentage points. On the other hand, in the same period the UK experienced a large increase in its consumption of this product group, increasing its market share with 10 percentage points.

Handbags

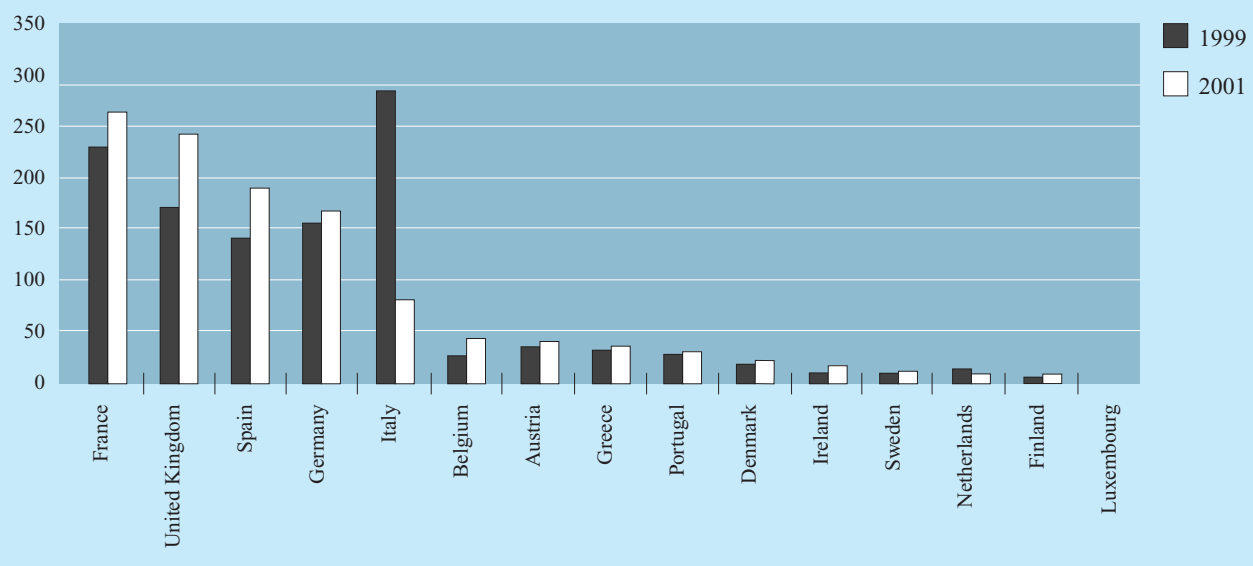
Contrary to most other leather goods, the shape of handbags and belts is largely determined by fashion (apart from functionality), but there is a constant demand for sturdy, well-finished, classical items with uncomplicated design. Large and small "softline" bags are now also very popular. These contain compartments closed by a zipper. Stitching should be straight, in vertical lines and not in contrasting colours. Mainly young people use small bags. Soft bags usually have a long, adjustable shoulder strap, worn over one shoulder, but are also increasingly carried under the arm on short shoulder straps. The length of shoulder straps varies with the design of the bag. The latest handbag fashion and design can be found in international magazines,

Figure 3.10 Consumption of briefcases and suitcases in the EU, by country, 1999 and 2001, € million



Source: CBS (2003)

Figure 3.11 Consumption of handbags in the EU, by country, 1999 and 2001, € million



Source: CBS (2003)

such as Arpel, Lederwaren Report and Lederwaren Zeitung (see Appendix 3.5 for addresses). Northern European women have a habit of filling their handbags, so exporters are advised to make shoulder straps and fasteners that are strong enough to remain closed when the bag is full. It is also important that bags remain securely closed to allay consumer fears of pick pocketing. Decorative closures and strap fittings of brass, silver or platinum with a matt finish have grown in popularity. Handbags with flap-over closing are favourites but fashion handbags with metal frames for closing are gaining appeal. Manufacturers should use high quality fittings and magnetic fasteners. When zips are used, they should be long enough to allow items to be easily removed. It is recommended that nylon zippers in the same colours as the bag are used. Linings in soft quality leather for classical items, silk or artificial silk are preferred, although other lining materials are acceptable, if they are the same, or matching, colour as the outside material. Exporters are advised to avoid producing sample handbags in fashionable colours, as fashions change so quickly. Figure 3.11 presents the consumption of handbags for all EU countries in 1999 and 2001.

In the case of handbags France represents the highest share of total EU consumption with 23 percent, amounting to € 261 million. The UK accounts for 21 percent, with a consumption of handbags of 239 million. Spain (17 percent), Germany (14 percent), and Italy (6 percent) follow, with respectively € 188 million, € 162 million, and € 71 million. The most notable changes compared to 1999 are that Italy experienced a sharp decline in total sales of handbags, decreasing its

market share with 20 percentage points from 26 to 6 percent. Whereas Italy was still the largest market for handbags in 1999, in 2001 it was only the fifth in rank. The UK in the same period increased its share with 6 percentage points. Other increases in market share were experienced by the UK (from 15 to 21 percent), Spain (from 12 to 17 percent) and France (from 21 to 23 percent).

Small leather goods

Small leather goods most in demand are wallets, purses, and billfolds. Billfolds (wallets) with compartments for coins and credit cards are the most popular items. These products are designed and purchased for their functionality and do not change much in form. Billfolds, wallets and purses must be able to accommodate the euro coins and banknotes, which were introduced on January 1, 2002. Keep in mind that three EU countries still don't have the Euro as their currency and won't introduce it in the foreseeable future. These countries are: The UK, Denmark and Sweden. There are eight euro coins: of 1, 2, 5, 10, 20 and 50 cents and 1 and 2 euros, with diameters ranging from 16 to 25 mm. These small leather goods must therefore have a compartment to accommodate both the very tiny 1-cent coin alongside the big and heavy 2-euro coin.

Sizes of euro banknotes

5 euro = 120 x 62 mm	100 euro = 147 x 82 mm
10 euro = 127 x 67 mm	200 euro = 153 x 82 mm
20 euro = 133 x 72 mm	500 euro = 160 x 82 mm
50 euro = 140 x 77 mm	

They must also be able to accommodate the euro banknotes, which are issued in seven values in the following sizes:

Moreover, there should be at least four compartments: for credit cards, telephone cards, club-member cards, whose size is international, like American Express or VISA cards. Exporters should avoid using embossed leather and stitching in contrasting colours. Items should be smoothly finished by folding (including the skiving) instead of having cut edges.

As there are quite some different sizes of euro coins, manufacturers have already developed new products, such as key cases with holders for coins; tallones (a purse in the shape of a shoe heel); men's wallets with enlarged coin holders and women's purses with bigger compartments.

The most popular colours of small leather goods are:

- for women's items → black, golden brown, navy blue, burgundy, signal red.
- for men's items → black, golden brown, dark brown, burgundy.

Classical passport holders are not much in demand.

For pictures of small leather goods, see chapter 2 of this survey.

Figure 3.12 presents the consumption of small leather goods for all EU countries in 1999 and 2001.

In Italy, consumption of small leather goods was the highest (33 percent of total) in the EU in 2001, with a value of € 242 million. The UK was the second largest market for small leather goods, accounting for 25 percent of the total, amounting to € 167 million.

Germany (16 percent) and Spain (5 percent) followed, with a value of respectively € 108 million and € 31 million. The Netherlands accounted for 2 percent of total EU small leather goods consumption, amounting to € 15 million.

Of the five largest markets, only Italy and Austria had an increased consumption of small leather goods of respectively 8 and 19 percent. The UK and saw a small decline in their consumption of respectively 3 and 4 percent, while Spain had a major decrease of more than a third (35 percent).

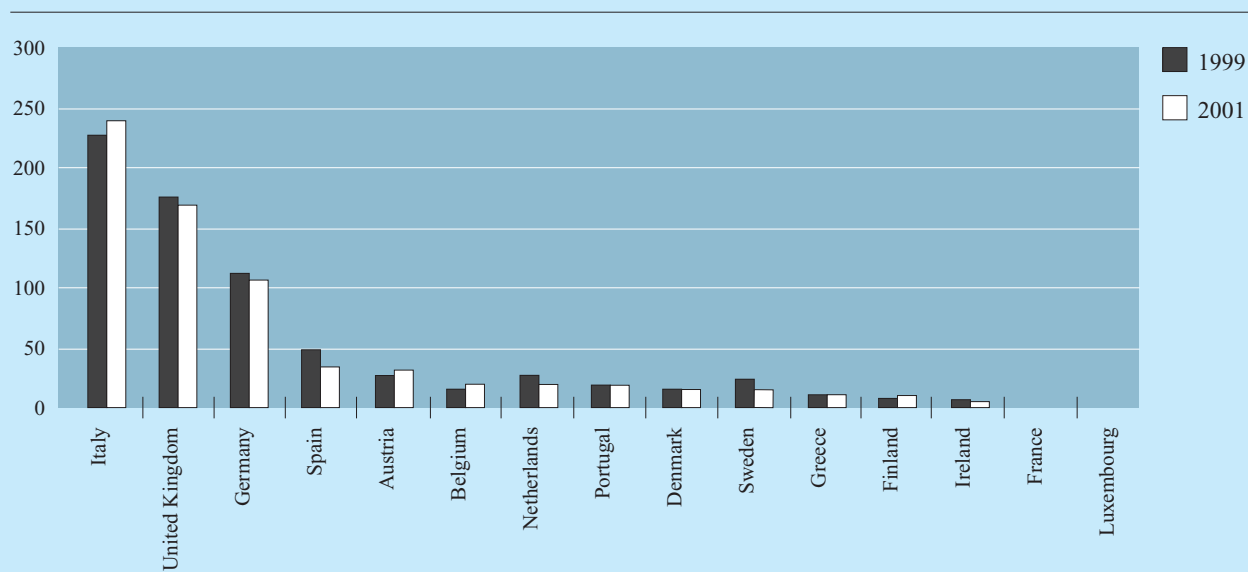
Belts

Figure 3.13 presents the consumption of belts for all EU countries in 1999 and 2001.

The market for belts in 2001 was the largest in France, which accounted for 26 percent of total EU sales, amounting to € 59 million. The UK represented almost a quarter (23 percent) of total EU sales in 2001, with a value of € 52 million. In Spain (17 percent) and Germany (15 percent), total value of belts sales amounted to € 38 million and € 33 million respectively. The Netherlands had a negligible consumption of belts in 1999 and no data were available for 2001.

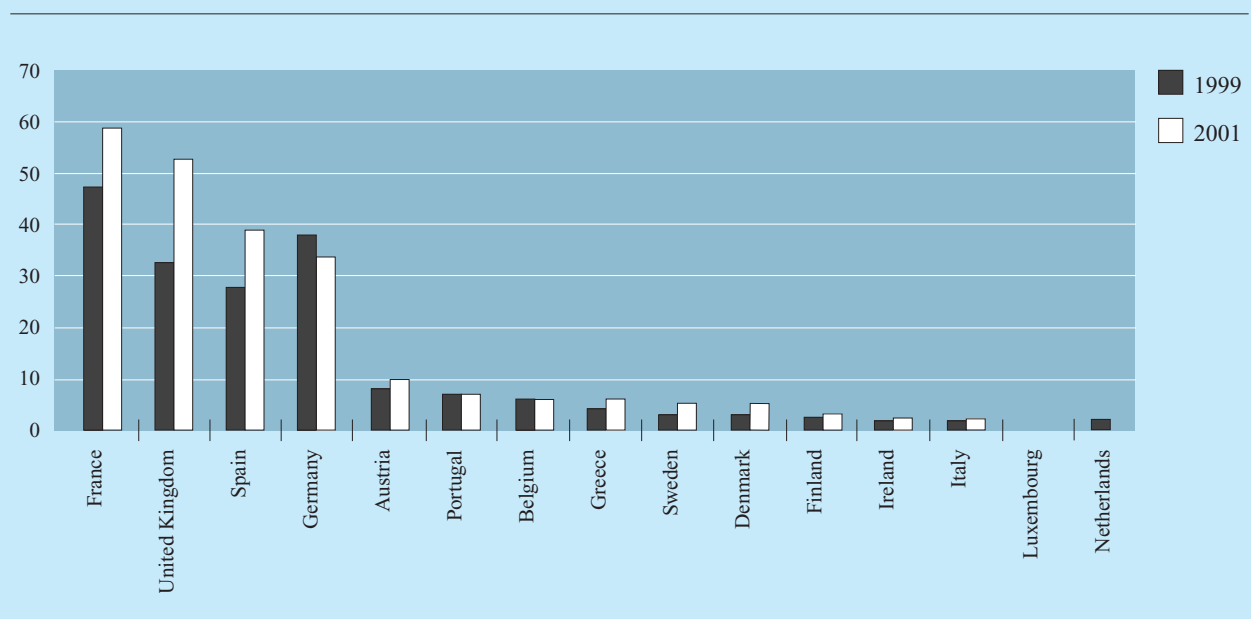
For the overall EU market, the products that offer best prospects for developing countries are: small leather goods, classical ladies handbags in leather, fashion bags on specification of importers in leather or artificial materials, business bags and travel bags.

Figure 3.12 Consumption of small leather goods in the EU, by country, 1999 and 2001
€ million



Source: CBS (2003)

Figure 3.13 Consumption of belts in the EU, by country, 1999 and 2001
€ million



Source: CBS (2003)

3.3 Consumption patterns and trends

The demand for leather goods is mainly influenced by the general economic situation, fashion, prices, materials, colours, seasons and finish. These factors will each be elaborated below.

General economic situation

A recession can cause the EU consumption of leather goods to stagnate, as was the case in the mid-1990s, since the majority of leather goods are regarded as nonessential luxury items. On the other hand, as illustrated by developments in the second half of the 1990s, a healthier economy stimulates consumer spending in the leather goods market. Increased per capita income also has the effect that consumers become more conscious of quality and brands, especially in the case of real leather goods. Importers carefully select different kinds of leather (bovine, lamb etc.) checking defects, coating, shine and print possibilities with cheaper kinds of leather. Consumption data in this chapter are given up to the year 2001. The economic situation in the EU deteriorated since the beginning of 2001 (lower stock market prices, low investment level of companies), but because private and government consumption levels still showed growth, the overall impact on the economy was not yet visible. Since the last quarter of 2001, consumption growth levels dropped below half a percent, with even a decline in the first quarter of 2002. In the near future, consumption growth will likely remain restrained further because of adverse developments in real disposable income, lower

increases in wages, higher unemployment and a low growth of the EU economies. GDP levels are expected to grow in 2003 by 1.0 percent, and will accelerate to 2.1 percent in 2004, with private consumption as the main driving force.

Fashion

Fashion sensitive products are the most profitable part of the leather goods business, where quality or technical imperfections seem to be of minor importance. However, as materials, colours, designs and sizes change quickly, short lead times from design to manufacture are required. Since fashion changes every 6 months, it is difficult to give examples or recommendations concerning trends in leather goods. The latest trends in fashion and colours for the coming collection of leather goods can be found in international magazines, of which addresses can be found in Appendix 3.5. Generally, two categories of leather goods can be distinguished in terms of fashion:

EU consumers in general have become more fashion-conscious lately, and this trend seems to be continuing. Manufacturers should pay growing attention to style and design. Models that are more fashionable, extravagant and expensive are being introduced.

Prices

In general, consumers in the EU market are price conscious, so importers should consider the price of a product in combination with quality, materials, workmanship, finish, styling and so on. Because of the many different types of leather and other elements

Leather goods	Characteristics for fashionable leather goods
Influenced by fashion:	Classic fashion
<ul style="list-style-type: none"> • Handbags • Belts • Rucksacks • Briefcases • Travel bags • Sports bags • Shopping bags 	<ul style="list-style-type: none"> – traditional colours – continuation of existing models with slight variations
	Up-to-date fashion
	<ul style="list-style-type: none"> – mass-bought fashion – products in accordance with latest trends in dressing – colour, design are as important as the prices
	Highly individualistic fashion
	<ul style="list-style-type: none"> – young or high income groups try out new products – for very young people, price is important – difficult for exporters to reach this market segment – products in this market indicate future trends – for next season's products, up-to-date fashion information about this market segment is necessary.
Hardly influenced by fashion:	
<ul style="list-style-type: none"> • Small leather goods • Suitcases • Other bags, cases, boxes 	

mentioned above, a general guideline about prices cannot be given. Sources of price information are fairs, catalogues from mail-order houses (for travel and small leather goods), periodicals (for leather goods) and, of course, retail shops and department stores. Here, margins at each distribution level, which are given in chapter 8, should be taken into account.

Materials

The material from which leather goods are made influences consumer behaviour. Consumers compare the quality of materials with the prices charged. Expensive leather goods are generally made of calf or good leather from cattle hides. Good imitations of exotic leathers (or exotic combined with smooth leather) are in demand for up-to-date fashion. Cheaper items may be made of lower quality cattle hides or goatskin. Split leather is often used for brightly coloured, low-budget fashion items. Some fashion items might be made of sheep leather. For women's handbags, there is a tendency towards the use of materials other than leather or "artificial", possibly combined with leather. The advantage of artificials is that trendy bags can be offered in the right colours at relatively low prices. Moreover, it is also easier to make prints on synthetic materials. These artificials are often not available in developing countries and purchasing them in small quantities is often not possible. Therefore, it is difficult for exporters in developing countries to

compete in this growing market segment. Pigskin is normally used for lining in briefcases or attaché cases made of leather. In the case of lower priced items for business purposes, split pigskin is often used. Travel items should be produced in textiles or nylon; leather is only used for the more expensive items. Real exotics like crocodile, lizard, snake, or ostrich leather etc. are not allowed to be imported into the Netherlands, since some animals are protected by the Convention of Washington (CITES), as is explained more in detail in chapter 9. Good imitations of real exotics are in demand for up-to-date fashion.

Colours

The colours of fashion items generally change twice a year. Information about predicted colours for the new seasons can generally be found in periodicals of international standard like Lederwaren Report and Arpel (see address in Appendix 3.5). Information can also be found in the CBI Fashion Forecast, indicating colours and materials for the next fashion season. Normally, the colour of leather products follows the colours of the clothing and shoe-fashion industry. Exporters, who like to make leather goods in fashionable colours, are advised to place orders at tanneries in good time. In order to prevent discrepancies in desired colours, it is recommended that the precise colours be ordered from tanneries in the EU. This is more expensive, but the risk of a slight

difference in colours or in material can be minimised. Discrepancies in colours or materials are quickly recognised by buyers and consumers and eliminating them can be crucial for success. Where there is likely to be a problem in purchasing the correct colours or materials, the exporter can ask the EU manufacturer or importer to obtain the proper leather or other materials, which can then be made in the right colours.

The classical fashion colours for non-fashion items, mostly are:

- For women's items → Black, dark brown, golden brown (tan), navy blue.
- For men's items → Black, dark brown, tan.

Seasons

There are two main seasons for fashion colours: winter and summer. About one year before seasons begin, importers and producers start selecting colours and models. Italian fairs for clothing and shoes are considered good indicators for the future fashion colours in the Netherlands. The Offenbach Fair in Germany is used as a confirmation of choice. In general, production has to begin six months before the season starts. Buyers, particularly those making first-time purchases, will place a trial order 4-6 months in advance and start with test sales of the product. If the product sells well, substantial orders will be placed, but then the importer will expect delivery within 4-6 weeks! The main seasons for leather goods in the retail trade are shown below.

Product groups	Period of peak sales
Handbags	May, November, December
Briefcases	August, September, December
Travel goods	June, August
Suitcases	May, June
Small leather goods	May, December
Belts, accessories	May, December

Decisions regarding fashionable products are made as late as possible, while less fashionable items are bought at the beginning of the buying season. Highly fashionable products are traded all year round, with the exception of January and July, the months in which retailers hold their clearance sales. (Although these sales periods are no longer legally enforced, many retailers still hold their sales in the months January and July).

Finish

Leather finish depends on fashion, but certain general characteristics can be mentioned. The leather must be soft, natural coloured, pleasant to the touch and processing or manufacture should not impair its natural properties. Embossed leather is only acceptable as a very good imitation of exotics. Fancy embossing is not accepted. An important consideration in several European countries is the humid climate. The finish must be able to resist rain as well as sunlight.

EU market differences

There are large differences between individual EU countries in taste, fashion, stylistic preferences, and disposable income. This makes it impossible to approach the EU as one market. Preferences for different types of leather goods vary from country to country as is shown below.

Stylistic preferences also differ between EU countries. For example in the UK, consumers prefer classical handbags, whereas Italy has its very typical own style, which can hardly be described. Germany re-styles Italian fashion in a semi-classical style, whereas France like Italy has its own style. It is therefore important that exporters gain knowledge about the EU market they are interested in.

Differences in consumption in EU markets	
Italy	Briefcases, suitcases and small leather goods account for the main share.
France	Handbags and briefcases are major items and rapidly changing in style. Travel bags are also important in the French market.
Germany	Travel bags, suitcases, briefcases and other bags are most important.
United Kingdom	Travel bags, suitcases, and briefcases are most in demand.
Spain	Handbags are the main product, but the Spanish prefer them "made in Spain".
The Netherlands	Travel bags, suitcases, briefcases and other bags are the most important.
Other EU markets	Travel goods and handbags are the major item in the retail market.

4 PRODUCTION

Europe has traditionally been regarded as a reliable supplier of high quality leather goods. European countries have a long tradition of craftsmanship, accurate knowledge of the latest fashions, the ability to set trends and manufacture fashion items, and a reputation for maintaining consistency in supply. Compared to the USA and Japan, the EU has a large market share in finished leather production. In 2001, the total value of EU production, at factory prices, amounted to € 3.6 billion. Italy is by far the largest producer, accounting for about 46 per cent of this total, of which handbags are the main items produced. Other large EU producers of leather goods are France, and followed by a distance: Spain, the United Kingdom and Germany.

Figure 4.1 provides an overview of total production of leather goods for all EU countries in 1999 and 2001. The Eurostat production data used in this graph have to be treated with extreme caution for the reasons already elaborated in chapter 3. In addition, the Eurostat production data are most likely subject to underreporting. Therefore, the absolute values provided should be treated with caution. In general, the value of the figures in this section lies primarily in the comparison of relative rather than absolute values.

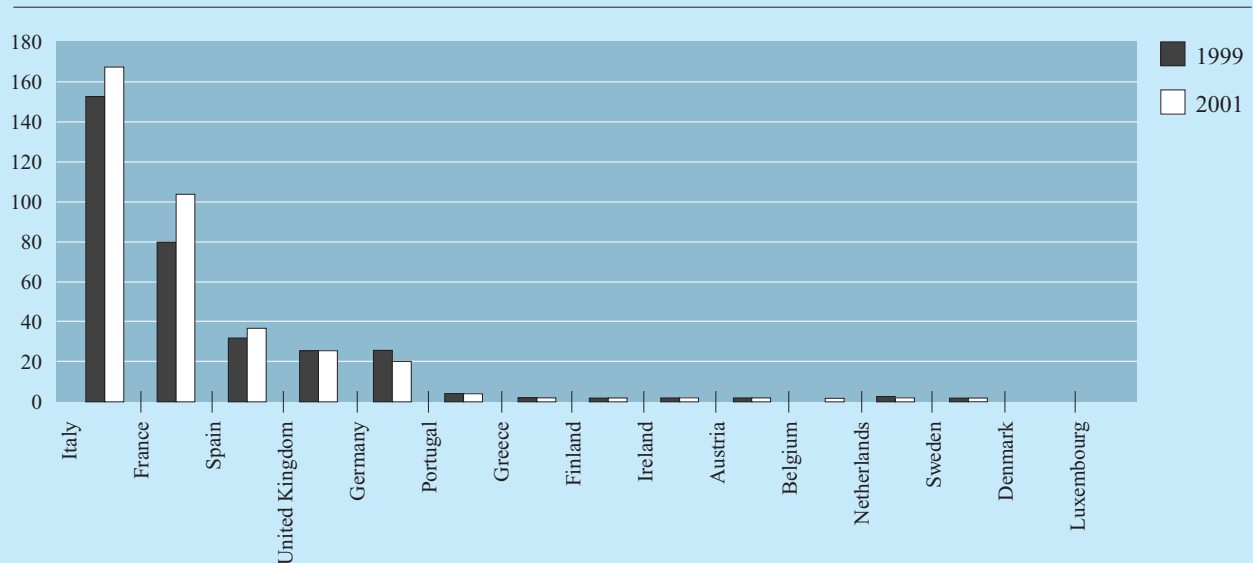
Since the late 1980s, there has been a continuous decrease in the EU's total output of leather goods. Particularly for high volume items (bags, travel goods, small leather goods), the production of leather goods

has often been relocated to Eastern European countries, non-EU Mediterranean states and Asia. Some products, carrying the world's leading European brands or private brands of large retailers, are now produced (though not designed) under franchise or licence in developing countries because of low labour costs. Generally, the leather goods industry in Europe is increasingly facing price competition from products coming from outside the EU, in particular from large supplying countries like China, India and Vietnam. For this reason, present indications are that the leather industry in the EU will further stagnate. As a consequence, the EU industry now concentrates on the production and marketing of high quality leather goods, which need high investments, excellent technological control, good design and an ability to set trends (in Italy and France) and anticipate the needs of consumers.

As the graph shows, in Italy, France and Spain, production of leather goods has increased from 1999 to 2001, contrary to the developments described above. This is mainly due to a large increase in demand for leather goods in these countries. However, the share of consumption satisfied by locally produced leather goods in these countries declined in this period.

For the selected EU countries, production of leather goods is described below, in terms of their size, major players, the range of their products, and their possible interest in developing countries.

Figure 4.1 Production of leather goods in the EU, by country in 1999 and 2001, € million



Source: CBS (2003)

Italy

Italy is the world's leading producer and exporter of leather goods, both in terms of quantity and fashion. Its production is known for its good design and an ability to set trends. This world fashion leader for leather goods accounts for around half of total EU production, which amounted to € 1.6 billion in 2001. Italian leather goods production concentrates mainly on handbags, with this product group accounting for about 60 percent of total Italian production of leather goods. Small leather goods form the second largest product group in terms of production, accounting for 21 percent of total production. Briefcases and suitcases together account for about 10 percent of total production and the remainder is covered by travel bags, other bags and belts. Although Italy is still the world's biggest manufacturer of leather goods, it is facing increasing competition from low-cost countries. Particularly in the lower and middle quality ranges, Italy is finding it harder to produce these goods competitively. Yet, opportunities for developing country exporters are limited in Italy, since the lion share of domestic consumption is still locally produced. Many prospective suppliers fail to penetrate the Italian market because the goods they offer are simply not adapted to Italian taste. The Italian style in leather goods is hard to define and the design, materials and colours used are decisive determinants of whether or not a product will be successful. Therefore, prospective suppliers should establish close contacts with Italian designers in order to have a chance of succeeding in this market. Key Italian players in the production of leather goods are Angi Designer, Bric's Industria Valigeria Fine SRL, Il Ponte Pelletteria SRL, Macucci Giancarlo, and Gucci.

France

France, together with Italy is the undisputed joint world leader in terms of fashion and quality of leather goods. Moreover, it is also the second largest EU producer of leather goods, accounting for € 1.0 billion in 2001. The production of bags accounts for the largest share of total production of leather goods. Handbags form the main product group, in 2001 accounting for half (51 percent) of total production. These are followed by travel bags and other bags, together accounting for 18 percent of the total. Other small leather goods represent 18 percent of production value and briefcases and suitcases together account for another 12 percent. The smallest group is the product group belts with 6 percent of total production. Just like Italy, France is also known for its good design and an ability to set trends in the production of leather goods. Its long-established industry is highly skilled and specialised. Factories are usually small family businesses, sometimes producing for only one or two outlets (their own) and specialising in one or two product groups. Many of France's famous fashion designers produce their own lines of leather goods. Some well-known names are Cartier, Dior,

Hermes, Lancel, Chanel, and Yves Saint-Laurent. France's interest in developing country exporters is limited. Some interest exists in travel bags and suitcases, both for domestic consumption and for re-exporting. Due to extremely high quality requirements for handbags however, interest in handbags from developing countries is very low.

Spain

Total Spanish production of leather goods in 2001 amounted to € 351 million. Main product groups in the Spanish production of leather goods are handbags, in 2001 representing 38 percent of total production, and small leather goods accounting for 28 percent. Belts, travel bags & other bags, and briefcases & suitcases each account for around 10 percent. Spanish producers are mostly very small factories, producing for the local market and the tourist industry. Spain's interest in developing country exporters is limited, as can be derived from the relatively low import value presented in table 5.17. As indicated earlier, most products sold on the domestic market are "made in Spain".

The United Kingdom

Total production of leather goods in the UK in 2001 was valued at € 258 million. Leather goods "made in the UK" are mainly classic items of high quality that are produced for long-established British brands. In this high quality leather segment, the UK plays a significant role in the EU leather industry. British production of leather goods is concentrated in two product groups, small leather goods and briefcases & suitcases (the latter two forming one product group). Briefcases & suitcases accounted in 2001 for one third (33 percent) and small leather goods 26 percent of total British production of leather goods. Most British manufacturers deal directly with retailers, forcing out the wholesaler who mostly handles imported products. Like many other EU countries, most of the British leather industry has moved its production to countries with low labour costs. The UK's interest in developing country exporters is therefore large, especially for small leather goods. For travel bags, interest is reasonably large, and for classical handbags interest is moderate.

Germany

Total German production of leather goods in 2001 amounted to € 198 million. Main product groups in the German production of leather goods are travel bags and other bags, accounting for 41 percent of total German production and Briefcases & suitcases, accounting for 29 percent. Handbags, Belts and small leather goods accounted each for about 10 percent of total German production. German production has declined for several years, because of relatively high wages. Many German manufacturers have, because of high wages, outsourced their production to manufacturers developing countries.

Usually the manufacturer in the developing country is supported with technical and financial assistance.

The Netherlands

Although the Netherlands is one of the major EU traders of leather goods, distributing these goods to many other EU countries, it only plays a modest role in the production of leather goods. In 2001, total Dutch production of leather goods amounted to € 15 million. About 15 percent of total Dutch consumption of leather goods is locally produced, while the remaining part is foreign-made. Most Dutch leather goods factories are located in Waalwijk in the Southern part of the Netherlands. Production concentrates on women's handbags, small leather goods and a few fashion items like belts. The main Dutch producers of leather goods are Castelijns en Beerens, Van Gils lederwaren, and Wim Mutsaers BV. These companies are also important importers of leather goods. Since the 1970s, the Dutch leather industry has stagnated due to increasing competition from several low-cost countries outside the EU. Present indications are that production will further be shifted to China, Indonesia, Thailand, South Korea, Turkey and Morocco. Interest in developing country exporters is therefore quite large, especially where it concerns small leather goods, sports bags and shopping bags. Ladies handbags in the lower quality segment also offer good chances for developing country exporters. A large part of Dutch imports from developing countries is re-exported.

5 IMPORTS

Trade figures quoted in this and the next chapter must be interpreted and used with extreme caution. The collection of data regarding trade flows has become more difficult since the establishment of the single market on 1 January 1993. Prior to that date, trade was registered by means of compulsory customs procedures at border crossings but, with the removal of the intra-EU borders, this is no longer the case. Therefore, statistical bodies such as Eurostat can no longer depend on the automatic generation of trade figures. In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated. This especially applies to products that are traded through a large number of transactions with a relatively low value. In the case of leather goods, this is specifically relevant for the product groups small leather goods, handbags, and belts, where a relatively large share of intra-EU trade is under-represented in the statistics. The value of the trade figures in this section lies primarily in the comparison of relative sizes rather than their absolute value.

Moreover, import and export statistics are distorted by the existence of central European distribution centres for the larger brands manufacturers. They import the leather goods, especially travel goods, from non-European sources to one location, but subsequently re-export the same goods to individual EU markets. Therefore, statistics give only an indication of the major

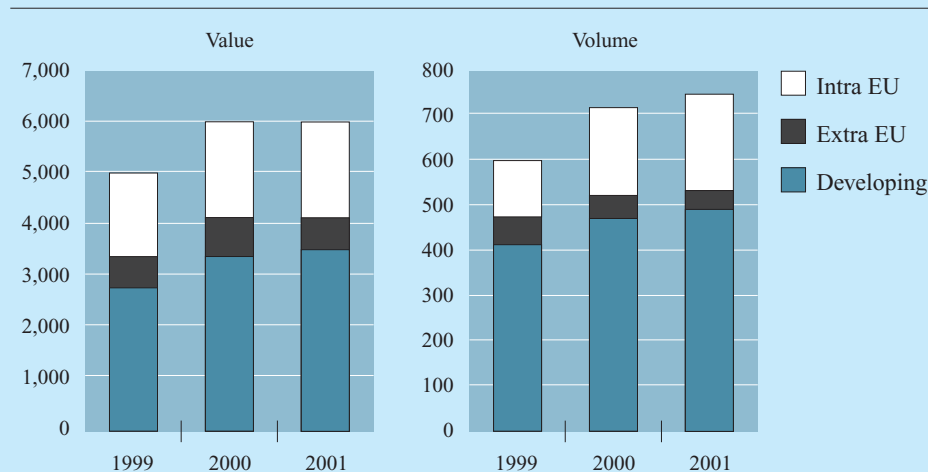
trends and of the relative significance of individual importing countries, but do not represent the real situation.

The statistics specify total imports, imports originating from the EU Member States and non-EU countries, both in volumes and values. Developing countries, as defined by the OECD, are listed in Appendix 4. Appendix 2 presents import statistics of the EU and the selected markets within the EU and gives detailed breakdowns of the statistics by product group and supplying country.

5.1 Total imports

The EU ranks among the leading importers of leather goods in the world. In 2001, the EU is estimated to have imported more than a third of the total world imports of leather goods, equalling 747 thousand tonnes, which represented a value of € 6.0 billion. A large share of this total is imported from outside the EU, while most of these extra-EU imports originate from developing countries. Measured in value, 66 percent of total EU imports came from countries outside the EU, whereas 56 percent originated from developing countries in 2001. Measured in volume these percentages are even higher with extra-EU imports accounting for 71 percent and developing countries for 65 percent of the total EU imports. The fact that the share of extra-EU imports is lower measured in value than in volume indicates that these imports originating from outside the EU and mostly from developing countries consist of relatively low-price products. Figure 5.1 presents an overview of EU

Figure 5.1 EU Imports of leather goods in the EU in 1999 and 2001, € million / 1000 tonnes



Source: Eurostat (2003)

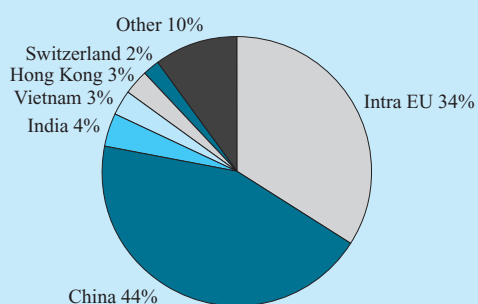
imports of leather goods for the period 1999 to 2001.

As the figure shows, total EU imports of leather goods in the period 1999 to 2001 have increased by 21 percent measured in Euros and by 24 percent in volume.

The large increase, both in value and in volume can be attributed to several factors. Local production of leather goods has increasingly been shifted to developing countries, mainly Asian countries and also Eastern Europe, resulting in increasing imports from those countries. Moreover, the economic upturn starting in the second half of the 1990s contributed to an increased demand for leather goods, resulting in higher imports. Related to this, demand for travellers' requisites (suitcases, travel bags, and computer cases) has increased vigorously as more people travel for holiday or business. Moreover, increased fashion consciousness and especially an increased variety in the design of leather goods combined with the use of new non-leather materials like nylon, fibre, and textiles, stimulated demand in that period. Furthermore, lower prices and increased supplies of leather goods through department stores have exposed a larger group of consumers to leather goods, also leading to additional demand and imports. Figure 5.2 presents an overview of the major suppliers of leather goods to the EU.

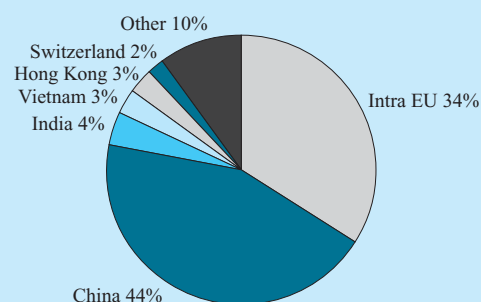
China is by far the largest supplier of leather goods to the EU with a total € 2.7 billion in 2001, which is almost half (44 percent) of total EU imports. In volume terms, China's share of total EU imports is even higher at 59 percent in 2001, although a downward trend can be observed. Next to China, EU countries themselves are major suppliers of leather goods within Europe, with Italy and Belgium being the largest intra-EU suppliers. In 2001, intra-EU trade accounted for 34 percent of total EU imports of leather goods. Italy and Belgium accounted for respectively 9 and 7 percent of total imports, amounting to respectively € 54 million

Figure 5.2 Main suppliers of leather goods to the EU, percentage



Source: Eurostat (2003)

Figure 5.3 Main EU importing countries of leather goods, 2001, percentage



Source: Eurostat (2003)

and € 42 million. Other important suppliers of leather goods to the EU are India (4 percent), Vietnam (3 percent), Hong Kong (3 percent) and Switzerland (2 percent). In addition Eastern Europe has made some gains, even though imports from that region are still too small to appear in the statistics as main suppliers.

Although material costs and wages in this region are mostly higher than in the developing countries, this is compensated by lower transportation costs. Another advantage of the shorter distance is the ability to be quick in responding to the faster changing market needs. The main producing countries in this region are Romania, the Czech Republic, Hungary, Bulgaria, Poland, Slovenia and Slovakia.. Most of these countries manufacture leather wallets, handbags and textile bags. Figure 5.3 gives an overview of the major importing EU countries of leather goods.

The figure shows that Germany is the largest EU import market for leather goods, on average in the period 1999-2001 importing more than one-fifth of total EU imports of leather goods, amounting to 130 thousand tonnes, with an average annual value of € 1.2. Germany is followed by France, which is responsible for 18 percent of EU imports of leather goods. The UK accounts also for 18 and Italy for 12 percent. The Netherlands imports on average importing 7 percent of total EU imports of leather goods. Belgium and Spain rank sixth, closely after the Netherlands with 6 percent of total EU imports and has even overtaken the Netherlands in 2000 and Belgium in 2001, with respect to the size of their imports.

The six largest markets within the EU, Germany, the United Kingdom, France, Italy, Belgium, and the Netherlands will be elaborated in more detail below.

Germany

Germany has by far the largest population size within the EU, with 82 million inhabitants and a high per

capita GDP. Consequently, Germany is the largest market in the EU for leather goods. In 2001, German imports of leather goods amounted to € 1.2 billion with a volume of 130 thousand tonnes. Imports from countries outside the EU accounted for 74 percent of this total import value, and 64 percent originated from developing countries. Compared to 1999, the German market size for leather goods has increased both in value with 11 percent and in volume with 7 percent. In the period 1999 - 2001, imports from extra-EU countries, including developing countries, increased with the same rates.. Imports from developing countries only showed a higher increase with 15 percent in value and 14 percent in volume terms.

Within total German imports of leather goods in 2001, the relative importance of each product group is as follows. Travel bags account for the highest market share, with 25 percent of total import value amounting to € 274 million. Other bags form the second largest product group, with 23 percent of total import value amounting to € 240 million. These product groups are followed, in order of decreasing market shares, by handbags, accounting for 18 of total German imports, amounting to € 211 million, suitcases, accounting for a 16 percent market share amounting to € 191 million, small leather goods, representing 14 percent of total imports amounting to € 167 million, briefcases, accounting for 6 percent of total imports amounting to € 75 million, and lastly belts, which account for 4 percent of total German imports amounting to € 42 million.

As is the case with the total value of German imports of leather goods, the import values of all individual product groups show an increasing trend in the period 1999 – 2001 as well. Because the increase in import value of the other product groups has been uneven, the relative importance, or market share, of the different product groups has changed in this period. The product groups handbags and small leather goods have gained relative importance, expressed in a two and one percent increase in their respective shares of total German imports of leather goods. At the same time, for all other product groups including travel bags and other bags, the market share has declined with one percent. The other product groups had the same share in 2001 as in 1999. It is estimated that around 30 percent of total German imports of leather goods is re-exported.

United Kingdom

In 2001, UK imports of leather goods amounted to € 1.1 billion with a volume of 134 thousand tonnes. Imports from countries outside the EU accounted for 74 percent of this total import value, and 79 percent originated from developing countries. Compared to 1999, the UK market size for leather goods has increased considerably in value with 27 percent and has shown a smaller increase in volume of 21 percent.

In the period 1999 - 2001, imports from extra EU countries, including developing countries, increased less than proportionally with a 24 percent increase in value, and a 15 percent increase in volume. Imports from developing countries similarly increased with 25 percent in value and 19 percent in volume.

Within total UK imports of leather goods in 2001, the relative importance of each product group is as follows. Travel bags accounted for the highest market share, with 24 percent of total import value amounting to € 267 million. Handbags, the second largest product group, closely followed with also 24 percent of total import value amounting to € 262 million. Other bags and Suitcases accounted for respectively 17 and 16 percent of total import value amounting to respectively 189 and 178 million Euro. The smallest market shares were held by small leather goods, briefcases and belts, accounting for 11, 5, and 3 percent of total UK imports of leather goods. Their import values in 2001 were respectively € 120 million for small leather goods, € 51 million for briefcases and € 35 million for belts.

As is the case with the total UK import value, the import values of all individual product groups (in Euros) show an increasing trend in the period 1999 – 2001, with some product groups showing relatively larger increases than others. This results in the following change in the relative importance, or market share, of the different product groups. The largest increase in import market share of 4 percent is experienced by the product group handbags, while the share of other bags and belts in total UK imports increases with 1 percent. On the other hand, the share of travel bags in total UK imports of leather goods declines with 5 percent. The share of small leather goods in total UK imports shows a more modest decline of 1 percent in the period 1999-2001. For all other product groups, including briefcases, handbags, and belts, their share total UK imports of leather goods remains more or less constant. It is estimated that around 20 percent of total UK imports is re-exported.

France

In 2001, French imports of leather goods amounted to € 1.1 billion with a volume of 115 thousand tonnes. Imports from countries outside the EU accounted for 53 percent of this total import value, and 64 percent originated from developing countries. Compared to 1999, the French import market size for leather goods has increased in value with 29 percent (in Euros) and in volume with 10 percent. In the same period, imports from extra EU countries, including developing countries, increased a bit less than proportionally with a 25 percent increase in value (Euros) and a 2 percent increase in volume. French imports of leather goods from developing countries showed an increase of 24 percent in value (Euros) and 3 percent in volume.

Within total French imports of leather goods in 2001, the relative importance of each product group is as follows. Handbags account for the highest market share, with 28 percent of total import value amounting to € 311 million. Travel bags form the second largest product group, with 24 percent of total import value amounting to € 271 million. These product groups are followed, in order of decreasing market shares, by other bags, accounting for 17 percent of total French imports or € 184 million, small leather goods, accounting for a 13 percent market share amounting to € 148 million, suitcases, representing 10 percent of total imports amounting to € 111 million, briefcases, accounting for 5 percent of total imports amounting to € 59 million, and lastly belts, which account for 3 percent of total French imports amounting to € 30 million.

As is the case with the total value of French imports of leather goods (Euros), the import values of all individual product groups (Euros) show an increasing trend in the period 1999 – 2001. Because the increase in import value has been uneven among product groups however, the relative importance, or market share, of the different product groups has changed. The product group handbags shows the highest increase in market share of 4 percent. The share of other bags in total imports shows a smaller increase of 2 percent in this period. Travel bags, briefcases, other bags, and small leather goods all lose relative importance with a one to three percent decline of market share. The share of belts in total French imports of leather goods remains constant. It is estimated that around three quarters of French imports of leather goods are re-exported.

Italy

In 2001, Italian imports of leather goods amounted to € 0.7 billion with a volume of 78 thousand tonnes. Imports from countries outside the EU accounted for 76 percent of this total import value, and 60 percent originated from developing countries. Compared to 1999, the Italian market size for imports of leather goods has shown a very large increase with 36 percent in value (Euros) and with 9 percent in volume. Also in the same period, imports from extra EU countries, including developing countries, increased more with 39 percent in value and 17 percent in volume. Italian imports of leather goods from developing countries only showed a little bit smaller increase of 37 percent in value and 17 percent in volume.

Within total Italian imports of leather goods in 2001, the relative importance of each product group is as follows. Handbags account for the highest market share, with 30 percent of total import value amounting to € 226 million. Travel bags is the second product group with 18 percent of total import value amounting to € 137 million. Small leather goods and suitcases share the

third rank, accounting for 17 percent of total imports, amounting to respectively € 131 and 128 million. Other bags follows, with a share of 12 percent and a value of € 92 million. The smallest product groups are briefcases and belts, accounting for 5 and 1 percent of total imports, respectively amounting to € 34 million and € 9 million.

As is the case with the total value of French imports of leather goods, the import values of all individual product groups show an increasing trend in the period 1999 – 2001. Because the increase in import value has been uneven among product groups however, the relative importance, or market share, of the different product groups has changed. Handbags and small leather groups are the product groups showing an increase in market share, increasing with respectively 7 and 2 percent. Travel bags and suitcases loose relative importance with respectively a 5, and 4 percent decline of market share. The share of briefcases, belts, and other bags in total Italian imports of leather goods remains constant.

It is estimated that around 15 to 20 percent of Italian imports is re-exported.

The Netherlands

In 2001, Dutch imports of leather goods amounted to € 348 million with a volume of 46 thousand tonnes. Imports from countries outside the EU accounted for 79 percent of this total import value, and 65 percent originated from developing countries. Compared to 1999, the Dutch market size for imports of leather goods increased in 2001 with only 2 percent in value and 1 percent in volume. Also in the same period, imports from extra EU countries, including developing countries, remained the same in value and in volume. Dutch imports of leather goods originating from developing countries showed a remarkably high increase of 61 percent in value (Euros) and 54 percent in volume.

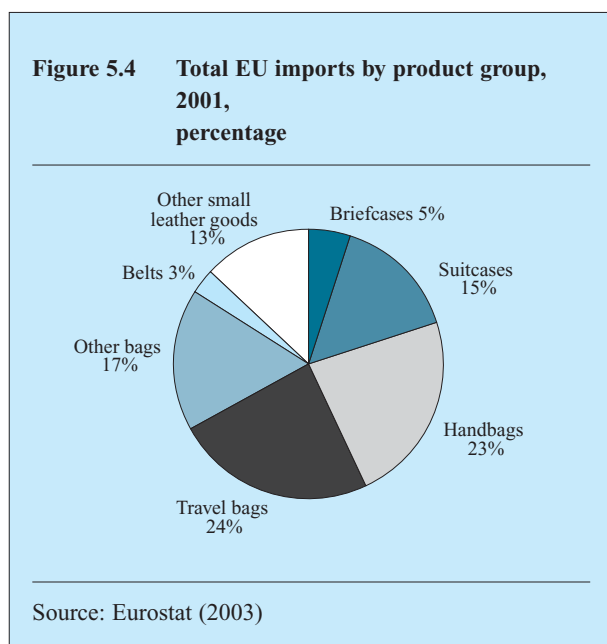
Within total Dutch imports of leather goods in 2001, the relative importance of each product group is as follows. Travel bags account for the highest market share, with 27 percent of total import value amounting to € 95 million. Other bags form the second largest product group, with 23 percent of total import value amounting to € 81 million. Suitcases, handbags, and small leather goods follow, respectively accounting for 15, 13, and 12 percent of total imports, respectively amounting to € 52, 44 and 41 million. The smallest product groups are briefcases and belts, accounting for 7 and 3 percent of total imports, respectively amounting to € 24 and 11 million.

As is the case with the total value of Dutch imports of leather goods, the import values of all individual product groups show a small decreasing trend in the period 1999 – 2001, with the notable exception of other

bags and belts, which rose in value with respectively 14 and 76 percent. Moreover, the relative importance, or market share, of all product groups has changed. Other bags and belts show an increase in market share with respectively 2 and 1 percent. Travel bags, handbags and small leather goods lose relative importance, declining respectively with 2, 1 and 1 percent. The share of briefcases and suitcases in total Dutch imports of leather goods remains constant. Around 60 percent of total Dutch imports of leather goods are estimated to be re-exported.

5.2 Imports by product group

Figure 5.4 shows the relative importance of each of the product groups within total EU imports of leather goods in 2001.



Travel bags represented the highest market share, accounting for almost a quarter (24 percent) of the total value of EU imports of leather goods, amounting to € 1.5 billion. Handbags formed the second largest product group, with 23 percent of total import value amounting to € 1.4 billion. Other bags, suitcases, and small leather goods followed, representing respectively 17, 15, and 13 percent of total imports, amounting to respectively € 1.0, 0.92, and 0.76 billion. The smallest product groups were briefcases and belts, accounting for 5 and 3 percent of total imports, respectively amounting to € 0.32 and 0.18 billion.

As was the case with the total value of EU imports of leather goods (Euros), the import values of all individual product groups (Euros) showed an increasing

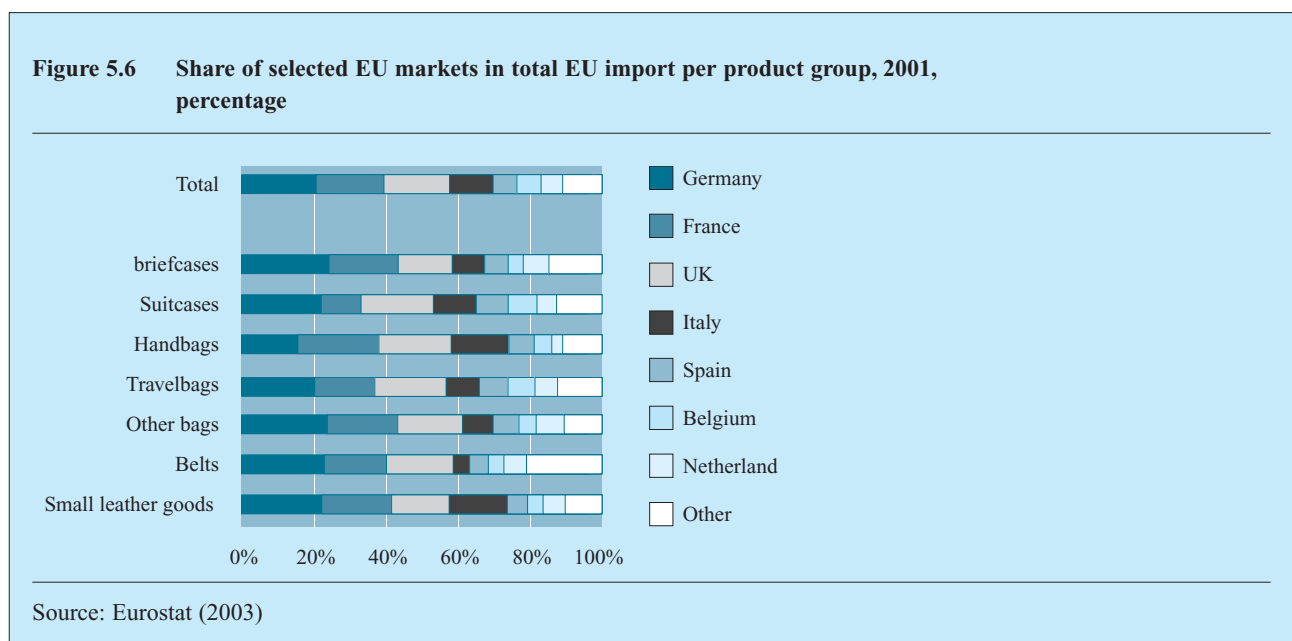
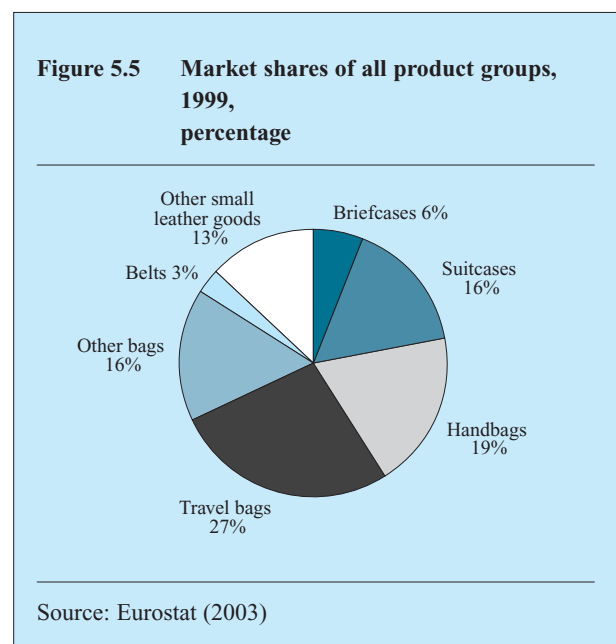
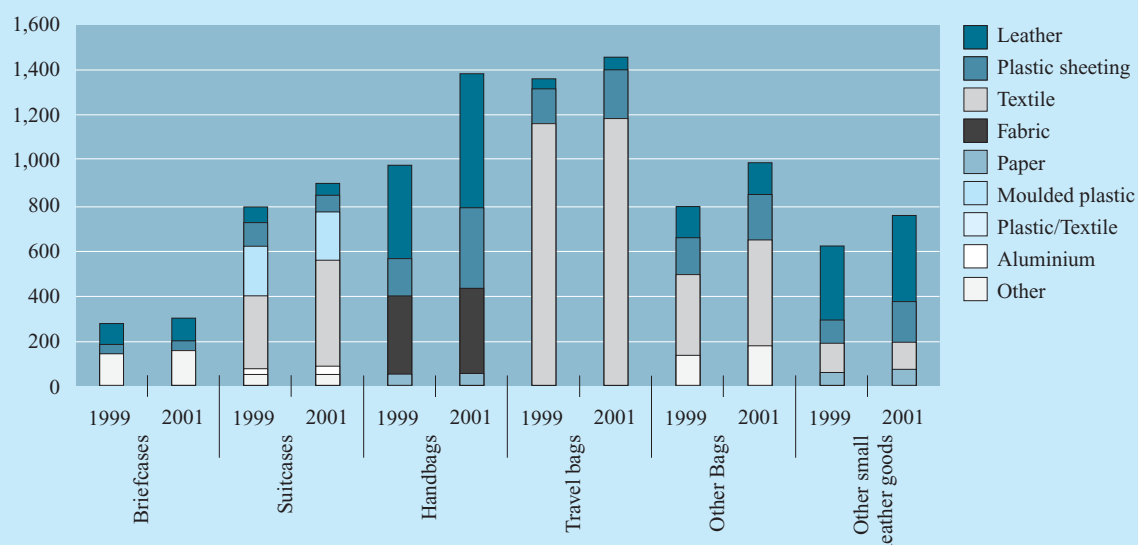


Figure 5.7 Share of different materials in total EU imports of leather goods, 2001, € million



Source: Eurostat (2003)

trend in the period 1999 – 2001, with some product groups increasing relatively more than others. This has resulted in some small changes in the relative importance, or market share, of all product groups. Figure 5.5 shows the market shares of all product groups in 1999, which can be compared with the market shares presented in figure 5.4.

As figure 5.4 and 5.5 show, handbags showed the largest increase of 4 percent in market share, while travel bags and suitcases experienced respectively a 3 and 1 percent decrease in market share. The other product groups remained fairly stable.

Figure 5.6 shows the share of selected EU markets in the total value of EU imports of leather goods by product group in 2001.

Figure 5.7 for all product groups shows the share of different materials in the total value of EU imports of leather goods in 2001.

All product groups will in turn be discussed in more detail below, in order of decreasing market share.

5.2.1 EU imports of travel bags

In 2001, imports of travel bags amounted to € 1.5 billion, with a volume of 178 thousand tonnes, thereby being the largest product group of leather goods. Compared to 1999, this is a 7 percent increase in value (Euros) and a 3 percent increase in volume. Figure 5.7 presents an overview of the share of travel bags made from different materials in total EU imports of travel bags, in 1999 and 2001. The lion share of total EU imports of travel bags, 83 percent, was made of

textile in 2001. Travel bags made of plastic sheeting accounted for 14 percent of total EU imports of travel bags, and travel bags made of leather or imitation leather accounted for the remaining 3 percent. Compared to 1999, import values of travel bags fabricated of all these materials experienced an increase. However, there has been a very small relative shift in material of EU imports of travel bags, from textile towards plastic sheeting. But, this shift has been very small, increasing the market share of plastic sheeted travel bags with 2 percent at the cost of the ones made of textile.

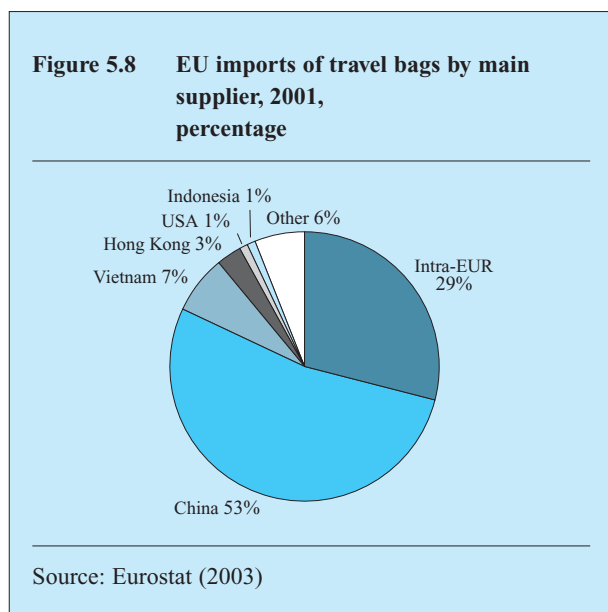
Figure 5.6 shows the share of selected EU markets in the total value of EU imports of travel bags in 1999 and 2001. Out of the six selected EU countries, Germany, France, and the UK account for the highest share of total EU imports of travel bags, accounting for respectively 19, 19, and 18 percent. Italy and Belgium account both for 9 percent of total imports of travel bags.

Figure 5.8 presents EU imports of travel bags by main suppliers.

As is the case for most other product groups, China is the main supplier of EU imports of travel bags, in 2001 accounting for 54 percent of the total EU import value of travel bags. Intra-EU trade presents the second largest share, accounting for 29 percent of total EU imports of travel bags. Within the intra-EU trade, Belgium is the most important supplier of travel bags to other EU countries, accounting for 12 percent of total EU imports of travel bags. Vietnam and Hong Kong are also important suppliers, accounting for respectively

7 and 3 percent of total imports of travel bags. Compared to 1999, China has even increased its market share of total EU imports with 3 percentage points, at the cost of the USA and Hong Kong, which both lost 2 percentage points.

Apart from China and Vietnam, the most important developing countries supplying travel bags to the EU are Indonesia (0.6 percent of total EU imports of travel bags), Thailand (0.5 percent), India, South Korea, and the Philippines (each 0.3 percent).



5.2.2 EU imports of handbags

In 2001, imports of handbags amounted to € 1.4, with a volume of 172 thousand tonnes, thereby being the second largest product group in total EU imports of leather goods. Compared to 1999, this is a 44 percent increase in value and a 127 percent increase in volume.

Figure 5.7 presents an overview of the share of handbags made from different materials in total EU imports of handbags, in 1999 and 2001. In 2001, handbags made of leather or imitation leather and handbags made of fabric accounted for the largest shares of total EU imports of handbags, accounting for respectively 41 and 28 percent of the total. Closely followed by handbags made of plastic sheeting (26 percent). Handbags made of paper, paper board or vulcanised fibre accounted for the remaining 5 percent of the total.

Compared to 1999, there has been a notable shift in market share of handbags made of different materials in the total EU imports of handbags. The share of handbags made of plastic sheeting has experienced a notable increase with 9 percentage points, from 17 to 28 percent. This increase has mainly been at the expense of the share of imports of handbags made of fabric, which has decreased by 8 percentage points in

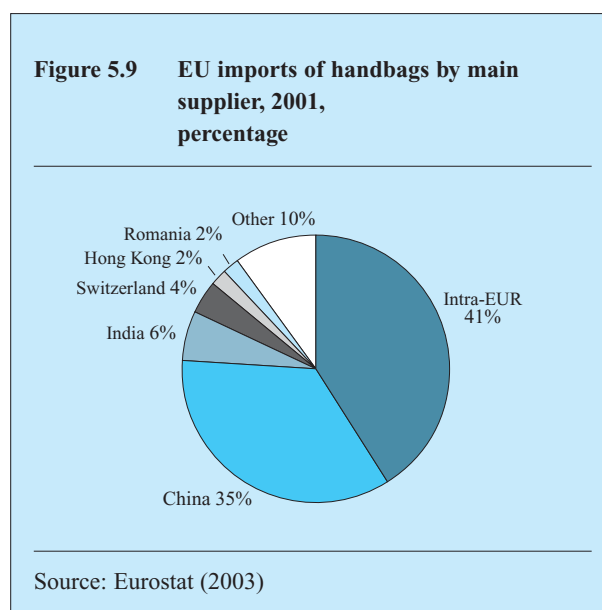
the period 1999-2001. Another 2 percentage points increase in the share of total EU imports of handbags was recorded for handbags made of leather. The share of handbags made of paper, paperboard or vulcanised fibre remained constant in this period.

Figure 5.6 shows the share of selected EU markets in the total value of EU imports of handbags in 1999 and 2001. In 2001, three quarters of total EU imports of handbags was imported by the four largest EU importers of leather goods. Out of the six selected EU countries, France, the UK, and Italy, represented the highest share of total EU imports of handbags, accounting for respectively 22, 19, and 16 percent. Germany, Belgium and the Netherlands account for respectively 15, 9 and 3 percent of total imports of handbags. Other EU countries represented 18 percent of the total EU imports of handbags.

Figure 5.9 presents EU imports of handbags by main suppliers.

In the case of handbags, China is not the main supplier of EU imports, but intra-EU suppliers as a group are, in 2001 accounting for 42 percent of the total EU import value of handbags. Within this group of intra-EU suppliers, Italy and France are the most important countries, representing respectively 20 and 10 percent of total EU imports of handbags. China is, however, the main individual country supplier, accounting for more than a third, or 35 percent of EU imports of handbags. Other large suppliers of handbags to the EU are India, Switzerland, Hong Kong and Romania, accounting for respectively 6, 4, 2, and 2 percent of total imports of handbags.

Apart from China and India, the most important developing countries supplying handbags to the EU are Thailand (1.1 percent of total EU imports of handbags), Tunisia (0.9 percent), Morocco (0.7 percent) and Indonesia (0.6 percent).



Compared to 1999, there have been no large shifts in market shares of the major suppliers with Switzerland and China recording an increase of respectively 2 and 1 percentage points, whereas intra-EU trade of handbags and EU imports from India both declined, with respectively 2 and 1 percentage point. The market share of other main suppliers has remained more or less constant in this period.

5.2.3 EU imports of other bags

In 2001, imports of other bags amounted to € 999.9 million, with a volume of 114 thousand tonnes, thereby being the third largest product group in total EU imports of leather goods. Compared to 1999, this is a 24 percent increase in value and a 8 percent decrease in volume.

Figure 5.7 presents an overview of the share of other bags made from different materials in total EU imports of other bags, in 1999 and 2001. In 2001, other bags made of textile accounted for more than half, 51 percent, of total EU imports of other bags. About one-fifth or 19 percent of total EU imports of other bags were made of plastic, 13 percent was made of (imitation) leather, and 17 percent of the total was made of other materials.

Compared to 1999, there has been no notable shift in market share of other bags made of different materials. Imports of other bags made of textile did rise a bit more than proportionally, resulting in an increase in market share of this group with 2 percentage points. The share of other bags made of leather, plastic, and other material each declined with less than 1 percent.

Figure 5.6 shows the share of selected EU markets in the total value of EU imports of other bags in 1999 and 2001. In 2001, more than 80 percent of total EU imports of other bags was imported by the six largest EU importers of leather goods. Out of these five

selected EU countries, Germany, the UK, and France accounted for the highest share of total EU imports of other bags, accounting for 24, 19, and 18 percent respectively. Italy, Belgium and the Netherlands accounted for respectively 9, 8 and 5 percent of total imports of other bags. Other EU countries represented 16 percent of the total EU imports of other bags.

Figure 5.10 presents EU imports of other bags by main suppliers.

In the case of other bags, China is again the main supplier of EU imports, accounting for more than half (53 percent) of total EU imports of other bags. Intra-EU suppliers account for the second largest share, supplying 22 percent of total EU imports of other bags. Within this group of intra-EU suppliers, the Netherlands accounts for the largest share, representing 4 percent of total EU imports of other bags. Other relatively large suppliers of other bags to the EU are Hong Kong (4 percent), Switzerland (3 percent), Vietnam (3 percent) and India (2 percent).

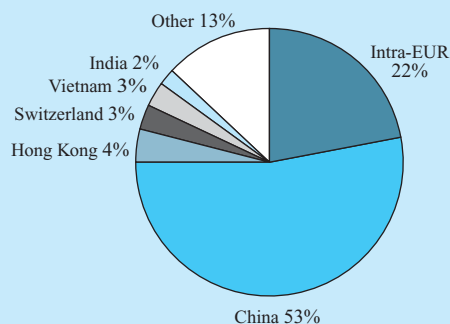
Compared to 1999, China's share in total EU imports of other bags has been growing with 2 percentage points, as did the intra EU share with 1 percentage point. The share of Hong Kong and Thailand supplies has declined with 1 percentage point each.

5.2.4 EU imports of suitcases

In 2001, imports of suitcases amounted to € 922 million, with a volume of 178 thousand tonnes. Compared to 1999, this is a 17 percent increase in value and a 9 percent increase in volume.

Figure 5.7 above presents an overview of the share of suitcases made from different materials in total EU imports of suitcases, in 1999 and 2001. In 2001, suitcases made of plastic, vulcanised fibre or textile accounted for almost half, or 50 percent, of total EU imports of suitcases. One quarter of total EU imports of suitcases were made of moulded plastic. Leather and plastic sheeting accounted for 8 and 7 percent respectively, 4 percent was made of aluminium, and 6 percent of the total was made of other materials. Compared to 1999, there has been a notable shift in imported suitcases towards plastic, vulcanised fibre and textile. Imports of suitcases made of these materials increased their market share with 9 percentage points. This increase in market share has come at the expense of the market shares of suitcases made of moulded plastic, plastic sheeting and leather, each respectively losing 6, 1 and 2 percentage points of their market share in the period 1999-2001. This shift from leather and moulded plastic towards textile is explained by the fact that European travellers increasingly prefer lightweight suitcases, which are easier to carry. Moreover, textile suitcases are more flexible with respect to the volume of luggage that they can be filled with.

Figure 5.10 EU imports of other bags by main supplier, 2000, percentage



Source: Eurostat (2003)

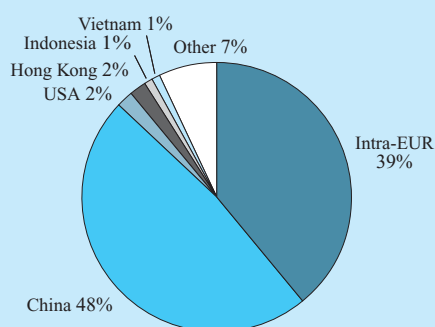
Figure 5.6 shows the share of selected EU markets in the total value of EU imports of suitcases in 1999 and 2001. In 2001, more than three quarters of total EU imports of suitcases was imported by the six largest EU importers of leather goods. Out of these six selected EU countries, Germany and the UK accounted for the highest share of total EU imports of suitcases, accounting for respectively 21, and 19 percent. Italy, France, Belgium and the Netherlands accounted for respectively 14, 12, 9 and 6 percent of total imports of suitcases. Other EU countries represented 21 percent of the total EU imports of suitcases.

Figure 5.11 presents EU imports of suitcases by main suppliers.

Also in the case of suitcases, China is the main supplier of EU imports, accounting for almost half or 48 percent of total EU imports of suitcases in 2001. Intra-EU suppliers account for the second largest share, supplying 39 percent of total EU imports of suitcases. Within this group of intra-EU suppliers, Belgium and France account for the largest share, representing respectively 17 and 6 percent of total EU imports of suitcases. Other relatively large suppliers of suitcases to the EU are the USA (2 percent), Hong Kong (2 percent), Indonesia (1 percent), and Vietnam (1 percent).

Compared to 1999, China's share in total EU imports of suitcases has been growing with 2 percentage points. The Hong Kong and the USA supply of suitcases on the other hand, lost market share of 1 percentage points each. The share of Intra EU remained stable at 39 percent during this period.

Figure 5.11 EU imports of suitcases by main supplier, 2001, percentage



Source: Eurostat (2003)

5.2.5 EU imports of small leather goods

In 2001, imports of small leather goods amounted to € 766 million, with a volume of 53 thousand tonnes.

Compared to 1999, this is a 22 percent increase in value (Euros) and a 45 percent increase in volume.

Figure 5.7 presents an overview of the small leather goods made from different materials in total EU imports of small leather goods, in 1999 and 2001. In 2001, small leather goods made of leather accounted for more than half (51 percent) of total EU imports of small leather goods. Plastic sheeting and textile each accounted for about a fifth of total imports, with shares of respectively 22 and 20 percent. 7 Percent of imported small leather goods was made of paper, paperboard, or vulcanised fibre.

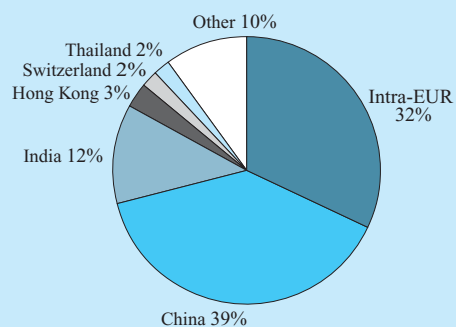
Compared to 1999, there has been a more than proportional increase in imports of small leather goods made of plastic sheeting and leather, resulting in a rise of the market share of this group with respectively 2 and 1 percentage points. Small leather goods made of textile has lost some market share: 2 percent. Small leather goods made of paper/ paperboard/ vulcanised fibre kept the same share as in 1999.

Figure 5.6 shows the share of selected EU markets in the total value of EU imports of small leather goods in 1999 and 2001. In 2001, almost three quarter of total EU imports of small leather goods were imported by the four largest EU importers of leather goods. Out of the six selected EU countries, Germany, France, and Italy accounted for the highest shares of total EU imports of small leather goods, accounting for respectively 22, 19, and 17 percent. The UK, the Netherlands and Belgium accounted for respectively 16, 6 and 4 percent of total imports of small leather goods. Other EU countries represented 16 percent of the total EU imports of small leather goods.

Figure 5.12 presents EU imports of small leather goods by main suppliers.

Also in the case of small leather goods, China is the main supplier of EU imports, accounting for 39 percent

Figure 5.12 EU imports of small leather goods by main supplier, 2001, percentage



Source: Eurostat (2003)

of total EU imports of small leather goods in 2001. Intra-EU suppliers account for the second largest share, supplying 32 percent of total EU imports of small leather goods. Within this group of intra-EU suppliers, Italy accounts for the largest share, representing 8 percent of total EU imports. Other relatively large suppliers of this product group to the EU are India (12 percent), Hong Kong (3 percent) and Thailand (2 percent).

Compared to 1999, China's share in total EU imports of small leather goods has grown with 1 percentage points, as did intra-EU supplies. At the same time, Hong Kong and South Korea both lost some market share of respectively 2 and 1 percentage point.

5.2.6 EU imports of briefcases

In 2001, imports of briefcases amounted to € 320 million, with a volume of 40 thousand tonnes. Compared to 1999, this is a 14 percent increase in value and a 4 percent increase in volume.

Figure 5.7 presents an overview of briefcases made from different materials in total EU imports of briefcases, in 1999 and 2001. In 2001, briefcases made of plastic, vulcanised fibre, or textile accounted for almost half, or 48 percent, of total EU imports of briefcases. Leather or imitation leather accounted for over a third or 35 percent of total imports. 18 Percent of imported briefcases were made of plastic sheeting. Compared to 1999, there were no notable shifts between different materials. Briefcases made of plastic sheeting and leather did gain a 1 percent point share of total imports, while briefcases made of plastic, vulcanised fibre or plastic lost 2 percentage points in market share.

Figure 5.6 shows the share of selected EU markets in the total value of EU imports of briefcases in 1999 and

2001. In 2001, 80 percent of total EU imports of briefcases were imported by the six largest EU importers of leather goods. Out of these six selected EU countries, Germany, France, and the UK accounted for the highest shares of total EU imports of briefcases, accounting for respectively 23, 18, and 16 percent. Italy, the Netherlands and Belgium accounted for respectively 14, 7 and 4 percent of total imports of briefcases. Other EU countries represented 20 percent of the total EU imports of briefcases.

Figure 5.13 presents EU imports of briefcases by main suppliers.

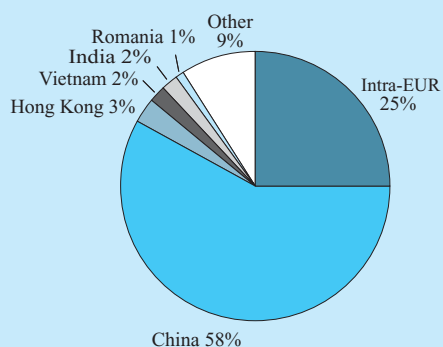
China is also in the case of briefcases the largest supplier of EU imports, accounting for more than half, or 58 percent of total value of EU imports in 2001. Intra-EU suppliers again account for the second largest share, supplying 26 percent of total EU imports of briefcases. Within this group of intra-EU suppliers, France and the Netherlands account for the largest share, representing respectively 6 and 5 percent of total EU imports of briefcases. Other relatively large suppliers of this product group to the EU are Hong Kong (3 percent), Vietnam (2 percent) and India (2 percent).

Compared to 1999, China's share in total EU imports of briefcases has grown with 7 percentage points. At the same time, Hong Kong, India and the USA lost some market share of respectively 3, 2 and 2 percentage points.

5.2.7 EU imports of belts

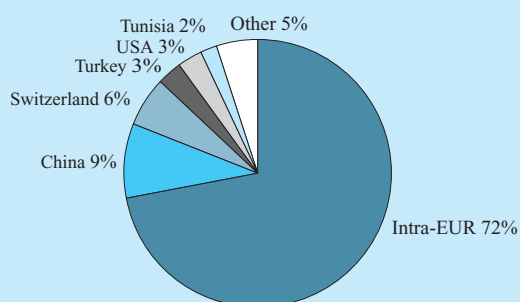
In 2001, imports of belts amounted to € 183 million, with a volume of 6 thousand tonnes. Compared to 1999, this is a 37 percent increase in value and a 39 percent increase in volume.

Figure 5.13 EU imports of briefcases by main supplier, 2001, percentage



Source: Eurostat (2003)

Figure 5.14 EU imports of belts by main supplier, 2001, percentage



Source: Eurostat (2003)

Figure 5.6 above shows the share of selected EU markets in the total value of EU imports of belts in 1999 and 2001. In 2001, almost three quarter (63 percent) of total EU imports of belts were imported by the six largest EU importers of leather goods. Out of these six selected EU countries, Germany, the UK, and France represented the highest shares of total EU imports of belts, accounting for respectively 23, 19, and 16 percent. The Netherlands, Italy and Belgium accounted for respectively 6, 5 and 4 percent of total imports of belts. Other EU countries represented 27 percent of the total EU imports of belts.

Figure 5.14 presents EU imports of belts by main suppliers.

Almost three quarters, or 71 percent, of belts imported by EU countries are supplied by other EU countries, with Italy, the Netherlands, and Germany being the largest suppliers. These countries in turn supply the EU market with respectively 35, 10, and 8 percent of total EU imports of belts. China follows as the second largest supplier with a market share of 9 percent. Other relatively large suppliers of this product group to the EU are Switzerland (6 percent), Turkey (3 percent), the USA (3 percent), and Tunisia (2 percent).

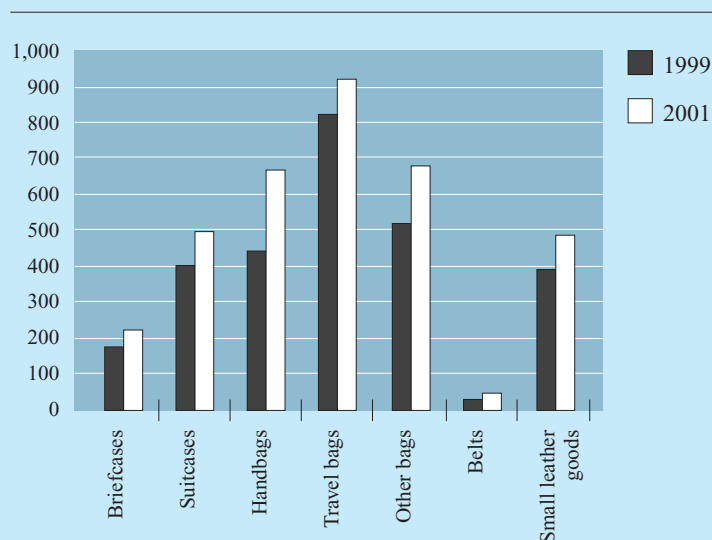
Compared to 1999, European suppliers and Turkey both lost some market share of respectively 5 and 1 percent. Upcoming countries in the supply of belts to the EU are China (5 percent higher share) and Switzerland (2 percent higher share).

5.3 The role of developing countries

In 2001, EU imports of leather goods from developing countries amounted to € 3.4 billion, with a volume of 485 thousand tonnes. This meant that the majority (56 percent of the total value and 65 percent of the total volume) of all EU imports of leather goods were supplied by developing countries. Compared to 1999, there has been an increase of developing countries' supplies, both in absolute and relative terms. In absolute terms, imports of leather goods from developing countries rose in this period with 26 percent. In relative terms, the share of these imports in total EU imports of leather goods also increased with 2 percentage points. This means that the increase in imports of leather goods from developing countries was proportionally higher than the total increase in EU imports of leather goods, indicating a shift in production to developing countries. More generally, one could say that the developing countries' share of global trade in leather goods has increased enormously in the last two decades. This is especially true for Asia (and in particular China), where leather goods were developed as an extension of the textile industry. As their example shows, producing finished leather goods can be a profitable industry for developing countries, especially for those that already produce hides and skins and therefore don't require the importation of raw materials. Instead of exporting hides and skins as semi-finished materials, these countries can make higher profits by producing finished leather goods.

In recent years, two trends in the leather goods industry have had a major influence on the role of producers in developing countries.

Figure 5.15 EU imports from developing countries per product group, 1999 and 2001, € million



Source: Eurostat (2003)

- EU manufacturers continue to contract lower-cost, labour-intensive items to foreign manufacturers.
- EU importers, who in the past only dealt with ready-made articles, are willing to assist foreign low-cost suppliers in product development and adaptation according to their specific requirements.

Both trends may be of importance to developing countries, as they could help low-cost producers to compete in world markets in terms of styles, quality, colours, workmanship etc.

Fig 5.15 presents total EU imports from developing countries in 1999 and 2001, with a breakdown per product group.

As the figure shows, bags (handbags, travel bags, and other bags) form the main group of leather goods exported from developing countries to the EU, measured in value. Travel bags represent the highest share of total leather goods supplied by developing countries, accounting for 28 percent in 2001.

The second and third largest product groups are other bags and handbags, each accounting for 19 percent of the total. Suitcases and small leather goods follow, accounting for respectively 14 and 13 percent. The smallest product groups are briefcases (6 percent) and belts (1 percent). Compared to 1999, the relative shares of these product groups have changed somewhat.

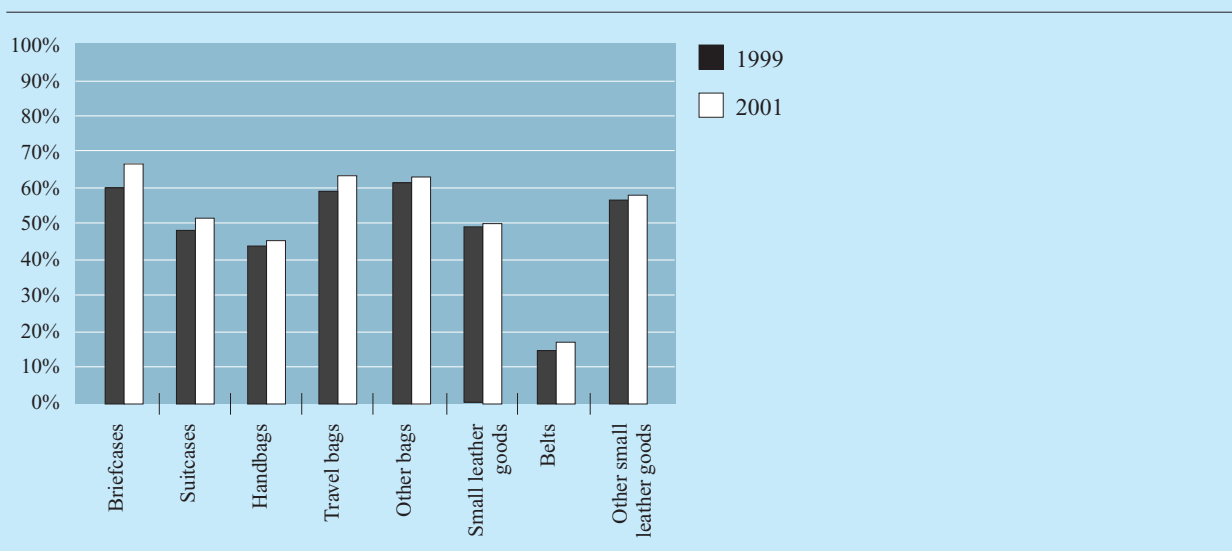
Handbags imported from developing countries has experienced the largest increase (3 percent) in market share. Although travel bags experienced a decrease in market share with 2 percent, the value of these imports from developing countries actually increased. All other product groups kept the same share in total imported value from developing countries as in 1999.

Figure 5.16 presents the share of total EU imports supplied by developing countries, for all product groups of leather goods.

For all product groups, developing countries supply more than half of the total value and volume imported by the EU, with the exception of belts (17 percent of total import value) and handbags (46 percent). In the categories other bags, travel bags and briefcases they even supply 60 percent or more of total EU imports. In the period 1999-2001, the share of total EU imports supplied by developing countries has even increased. The largest increases were experienced by briefcases (5 percentage points) and travel bags (4 percentage points). Smaller increases in the share of imports originating in developing countries were present in the product groups suitcases and belts (both 3 percent), other bags (2 percent), handbags (1 percent) and small leather goods (1 percent).

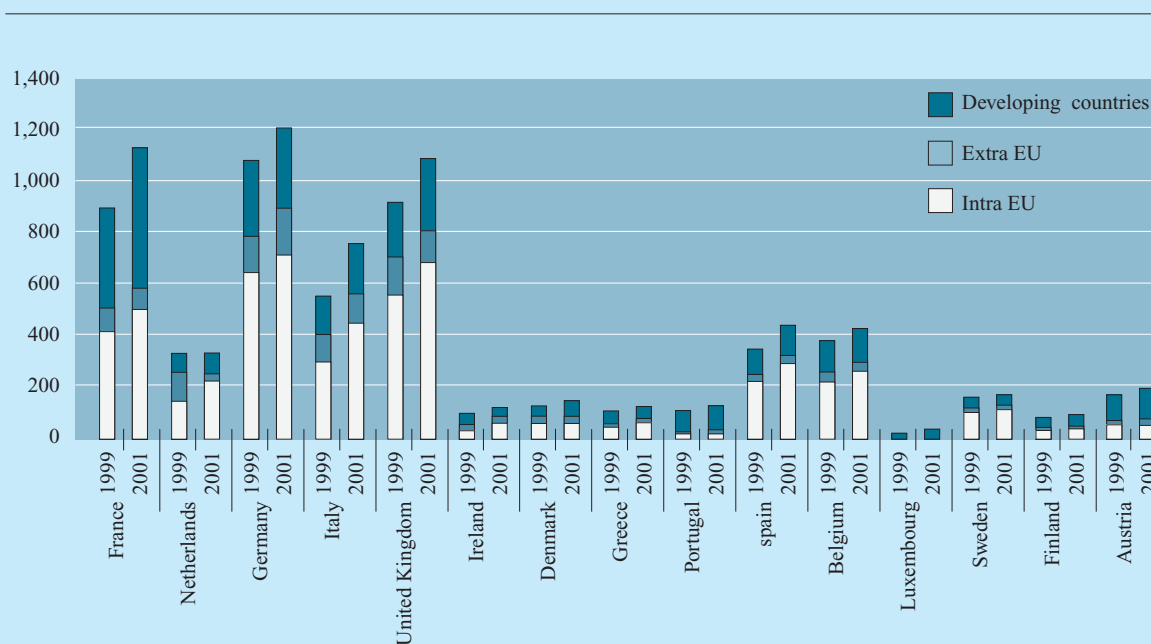
Of all developing countries exporting leather goods to the EU, China is by far the largest exporter, in 2001 accounting for 80 percent of all EU leather goods imports from developing countries. The value of these EU imports from China amounted to € 2.7 billion. Moreover, these imports from China have increased quite dramatically in the period 1999-2001, with 27 percent. Because of this increase, China has also increased its share of total EU imports from developing countries compared to 1999 with one percent. Next to China, India and Vietnam are other relatively large suppliers of leather goods to the EU, although a lot smaller than China with respectively 6 and 5 percent of total EU imports from developing countries. Other important suppliers to the EU were Thailand

Figure 5.16 Share of total EU imports supplied by developing countries per product group, 1999 and 2001, percentage



Source: Eurostat (2003)

Figure 5.17 Imports of leather goods per EU country with region of origin, 1999 and 2001
€ million



Source: Eurostat (2003)

(1.9 percent, or € 64 million), Indonesia (1.3 percent or € 45 million), Turkey (1.2 percent or € 40 million), South Korea (0.7 percent or € 25 million), Tunisia (0.7 percent or € 24 million), Morocco (0.5 percent or € 17 million), Pakistan (0.4 percent or € 12 million), and the Philippines (0.3 percent or € 11.5 million). Except for Pakistan and South Korea, all these countries have increased their exports to the EU in the period 1999-2001.

Main product groups of China's exports to the EU in 2001 are travel bags (29 percent of its leather goods exports), other bags (20 percent), handbags (18 percent) and suitcases (16 percent). In all product groups, China is the main developing country supplier. India's exports of leather goods to the EU concentrate on small leather goods (42 percent) and handbags (38 percent). Vietnam exports mainly travel bags (62 percent) and other bags (17 percent). For Thailand the main product groups exported to the EU are other bags (30 percent), handbags (23 percent), small leather goods (22 percent), and travel bags (14 percent). Indonesia exported mainly travel bags (39 percent), suitcases (27 percent) and handbags (17 percent). Turkey's leather goods exports to the EU were highest for the product groups other bags (31 percent), small leather goods (20 percent), handbags (18 percent), and belts (15 percent). South Korea specialised in the export of other bags (37 percent), travel bags (20 percent), handbags (17 percent), and small leather goods (16 percent). Finally, the most important product groups for Tunisia were

handbags (53 percent), for Morocco it was also handbags (57 percent), for Pakistan it was other bags (71 percent), and for the Philippines it was travel bags (38 percent) and other bags (36 percent).

Figure 5.17 presents total imports of leather goods for all EU countries including the part originating from developing countries for 1999 and 2001.

In 2001, Germany imported 97 thousand tonnes of leather goods from developing countries, with a value of € 767 million. The UK imported 96 thousand tonnes, amounting to € 702 million. France accounted for 71 thousand tonnes, valued at € 524 million. Italy's total leather goods imports from developing countries had a weight of 63 thousand tonnes, and a value of € 454 million. Belgium imported 35 thousand tonnes, valued at € 221 million. Finally, the Netherlands imported € 228 million worth of leather goods, representing 34 thousand tonnes.

Out of these six selected EU countries, those two with the largest import markets for leather goods, Germany and the UK, also import the largest share of the total from developing countries. In both countries the share of leather goods imported from developing countries is 64 percent of total leather goods imports. Between 1999 and 2001, leather goods imports from developing countries as a share of total EU leather goods imports increased with 3 percentage points in Germany and decreased with 1 percentage points in the UK. Italy and the Netherlands imported respectively 60 and 65 percent of their imports of leather goods from

developing countries in 2001. For Italy, this was the same share as in 1999. The Netherlands experienced the sharpest relative increase in its imports from developing countries in the period 1999-2001, compared to the other selected EU countries. The share originating from developing countries experienced an increase of 24 percentage points in these recent years. Out of the six selected EU importing countries, Belgium and France import the smallest share of their total imports of leather goods from developing countries, although their shares are still quite substantial with respectively 57 and 47 percent. Contrary to the other EU countries however, there has been a trend in France in the period 1999-2001 to import a smaller share of total leather goods imports from developing countries. Although the value of French imports of leather goods from developing countries has increased, French imports from non-developing countries have increased even sharper.

6 EXPORTS

With respect to interpreting the data the same precautions are needed in this chapter as mentioned in chapter 5. Please refer to Appendix 2 for more extensive export figures.

In 2001 the EU member states exported 214 thousand tonnes of leather goods representing a total value of € 5.5 billion. Compared to 1999, these EU exports increased with 37 percent in value, and with 8 percent in volume.

Figure 6.1 presents EU exports of leather goods by product group, 1999 and 2001

The largest product group of leather goods being exported by the EU concerned handbags, in 2001 accounting for about one third, or 37 percent, of total value of EU exports of leather goods. The second and third largest product group exported by the EU concerned small leather goods and travel bags, accounting for respectively 19 and 15 percent of total EU exports of leather goods. Suitcases, other bags, belts and briefcases accounted for smaller shares, representing respectively 11, 10, 6, and 3 percent of total EU leather goods exports in 2001. Small leather goods, other bags and handbags have gained some market share compared to 1999. Travel bags, belts, and suitcases on the other hand, lost some market share in total exports compared to 1999.

A large part of EU exports of leather goods went to other EU countries. These intra-EU exports in 2001

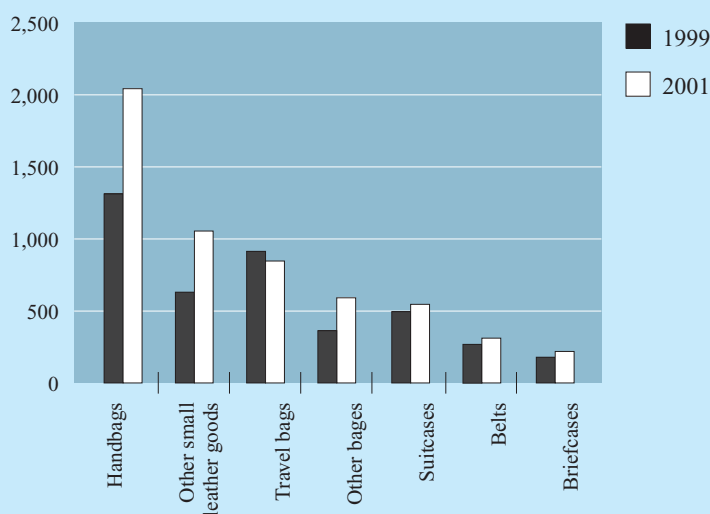
accounted for 44 percent of total EU exports of leather goods, amounting to € 2.4 billion. The largest part of European exports, 56 percent, was however exported outside the EU, with the main destination of these exports being Japan, accounting for 17 percent of total EU exports of leather goods, or 30 percent of EU exports to countries outside the EU. Other major destinations of EU exports outside the EU were the USA (18 percent of total EU exports), Hong Kong (8 percent), Switzerland (8 percent), and South Korea (3 percent).

As figure 6.2 shows on the next page, the major EU exporters of leather goods are Italy, France, Belgium, Germany, the United Kingdom, and the Netherlands. Each of these countries will be discussed in turn.

Italy

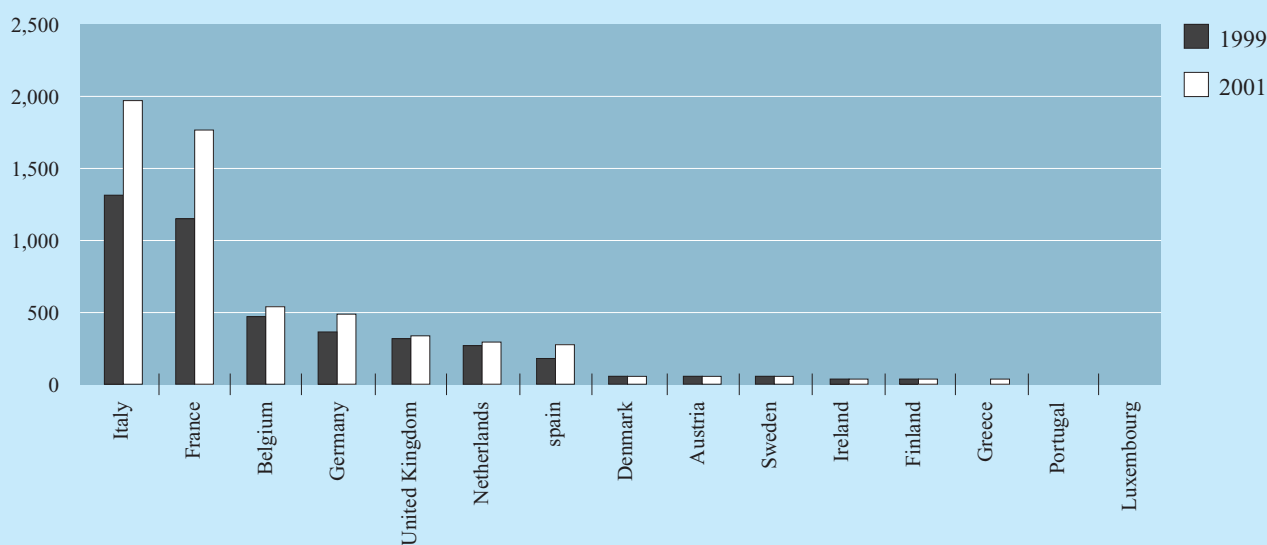
Italy, the largest EU exporter of leather goods, in 2001 exported € 1.95 billion worth of leather goods, representing 36 percent of total EU exports of leather goods. Compared to 1999, exports increased by 45 percent in value and 12 percent in volume terms. The lion's share of Italian exports (67 percent) have their destiny outside the EU. Major destinations are the USA (16 percent), Japan (15 percent), Switzerland (15 percent), France (11 percent), Germany (8 percent), and South Korea (6 percent). The main export product of Italy concerns handbags, representing 59 percent of Italian exports of leather goods. Small leather goods are the second largest product group with 12 percent. Belts, other bags, suitcases, travel bags and briefcases follow

Figure 6.1 EU exports of leather goods by product group, 1999 and 2001, € million



Source: Eurostat (2003)

Figure 6.2 EU exports of leather goods, 1999 and 2001, € million



Source: Eurostat (2003)

in this order, representing respectively 9, 8, 6, 3, and 2 percent. The main part of Italy's export is domestically produced.

France

In 2001, French exports of leather goods amounted to € 1.8 billion with a volume of 36 thousand tonnes, representing 32 percent of total EU exports. Compared to 1999 French exports have increased both in value (€), with 48 percent, and in volume, with 22 percent. In the same period, France also increased its share of total EU exports of leather goods with 2 percent. The main export destinations of French leather goods were Japan (32 percent), Hong Kong (19 percent), the USA (11 percent), Italy (6 percent), Belgium (5 percent), and Switzerland (4 percent). Most important French export products of leather goods were handbags (33 percent of total, closely followed by small leather goods (31 percent of total). Travel bags and other bags accounted each over 10 percent (respectively 15 and 12 percent). The smallest product groups in French exports were suitcases (6 percent), belts (2 percent) and briefcases (2 percent). A large part of these French exports is domestically produced.

Belgium

The third largest EU exporter of leather goods is Belgium, in 2001 exporting 63 thousand tonnes of leather goods with a value of € 522 million. Belgium's share in the EU exports declined by 2 percent to 9 percent. Almost half, or 42 percent of the value of Belgian exports of leather goods consists of travel bags. The value of suitcases amounted to 33 percent of total exports. Other bags, handbags, small leather goods,

briefcases, and belts accounted for respectively 9, 8, 5, 3, and 1 percent of total exports. Major destinations of Belgian exports were France (33 percent), Germany

(17 percent), the UK (11 percent), the Netherlands (9 percent), Italy (8 percent) and Spain (7 percent). Only 5 percent of Belgian exports were directed outside the EU. The main part of Belgian export concerns re-exports.

Germany

In 2001, Germany sold 19 thousand tonnes of leather goods to other countries with a value of € 390 million, thereby being the fourth largest exporter from the EU. Since 1999 its exports increased by 25 percent in value and 21 percent in volume. German exports were more or less evenly distributed over product groups. In 2001, Germany's most important exports of leather goods were small leather goods (21 percent share of total value), hand bags and other bags (each 19 percent), travel bags (15 percent) and suitcases (12 percent). Smaller product groups were belts (8 percent), and briefcases (5 percent). Major destinations of these exports were Austria (13 percent), Switzerland (10 percent) Japan (9 percent), France (8 percent), the Netherlands (6 percent) and the UK (5 percent).

United Kingdom

In the period 1999-2001, British exports increased by 13 percent in value but decreased 9 percent in volume to € 266 million and 18 thousand tonnes respectively. About one quarter, 26 percent, of UK exports belong to the group of travel bags. Handbags formed the second largest group with 21 percent. These were followed in

share by suitcases (18 percent), other bags (11 percent), small leather goods (8 percent), and belts (7 percent). The share of UK exports to other EU countries is relatively large with 64 percent. Major destinations are Ireland (12 percent), France (11 percent), Germany (10 percent), USA (7 percent), Hong Kong and the Netherlands (7 percent each).

The Netherlands

In 2001, Dutch exports of € 241 million (22 thousand tonnes) were 8 percent higher in value compared to 1999. Thereby the Netherlands could claim to be the sixth largest EU exporter of leather goods in 2001.

The main destinations of these exports were Germany, accounting for 29 percent of total Dutch exports, France (17 percent) and the UK (13 percent), thus these three countries account for 60 percent of Dutch exports of leather goods. Other main destinations were Belgium (7 percent), Italy and Spain (each 5 percent). The most important product groups for Dutch exports were travel bags (31 percent) and other bags (18 percent).

Handbags, small leather goods, suitcases, belts and briefcases accounted for respectively 14, 14, 11, 7, and 6 percent. Almost all Dutch export of leather goods concerns re-exports and are re-exported to other EU countries (60 percent).

7 TRADE STRUCTURE

7.1 EU trade channels

The trade channels for leather goods in Western European countries are characterised by an enormous diversity. Graphically, the distribution network is presented below.

In the EU, the most important distribution channel for leather goods is the wholesale channel. This is especially true for the lower and middle segment of the market. In the high quality and price segment, wholesalers usually act merely as agents, because of the risk of holding stock while not being able to find buyers for their goods.

Another important distribution channel is the domestic manufacturer. For developing country exporters both distribution channels are equally important. The advantage of co-operation with a domestic manufacturer is that the exporter regularly receives relevant information about models, style and colours to be used in order to successfully market the product. Another advantage can be that there is usually more

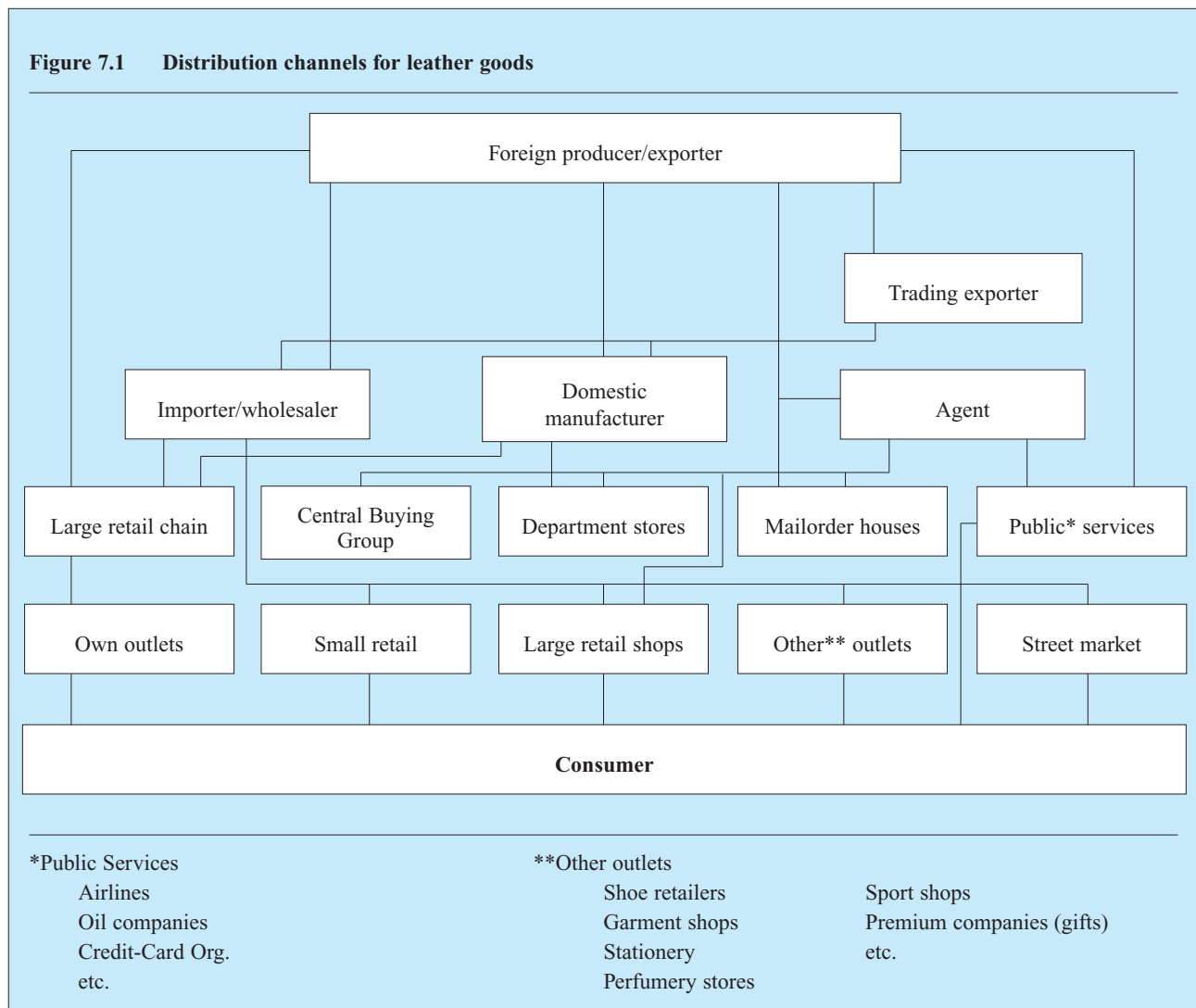
intense co-operation with a domestic manufacturer, which may lead to a more secure long-term relation, than would be the case with wholesalers. For wholesalers, the crucial factor determining which supplier to choose is basically the price, and therefore the risk that the wholesaler will change supplier is larger than in the case of a domestic manufacturer.

The relative importance of different distribution channels as a percentage of the market is as follows:

Wholesalers:	45 %
Manufacturers:	40 %
Agents:	10 %
Direct distribution to retailers:	5 %

The above percentages in general apply to all EU countries. They also apply to the constantly enlarging group of other outlets, such as drug stores, ladies' fashion stores, supermarkets, discount stores and shoe shops, which are relatively new outlets that have recently gained importance.

Figure 7.1 Distribution channels for leather goods



The main parties involved in the distribution of leather goods in the EU will be elaborated below. Where relevant, examples from the Netherlands are included.

Agent/broker

These are independent companies which act as intermediary between buyers and sellers of leather goods by negotiating between the two parties and settling business on the instructions of their principals. They do not buy or sell on their own account and therefore in principle they do not hold their own stock of leather goods. Most agents represent more than one manufacturer, although competition is avoided. Nowadays an increasing number of agents do sell from stock in order to meet their clients' short-term demand. Stock is often formed on a consignment basis. If the agent builds up his own stock, he is in fact functioning as an importer/wholesaler.

Importers/wholesalers

Unlike agents, wholesalers hold their own stock of leather goods at the risk of not being able to find buyers for their goods. In order to avoid this risk, an increasing number of importers/wholesalers now also acts as agents. Preferring to sell from stock, however, is reinforcing their position, since many independent retailers as well as department stores are becoming more cautious about pre-ordering. The choice of whether to sell directly to an importer or through an agent depends on the type of supplier organisation concerned and its product/market combinations. Factors relating to price, collection forming, exclusiveness, labels, packing and promotion play a role in this respect.

Domestic manufacturers

Many EU manufacturers of leather goods have become uncompetitive, compared to low-cost producers outside the EU, especially in labour-intensive production lines. Therefore, manufacturers are increasingly assuming the role of importers, buying their goods from these low-cost producers. They prefer to buy leather goods on a made-to-order basis, instead of purchasing ready-made articles from these producers. The main reason for this is that these items can then be made according to the EU manufacturers own design, quality and colour specification.

Large retail chains and buying groups

Large retailers and central buying groups prefer to minimise the cost of middlemen by purchasing directly from a supplier whenever possible. This channel is used particularly for large-scale requirements, where direct dealing with well-known suppliers is essential. Examples from the Netherlands of these large chain stores for leather goods are: Berclouw Lederwaren B.V., Duihuizen Lederwaren, and Arcon Groothandel B.V. In The Netherlands there are two central buying groups:

Lecombi (38 members with 65 outlets) and the German owned Goldkrone (65 members with 114 outlets). In total more than 35 per cent of all Dutch shops/stores are members of one of these groups. Buying groups have direct links with producers and with agents/importers and are becoming less dependent on the wholesale trade. They do not function as suppliers for their members, but merely as purchasing agents for individual retailers and as financial intermediaries between producers and retailers. The buying groups' objective is to make it possible for their members to compete with chain stores, which have the buying power necessary to get larger discounts from suppliers and to buy under their own private labels directly from abroad. Buying groups are tending to purchase from fewer suppliers, with whom they aim to intensify their relationship and together promote increased sales in the market. This new trend is called "partner shipping" and originated in the USA.

Department stores

Department stores sell a wide range of products under one roof. The majority of EU consumers, in particular women up to 30 years of age, buy their small leather goods (wallets, purses), travel goods, suitcases, handbags, gloves and belts here. This is valid despite of the fact that an increasing share of consumers buys its leather goods in specialised retail outlets, especially where it concerns the higher end of the market (high quality, high price). Most department stores are members of large chain organisations with centrally organised buying departments. In the Netherlands, well-known department stores include Vroom en Dreesman (V&D), Hema and De Bijenkorf. Although all three stores are under one organisation, their store concepts are quite different. De Bijenkorf stocks high-quality, stylish and appropriately priced products. V&D operates in the middle of the market, while Hema has good quality at lower prices, although their goods are not as fashionable as those in the other two stores.

Mail order houses

Mail-order houses operate in the low and middle ranges as regards price, quality and fashion. In the Netherlands they drastically reduced their range of leather goods in the mid-1990s and now mainly offer suitcases and travel goods. Wehkamp and Neckermann are the best-known Dutch mail-order houses.

Premium companies

These companies concentrate on promotional gift items and sell by catalogue to advertising agents and companies. Small leather goods, travel bags, sports bags and a wide range of cases are premiums that are often used. In 2000, the share in the total Dutch market for leather goods of the premium companies was estimated to be around 5 per cent. Growth is however expected to stagnate, partly due to new legislation for promotional gift items.

Independent retailers

Independent retailers are estimated to have an EU market share of one-third, which has decreased because of increased competition from department stores and the ever-expanding range of other outlets. These include drug stores, ladies' fashion stores, supermarkets, discount stores and shoe shops. Therefore, the main operations of independent retailers lie in the middle and, increasingly, in the upper sections of the market, especially for luxury handbags, attaché cases, suitcases and travel goods. Independent retailers lack the advantages of economies of scale and consequently have to work with higher margins. This means that the products must be fashionable and exclusive, otherwise customers will purchase in cheaper stores. The following three types of leatherwear stores can be distinguished: the general leather goods shop (in leather and artificials), the leather goods shop (leather only), and the leather goods and luggage shop.

Street markets

Street vendors are involved in clearing up stocks from wholesalers, manufacturers and importers and are not themselves involved in importing. The products that are mostly sold at these street markets are very inexpensive women's handbags, some small leather goods, inexpensive belts and all kinds of shopping bags.

In the Netherlands, the distribution system of leather goods is as follows. About a third of the total market value for leather goods in the Netherlands is going to independent retail shops. The share of department stores is similarly about one-third of the Dutch market value. The remaining third is shared by a constantly enlarging group of other outlets. The most common other outlets are mail order houses, shoe shops, garment shops, stationery shops, sports shops, perfumery stores and street markets.

In 2001, importers/wholesalers, domestic manufacturers and agents were responsible for three-quarters of total Dutch leather goods imports. Department stores, buying groups and mail-order houses, accounting for the remaining quarter, usually order direct from foreign manufacturers, especially on large turnover "standard" items, to minimise the cost of middlemen. Department stores in particular prefer to buy the more "risky" items (i.e. leather goods influenced by fashion) directly from importers, thereby shifting the risk of non-selling to them. Importers are required to keep a large stock in order to deliver quickly. At first, department stores place small orders and when the item starts selling well, large orders follow. If the item fails, importers are forced to sell them at a loss. Medium-sized outlets mostly buy from importers/wholesalers or agents, while small outlets usually buy from wholesalers or central buying groups of which they are members. Domestic manufacturers very often contract lower-cost foreign producers to produce their more labour-intensive lines of production.

7.2 Distribution channels for developing country exporters

There are several possible distribution channels for foreign manufacturers of leather goods trying to enter the European market. The channels elaborated below are in general valid for all EU countries. In principle, trade fairs or trade associations are the best starting point to get into contact with different companies in the distribution channel that could be interested in new suppliers. Contact details of trade fair organisers can be found in Appendix 3.4, while more information on trade fairs can be found in part B of this survey. Trade associations offer another possibility to enter the EU market, through their relationship with importers and manufacturers that might be interested in developing country suppliers. These trade associations then might refer the foreign producer to the relevant importers or manufacturers in the EU. Addresses of trade associations can be found in Appendix 3.3.

Another way to approach the EU market is to get in touch directly with EU manufacturers or importers/wholesalers of leather goods. European manufacturers might be interested in outsourcing part of their production to low-cost countries in order to improve their price-competitiveness. EU manufacturers might also be interested in new products in addition to their own product range in order to complete their assortment. This will especially be attractive for products in which the manufacturer is unable to produce at a low price. In either case, it should be born in mind that the product needs to fit the exact demands of the European manufacturer, who has good knowledge of his market.

Developing country manufacturers should always approach EU manufacturers (or importers) with illustrations of the goods they would like to market. In principle, it is best if the manufacturer from the developing country has made a clear choice to operate either on the low-price or high-quality market, since these goods are easier to market than a product of both 'reasonable' price and quality. If the high-quality market is chosen, the manufacturer should produce an example of the product he/she wants to sell, made of the best materials (e.g. best quality leather, lining, etc) that can be found domestically in the country of origin. These products should also be fabricated according to the producer's highest standards, since his/her craftsmanship is in fact what is possibly being sold to the EU manufacturer, rather than that particular product being presented. Also, in this high-quality market it is best to produce classic style items, as opposed to up-to-date fashion items, the latter being more relevant for the low-price market. If the developing country manufacturer wants to operate in the lower-price market, the quality of materials used is hardly

important, as long as the goods are produced against the lowest possible prices.

Importers could also be contacted directly by developing country manufacturers. As a rule, importers who import from developing countries are looking for low-priced merchandise. The advantage of contacting an importer rather than a manufacturer is that importers normally buy a wider variety of products than EU manufacturers will do. One should however keep in mind that many importers will not be interested in new supplies from developing countries, especially if they did not see any example yet of the products that the developing country manufacturer wants to export.

Finally, developing country exporters with a genuine wish to enter the EU market essentially have to monitor and understand developments in the target countries. Effective competition by developing countries requires knowledge of the legal, technical, environmental, quality and fashion requirements in the EU and these requirements have to be strictly met in order to successfully enter the EU market. These requirements are further elaborated in part B of this Market Survey. Reliability in deliveries is another criterion for success.

8 PRICES AND MARGINS

8.1 Prices and margins

The market prices for leather goods are not set by any (inter) national organisation or institution. This means prices are free and competitive. Since there is such a broad range of goods, qualities, materials, - styles - etc., a good indication of the price-level that prevails in the European market for leather goods cannot be given, which makes it almost impossible to give guidelines. In principle, importers maintain fairly close control over the recommended retail prices, but parallel imports, an oversupply of goods and the growing success of discounters have seriously disturbed the situation.

The price that the end-user or the consumer pays generally consists of the following components:

Factory cost price, including transport to port (i.e. FOB)	
+ Transportation and insurance costs (i.e. CIF)	
+ Other costs (storage, banking, etc)	
+ Import duties	
Landed-cost price	
+ Margin Importer, Wholesaler, Buying Group, Retailer	
+ Value Added Tax (VAT)	
Consumer price	

Please refer to chapter 9 for information on import duties.

Margins

The margins for leather goods are not fixed. However, a general pattern can be recognised:

Trade channel	Mark up
From FOB - CIF (The Netherlands)	20 - 40%
From CIF - importer/wholesaler	10 - 20%
From importer/wholesaler – retailer	30 - 50%
From retailer – consumer	95 - 120%
Ratio CIF – Consumer price	3 - 4.5 times (incl. VAT 19%)

Note: The VAT differs per EU country.
The above-mentioned value of 19 percent is valid for the Netherlands.

The above margins for the different intermediaries in the trade structure (importers, wholesalers, retail) are influenced by many factors, such as:

- Size of the order;
- Length of the trade channel;
- Quality of the product;
- Availability of the product;
- Added value

Most often importers are wholesalers as well.

In addition, importers are sometimes left out in favour of agents, who will only charge 6 to 12 percent for their services. Usually, agents act for suppliers within the EU and all risks for payment are up to the exporter, since agents do not carry a stock. As a rule, importers who buy from developing countries look for low-priced merchandise. Here, margins differ for each product/market combination and can be influenced by the following factors:

- degree of risk;
- volume of business (rate of turnover); listing fees (up to US\$ 35,000 per year in department stores);
- functions or marketing services rendered;
- anti-dumping levies;
- general economic conditions (booming or depressed business);
- level of competition between supplying countries or in the leather industry;
- exclusiveness of the item concerned.

8.2 Sources of price information

The best way to obtain information about prices in the EU is by visiting one of the major trade fairs. One can also turn to the actual importers of the different products or to producers that give their retail advice price. Appendix 3.2 includes Internet sites from producers that give their retail advice price. The sites are a good source for recent retail prices for leather goods. Another possibility is prices given in catalogues from mail-order houses, large department stores or from web sites of companies. Window-shopping in the Netherlands, or another prospective EU market place, at several retail shops is another good way of getting information about prices, fashion, colours, qualities, promotion, etc. It should be noted however that these prices concern consumer prices. In order to obtain the FOB price, one should divide the consumer price by a factor 3 to 4.5! The more exclusive the outlet, the higher this factor will be. Regarding mail-order houses, one should note that their prices are often lower than prices for similar goods sold in shops. This is explained by the fact that these mail-order houses sell goods in larger quantities, allowing for a lower unit price.

9 EU MARKET ACCESS REQUIREMENTS

9.1 Non tariff trade barriers

9.1.1 Quality and Grading Standards

The term “leather goods” covers a very wide range of products. Few other industries produce products which, apart from the basic material, differ so much in size, construction, production methods and supplementary materials. For this reason, it is impossible to give general guidelines on quality and grading standards for all these different kinds of leather goods. In trade, buyers are concerned with the five following points linked like a chain, which will snap if one of them is too weak: **P** = Price; **Q** = Quality; **R** = Reliability; **S** = Speed; **T** = Technology. **P-Q-R-S-T** is a yardstick in the leather industry for evaluating suppliers. Although buyers are always looking for new and better lines of merchandise, they tend to stay with their established suppliers. Exporters must prove that their company and products are absolutely reliable before buyers will consider them as new suppliers. In addition, there are restrictions to the use of the term “leather”, which are usually defined by the trade. Next to the P-Q-R-S-T chain, buyers may check if the product adheres to international standards or to the standards in their own country. Contrary to the many international regulations which apply to imported hides and skins and those produced by EU tanners, there are almost no international rules on imported leather goods. When rules exist, most EU countries apply their national legislation. However, there is one EU standard (Directive 92/59/EC), which aims to guarantee product safety on the use of specific materials (e.g. nickel) in leather goods that will come into contact with human skin. In the leather industry, there are quality standards with international certificates or labels and as long as these are met, the product definitely has a competitive advantage. International, European, and national standards will be elaborated below.

International Standards

There are very few international or EU rules on imported leather goods, contrary to the many international regulations which apply to imported hides and skins and those produced by EU tanners.

On a worldwide basis, the ISO 14001 standard provides guidelines for the tanning and production of leather. When producers of leather goods apply these guidelines to the leather they use in their production, the high quality of their products will be recognised by the trade. The ISO standard is not a law but is regarded more as general advice. However, in individual EU countries there is legislation related to this ISO 14001 standard. Tanners in EU member states for example are obliged to invest in expensive water purification installations to

meet the strict environmental standards in their own country. In this respect there is an enormous difference between the production methods and waste treatment in western and in developing countries. Further information can be obtained from the ISO, see appendix 3.1 for contact details.

Imports of leather goods made from the skins of endangered species are strictly controlled. Documentation must be supplied to the Customs authorities showing that the exported skins meet the protection of species regulations of supplying countries. Some animals are protected by the Convention of Washington on International Trade in Endangered Species of Wild Fauna and Flora (CITES). CITES will supply information on the export of these kinds of leather goods, see appendix 3.1 for contact details.

EU Standards

There is no EU legislation or standard which applies specifically to imported leather goods. However, there is one EU standard (Directive 76/769/EEC), which aims to protect the general public and the environment from certain dangerous substances (chemical elements) and preparations, which may be used in consumer products. Although this standard applies to all consumer goods, it is also very relevant for the leather goods sector. Examples are restrictions to the use of certain metals (such as nickel, chrome and cadmium), azo dyes or pentachlorophenol (PCP) in the processing of leather. Cadmium is for example used in certain dyes and stabilising agents in raw material and leather. Moreover, Directive 92/59/EC aims to guarantee product safety regarding the use of specific harmful materials possibly present in leather goods, that will come into contact with human skin. This directive requires that all consumer goods must bear a safety guarantee.

Because EU standards regarding consumer safety and environmental protection are continuously developing, it is necessary for exporters to the EU to keep informed about these developments. For further information on European standards, one can contact either CEN (Comité Européen de Normalisation) or the European Commission. The addresses can be found in Appendix 3.1 of this market survey. Information on EU standards can also be found on the website of the European Commission at

<http://europa.eu.int/comm/enterprise/leather>

Although the above-mentioned standards are not legally binding, they are often related to national legislation in EU member states. Moreover, European buyers will most often require that the leather goods they import adhere to these standards.

National standards of EU Member States

Most EU countries still apply their own set of standards, although there is a definite trend towards harmonisation of standards in the EU. Often, national legislation is also related to EU standards. The standards authorities of the different member states can provide more information on national standards in EU member states. Addresses can be found via the website of the “Comité Européen de Normalisation” on: <http://www.cenorm.be/>. The full address of this organisation can be found in Appendix 3.1 of the EU Market Survey for leather goods.

In addition to standards relating to consumer and environmental protection, some EU countries have national marketing and labelling legislation/standards which impose restrictions on the use of the term “leather”. For instance a product made of leather and other materials (e.g. of paper with an upper layer of leather) may not be marketed as a leather good; suede may not always be called leather, etc., in order to avoid that consumers are misled.

9.1.2 Trade-related Environmental, Social and Health & Safety issues

Growing awareness of environmental pollution and hazardous ingredients, particularly in the (final) processing of leather goods, has led to reductions in the use of chemicals dangerous to human health. As well as the quality and price, importers and consumers are taking increasingly more notice of the environmental aspects of the product. Environmental issues mainly concern the production process, the recycling of waste water, preservation methods used on hides and the level

of chemicals which remain in the final (leather) product.

Sustainable development

The concept of sustainable development, adopted by nearly all the countries in the world at the 1992 Rio de Janeiro Conference, represents the philosophy that economic development should automatically take into account environmental issues. In this respect all parties, from the general public to manufacturers, are asked to accept their social responsibility and minimise the environmental impact of their activities. This is called sustainability and the tools mentioned in the table below can assist manufacturers in achieving it.

Environmental labels

In Europe, some “green” marketing labels (for products) and environmental management standards (for the whole organisation) have been created both by governments and by private parties. The labels most relevant to leather goods are the:

- **Ecolabel**, which is voluntary and is found mainly on the packaging of the final product. At present there are ecolabels for footwear. In The Netherlands, the “Stichting Milieukeur” (the Dutch Ecolabelling Foundation) is planning to develop criteria for leather goods in the longer term. For more information, interested parties should contact the Stichting Milieukeur.
- **SG label or Schadstoffgeprüft label**, which stands for “tested for dangerous substances”, is not only created for leather goods but it also defines norms for textiles, pulp, paper, wood, cork, glue, plastics,

Life Cycle Assessment (LCA)

LCA is also called “the cradle to grave” approach. Manufacturers (have to) look at the total environmental aspects of their products. A material which is very environmentally sound when the product is used could be very polluting, energy consuming or difficult to break down in the excavation, refining, production or discard stage of the life cycle. Thus the use of a material which is less environmentally sound when the product is used, could be justified because the impact on the environment is less in another stage of the life cycle. On a European scale the European Commission decided that the LCA method will be the technique to decide if a product is produced environmentally conscious or not. The LCA technique is therefore used by the EC in the setting of criteria for ecolabels.

Cleaner production

Cleaner production is the conscious use of products and processes to prevent the pollution of air, water and land. This means that a careful look is taken at the overall processes and waste materials. A process liquid could be re-used instead of being discarded, simple measures could increase the efficiency of a machine, toxic process liquids could be replaced by non-toxic etc.

Ecodesign

Ecodesign means basically giving the environment a place in product development. This implies that during product design, efforts are made to reduce the use of raw materials, minimise waste, energy used and toxic emissions. This will ultimately lead to a reduction of material and energy used. Although these tools are used by manufacturers to reduce the impact of their product(ion) on the environment, it is known that other benefits can arise, like a reduction of product(ion) costs.

rubber and synthetic leather. Limits are being set for dangerous substances to human health, like: Formaldehyde, Pentachlorophenol (PCP), Chlorified phenols (non-PCP), Arsen, Lead, Cadmium, Mercury, Nickel and Chromium. In addition to the listed standards, other norms have to be fulfilled like the minimum colour fastness grades for staining. The testing authorities are three recognised institutes: TÜV Rheinland Sicherheit und Umweltschutz GmbH, Institut Fresenius Gruppe and Prüf- und Forschungsinstitut Pirmasens.

Environmental standards

Ecolabelling procedures are aimed purely at products and indicate that products carrying an ecolabel have a reduced impact on the environment. If a manufacturer wants to publicise the fact that he is manufacturing in an environmentally sound way, he can comply with standards, which have been developed for this purpose. There are now two general, but voluntary, standards with which manufacturers can comply: BS 7750 and ISO 14001. Both standards are based on the ISO 9000 series of standards for quality management. One norm currently being developed is the EU Ecological Management and Audit Scheme (EMAS), but as this only applies to companies with production facilities within the EU, it is usually not relevant for manufacturers in developing countries. So far, EMAS registration is widely accepted only in Germany. It is

therefore expected that other EU companies will favour ISO 14001.

Issues related to leather goods

In many EU countries, producers of leather goods are increasingly looking for environmentally sound production methods. For instance, Dutch manufacturers now use water-based lacquers and similar measures to deal with the drainage of waste water. Improvements are still being made for soil protection, hazardous production equipment and working conditions. The association of the Dutch leather industry (see Appendix 3.1 for contact details) has established guidelines for a standardized environmental management system, to be implemented by leather producers. When producing leather or plastic points mentioned in the table below should be taken into account at the different stages of the production process

The manufacturer is always held responsible for the environmental standards of his product, even if he purchases leather from tanneries in other countries, which may not comply with the stricter standards in EU countries (especially Germany is very strict). Therefore, exporters are advised to ask tanneries or traders to declare in writing, that their leather meets the EU environmental standards or the standards of the consuming country. Such written declaration does not safeguard exporters from their environmental responsibility, but it enables them to claim damages

Environmental issues in the production of leather	
In the beam house	→ the use of chemicals during the cleaning of the skin.
Tanning process	→ consider organic tanning instead of chrome tanning.
Finishing process	→ reduce the waste coming from residues of finishing materials, finishing solvents, solvent vapour and water.
Waste treatment	→ reduce waste during all stages of the production process, such as: waste-water, solid waste and atmospheric emissions. This can be achieved by: <ul style="list-style-type: none"> - Process integrated improvements - Re-use of wastes - End-of pipe treatment - Reduce azo dyes in leather goods

Environmental issues in the production of plastic	
•	Find environmentally sound alternatives for cadmium. It may not be used as a pigment in concentrations exceeding 0.01 per cent weight in a wide range of materials. In The Netherlands the standard is 50 mg/kg cadmium (50 ppm).
•	Find less flammable retardants, like polyamide (PA), polyamideimide (PAI), polyetherimide (PEI), (PEI) or polyimide (PI).
•	Find alternatives for asbestos, as its use in products is strictly prohibited in the EU.
•	Find alternatives for CFCs and halons, like nitrogen and carbon dioxide, which are prohibited.
•	Check the latest EU legislation on: <ul style="list-style-type: none"> - the use of cadmium (Directives 76/769/EC and 91/338/EC); - bromated flame retardants (an EU ban is being considered); - asbestos (Directive 76/769/479 and amendments); - CFCs and halons (Directive 594/91 and amendments).

from tanneries when their leather goods are rejected by the inspection authorities or importers in consuming countries. When tanneries make incorrect statements in their declaration, exporters can hold them responsible for rejection of goods.

Information

For detailed information about environmental aspects relevant to trade, please refer to the Eco Trade Manual, which can be obtained from CBI. This publication has been jointly developed by CBI and other business support organizations NORAD, DIPO and SIDA. CBI has also published an Environmental Quick Scan for the product group leather. Its purpose is to inform individual companies about relevant environmental standards in trade and to offer them solutions for meeting these standards. Another option is to use CBI's Access Guide, which is CBI's database on European non-tariff trade barriers related to environmental, social and health and safety issues. CBI's website provides more information.

Child labour and leather goods

Next to environmentally sound leather goods, consumers have a negative attitude to the use of child labour in the production of leather goods and it is expected that publicity will increase the consumer's awareness of this issue in future. There is growing concern among buyers of leather goods on the use of child labour in the factories of new suppliers. Exporters who can guarantee and prove that their products are made without child labour will not only have a competitive advantage over other products, but will also have a much better chance of establishing a long-term business relationship.

As in other industrial sectors, trade associations of leather goods in most EU countries are currently exploring the possibilities of developing a model code of ethical conduct for the production of all leather goods. Control programmes to eliminate child labour from the leather goods industry are now being discussed. In future, this may result in the establishment of a label, to be used by leading manufacturers, which guarantees that their leather goods are made without child labour. Some well-known brand manufacturers/importers are expected to establish their own standards.

9.1.3 Packaging, Marking and Labelling

Deliveries from developing countries generally have a long distance to go before reaching their destination. Therefore, it is very important that close attention is paid to seaworthy and solid packaging. Items which can easily be damaged, moulded or chapped must therefore be packed carefully and securely.

Large importers often have their own requirements as to how the goods should be packed. The original

Points to consider when packaging

- do not to fill up the cardboard boxes just with the products, but pack a number of similar items in a smaller box, or use some cardboard layers;
- clearly indicate which products and in which quantity is packed in each box, so that this won't be a mystery to the importer;
- before packing, products should be protected by plastic bags in order to avoid damage from rain or moisture;
- each box should have a packing list, which gives a specification of all products in terms of quantity, types, colours etc..

packaging of leather goods is especially important for department stores and mail-order houses. Here, large quantities are usually involved and buyers want to be able to transfer the goods from the shipping box straight onto the display shelves of their retail outlet, or in case of a mail-order company, to be able to forward the item as originally packed to its customers by mail. In both cases, there should be no need for buyers to correct or, even worse, to change the factory packing. The International Trade Centre (ITC) has published an international packaging guide for the leather sector, which serves as a guideline for exporters. For further details the ITC can be contacted; the address can be found in Appendix 3.2.

Environmental considerations have become more important for all products in the European Union, in determining the legal requirements for packaging and labelling. The EU Directive 94/62/EC on Packaging and Packaging Waste sets common objectives for all member countries for the recovery and the recycling of packaging. By law, from July 1996 onwards, all EU member states had to have a packaging waste recycling system in operation. Moreover, since June 2001, maximum concentrations of lead, cadmium, mercury, and chromium allowed in packaging are set at 250 ppm and 100 ppm, respectively. In general, an exporter can make his contribution by taking the following measures:

- take care that packaging materials (transport packaging) are limited and as much as possible of the same kind and could be re-usable or recyclable;
- try to combine products and make larger shipments, instead of frequently shipping small quantities;
- try to develop re-usable and multi-functional foils with, for example, snap fasteners so that the same foil can be used again for (domestic) packaging purposes.

All main boxes should bear the precise address of the receiver and sender. In case of sending several boxes to one receiver, each main box should be marked

individually. The documentary requirements for shipping may vary from country to country and should always be cleared with buyers before the goods are shipped. The bill of lading (or consignment note), a copy of the invoice, the packing list, certificate of origin and an insurance certificate are the usual minimum documents required. On the consignment note and on the invoice the following should be mentioned:

Information on the consignment note

- address of the receiver
- quantity of the boxes
- markings on the boxes
- total gross weight
- description of contents
- address of the sender
- sizes of the boxes
- date of sending
- total net weight

Information on the invoice

- all information as indicated above
- prices of the goods (per product and in total)
- materials used to manufacture the goods
- payment condition
- description of the products and HS code (see chapter 2.2)

9.2 Tariffs and Quotas

In general, all goods, including leather goods, entering the EU are subject to import duties. If there is no special trade agreement in force between countries, the general import tariffs apply. For developing countries however, different kinds of preferential trade agreements may be in place.

Import tariffs for leather goods may be reduced under the Renewed Generalized System of Preferences (RGSP), which aims to stimulate exports from developing countries. Under this system, reduced tariffs apply to goods from most developing countries, whereas goods from the least developed countries may enter duty-free. However, leather goods originating in China, Thailand and Malaysia are excluded from the RGSP. To benefit from RGSP treatment, exporters have to provide a Customs Authority Certificate of Origin ('Form A') certificate, which is issued by the appropriate authorities in the respective country. Detailed information on these tariffs can be obtained at the Central Customs Administration in Rotterdam, the Netherlands (or at Customs of any other EU member state) or from the Internet site

http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarchap?Lang=EN

In addition, a Movement Certificate EUR 1 is required to show where the products have been produced (the country of origin). Most imported goods are subject to an "ad valorem" duty, which means that the duties are levied as a percentage of its value.

The general and RGSP tariff for leather goods are both shown in table 9.1. on the next page

In addition to RGSP, the EU has established several

Table 9.1 EU import duties by product group (in per cent of the CIF value)

HS Codes	Product description	General tariff	RGSP tariff
4202 11 10/90	Briefcases, suitcases, leather	3	0
4202 12 11/19	Briefcases, suitcases, plastic	9.7	3.3 or 0
4202 12 50	Suitcases, moulded plastic	5.2	1.7 or 0
4202 12 91/99	Briefcases, suitcases, fiber or textile	3.7	0
4202 19 10	Suitcases, briefcases, aluminum	5.7	1.9 or 0
4202 19 90	Suitcases, briefcases, other material	3.7	0
4202 21/91 10	All bags, leather	3	0
4202 2210/92 11/19	All bags, plastic	9.7	3.3 or 0
4202 92 91/98	All bags, textile	2.7	0
4202 22 90/29/99 00	All bags, fabric, fiber, paperboard	3.7	0
4202 31 00	Small leather goods, leather	3	0
4202 32 10/90	Small leather goods, plastic, textile	9.7	3.3 or 0
4202 21/31	Belts, leather	3	0

Note: 1. The RGSP tariff of 0 is valid for all least developed countries
2. Value Added Tax (VAT) for all leather goods is in The Netherlands 19 %. VAT differs for all EU countries

Source: Belastingdienst Douane (2003)

trade agreements for different groups of partners, which result in deviation from the above-mentioned general rates of duty. The most significant group of countries with which the EU has a special trade agreement is the group of African, Caribbean and Pacific countries (the so-called ACP countries) under the Cotonou (formerly Lomé) Convention. Over the years more countries of the Asian, Pacific and African region have joined the ACP Group. The ACP Group now consists of 77 countries. For an overview of the members of the ACP Group please refer to <http://www.acpsec.org/>. According to this agreement, goods originating in the ACP countries are subject to lower import tariffs. To obtain this lower tariff, an 'EUR 1' form is needed, which is issued by the Customs of the exporting country.

Moreover, the EU Council of Ministers approved the "Everything But Arms (EBA)" initiative, which eliminates duties and quotas on all products except arms from the 48 least developed countries. This duty- and quota-free access started in March 2001.

Other countries, which can benefit from duty-free entry into the EU are (among others) the Mashraq and Maghreb countries, Turkey, Cyprus, Israel and CEECs like Albania, the Baltic states, Bosnia/ Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia and Fed. Rep. of Yugoslavia.

Please note that if the leather goods are made of hides and skins, which originally come from endangered species, no preferences are granted and the exporter should contact the CITES or the Ministry of Agriculture in The Netherlands (or any other EU country).

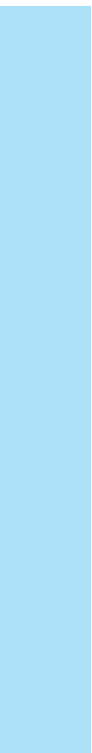
Regarding up-to-date information on import tariffs, please contact the Customs authorities in Rotterdam, The Netherlands (or in any other EU country). Information can be also obtained by telephone. The HS code of the product concerned must be always mentioned; a detailed list of HS codes can be found in chapter 1 of the this survey. Other information sources are the European Commission, branch organizations, and importers.

There are no quota applicable for imports of leather goods. However, other non-tariff barriers that may occur are anti-dumping measures, countervailing procedures, sanitary sanctions, environmental clause and intellectual property rights. For example, as a result of the EU Council regulation 1567/97 of 1 August, anti-dumping duties for handbags (in leather or in artificials) coming from China have been imposed. These duties may vary from US\$ 1 even up to US\$ 65 per piece.

Part B

Export marketing guidelines: analysis and strategy

B



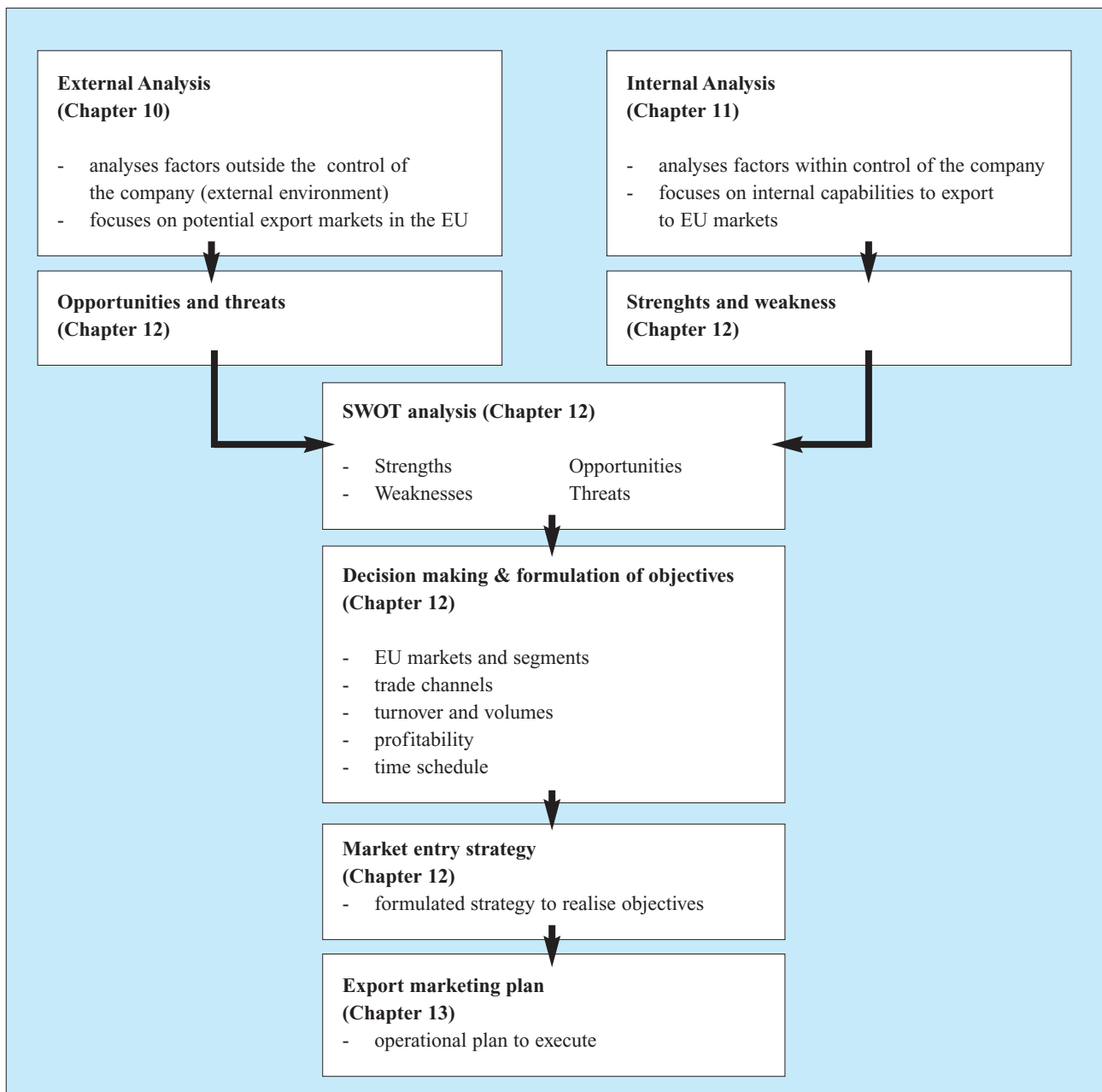
PART B

Which actions should you undertake to successfully export to the EU market? Should you get involved in exporting at all? These questions are what this part B is all about: to assist you to decide whether or not to export to the EU and to provide a roadmap of how to go about exporting.

Chapters 10, 11, and 12 aim at assisting potential exporters in the decision-making process whether or not to export. Chapter 10 describes how to analyse the external environment (market audit), resulting in opportunities and threats in the market, while chapter 11 describes how to analyse the internal environment (company audit), resulting in strengths and weaknesses of the exporter's firm. Chapter 12 then explains how a SWOT-matrix can be applied in order to analyse the identified strengths and weaknesses, opportunities and

threats, resulting from the external and internal analysis. By matching opportunities in the market with the strengths of the company, the exporter will be able to identify suitable export products, target countries, market segments, and possible trade channels. All the above issues, together with the marketing tools provided in Chapter 13, should enable the exporter to formulate a Market Entry Strategy (MES) and to prepare an operational Export Marketing Plan (EMP) for the introduction of leather goods on EU markets. It should be noted that the information provided in part A of this survey forms an essential element in the analysis described in this part B. Therefore, where relevant, reference will be made to the concerning sections in part A.

Schematically, the analysis described in this part requires the following strategic steps:



10 EXTERNAL ANALYSIS

Market research

Before actually exporting leather goods to the EU, a selection has to be made of suitable export products, target countries, market segments, and possible trade channels. The external analysis assists the potential exporter in making this selection and identifying market opportunities. In order to prepare an external analysis, extensive market research is necessary. Please check CBI's 'Your guide to market research' for general information on this subject.

To obtain relevant information about leather goods in EU markets the following factors should be explored:

- **Country information**

General data about EU countries like population, gross national product (GNP), main economic activities, distribution facilities, etc. This information is abundantly and freely available. Please check with embassies and consulates of EU countries in your country.

- **Market developments in EU countries for leather goods**

Please check part A of this survey. Additional market studies are available from CBI and ITC. Please check their websites www.cbi.nl and www.intragen.org.

- **Tariff and non-tariff barriers at EU and national level**

This information is chapter 9 in part A of this survey. Further, much information can be found on the website of the EU and on CBI's AccessGuide (www.cbi.nl/accessguide).

- **Trading conditions**

General information on trade with EU countries is widely available. Some sector specific information can be obtained in part A of this survey. In some cases, websites of EU trade partners for leather goods also give information about styles, product specifications, packaging and prices.

10.1 Market development and opportunities

As a first step towards the identification of the most suitable export markets, the potential exporter needs to investigate the importance of different EU markets for leather goods and understand the developments in these markets. The market developments described in chapters 3, 4, 5 and 9 provide a good start for such an investigation in order to obtain a clear picture of the market for leather goods in the most important EU countries.

Important questions that need to be answered for the market assessment are:

- Market size: what is the estimated market size for your potential export product(s) in different

countries. Try to first focus on your product group, then on your specific product(s).

- The projected market development for the coming years: which markets are growing as these offer more possibilities for exports, while decreasing markets offer a limited profit potential.
- Market niches: do not only focus on large markets, but also try to find out whether there are interesting niche markets. Particularly for starting exporters from developing countries, niche markets may present interesting export opportunities.
- Imports: how have imports developed during the last 3 to 5 years and where have they especially grown?

A first question relates to the market size: what is the market size for your potential export products? The size of the market in EU countries can be assessed by looking inter alia at the size of consumption of leather goods in these countries, which is presented in chapter 3, for different product groups of leather goods. It should be noted that the importance of a specific EU country for consumption of leather goods, depends on the particular product group that is being assessed. For instance, whereas for briefcases and suitcases the United Kingdom and Germany are very large markets in terms of consumption, France provides a larger market for handbags and for belts. In assessing the market size, try to first focus on your product group, then on your specific products.

The size of domestic production, presented in chapter 4, is equally important in the identification of suitable export markets. For instance, whereas Italy is one of the largest EU markets in terms of leather goods consumption, most of that consumption is locally produced, leaving only limited opportunities for foreign suppliers. In addition, the size of imports of leather goods in different EU countries forms an important indicator for the opportunities for potential exporters to enter the EU market. Chapter 5 presents relevant information on EU imports of leather goods. From this chapter one can derive that the top five EU importers of leather goods which are particularly interesting for producers from developing countries are the Netherlands, the United Kingdom, Germany and France, and to a lesser extent Italy. Belgium and Spain are next in rank.

Another vital piece of information, besides knowing the size of the market, is the projected market development for the coming years, as growing markets offer more possibilities for exports and decreasing markets offer a limited profit potential. The projected market developments for all EU countries and for all product groups of leather goods can be derived from the chapters 3, 4, and 5. With respect to the total EU

market, one can derive that EU imports from developing countries at the moment are already quite large and are expected to grow further. As the European Union has become a single market and competition has increased, EU manufacturers and large importers / wholesalers increasingly look for production or subcontracting in countries with low labour costs. In addition, European buyers of leather goods are in principle always looking for new and better lines of merchandise. On the other hand, the current recession in most EU countries could have an adverse impact on the consumption of leather goods and the opportunities for developing country exporters, as the majority of leather goods are regarded as non-essential luxury items. With respect to the growth prospects for different product groups, one can derive from these chapters that a large potential for growth is likely to be in travel goods (rucksacks, sports bags, suitcases and travel bags). Other product groups for which EU demand might be growing are brief/document cases and office related cases/holders (i.e. for computers or mobile phones). More demand is also expected for goods made of textile or synthetic materials, as these are cheaper and very susceptible for fashionable prints. The market for leather goods with combinations of leather and synthetic materials is also expected to grow.

Based on the market developments as described in this survey, the following opportunities and threats can be mentioned:

Potential exporters should make an assessment of opportunities and threats for their own product group, by making use of the information provided in the chapters 3, 4, 5, and 9. Additional information on market developments and trends can be obtained from the sources, mentioned in the table below. which can be categorised as desk research and field research.

Desk research

Desk research is secondary information gathering; others have already assembled the information. The following sources are available to conduct additional desk research for leather goods:

- *Internet*
This is an important source of information. Much information is freely obtainable; for more detailed

and specific information fees often should be paid. For Internet sites relevant to leather goods, please check the websites mentioned in this survey.

- *Market studies*
Organisations like CBI and ITC (p-maps) provide market studies for leather goods.
- *Trade magazines*
Trade magazines are valuable sources for current information, trends and developments in the leather goods and fashion sector. Please check appendix 3.5 for contact details of trade magazines.
- *Trade fair catalogues*
Trade fair catalogues of major EU trade fairs like Offenbacher Messe and Mipel provide a wealth of information about competitors, importers and products. These trade fair catalogues are often freely obtainable from the Internet of the trade fair organizers. Please check appendix 3.4 of this survey for contact details of trade fairs in the EU.

Field research

After desk research, field research can be planned in the form of an orientation visit to Europe in order to further assess market opportunities and threats. Through your field research you can look for information specifically tailored to your requirements. Field research is however more expensive than desk research, as travelling to EU countries is involved.

Your field research could include:

- A visit to an important trade fair
- Visits to potential buyers (importers and wholesalers) after making an appointment in advance
- Checking product ranges and prices at retail outlets in main shopping centres
- Visits to branch organisations
- Possibly also visits to embassies and consulates

Another important issue to investigate before exporting to the EU are the EU Market Access Requirements. These are described in chapter 9 of this survey and include both tariff and non-tariff barriers. There are relatively few EU regulations governing the import of leather goods. Yet, EU countries often apply their own set of standards. These standards mostly relate to restrictions on the use of chemicals dangerous to human health and restrictions on the use of certain metals and

Opportunities	Threats
Growing market for leather travel goods, brief/document cases, office related cases, and for goods with combinations of leather and synthetic materials or made of only the latter or textiles	Recession in EU countries
Outsourcing of production to developing countries	Dominant position of China as a supplier to EU markets

azo dyes in the processing of leather. Moreover, chapter 9 presents some environmental standards, which can be of relevance to your product. In addition, product and packaging requirements are indicated with which exporters should comply in order to successfully enter EU markets. EU tariff barriers are also elaborated in chapter 9. In general, all goods, including leather goods, entering the EU are subject to import duties. If there is no special trade agreement in force between countries, the general import tariffs apply. For developing countries however, different kinds of preferential trade agreements may be in place. Potential exporters should determine to what extent all these EU market access requirements, which may differ per country, are critical to their export opportunities.

10.2 Competitive analysis

The leather goods sector is a global business with competitors in all regions. As can be observed from the market developments in chapters 4 and 5 of part A, developing country suppliers play an increasingly important role in the production of leather goods. Although EU suppliers still have major positions, they increasingly outsource production to developing countries like China, India and Vietnam and also to several Eastern European countries.

It is therefore important for an exporter to assess the critical success factors of major competing exporters from different countries. Important questions to be answered for this assessment are:

- Who are the main competitors in your market segment? What are their strengths and weaknesses compared to your company?
- To what degree is the sector in the target market supported by the government in the different countries, including your own?
- How many suppliers are currently active in the market?

For the assessment of strengths and weaknesses of all exporters to the EU, it is important to know that EU buyers assess the suitability of new suppliers by using the following criteria:

- Price competitiveness
- Quality aspects
- Reliability of the supplier
- Speed of delivery
- Technological advancement

These criteria could thus be used when analysing the competitiveness of the exporter with respect to major competitors. This competitive analysis can be made at two levels:

- *Country level*
Competitive strengths and weaknesses of the exporter's country can be assessed compared to other

supplying countries of leather goods to the EU market, especially other developing countries. Here, factors such as a favourable exchange rate, low labour costs, government support by means of low interest loans, export subsidies and tax exemption, and frequent shipping to EU ports are important.

- *Company level*
The strengths and weaknesses of the exporters' company vis-à-vis companies from competing (developing) countries should also be assessed. Here, the above-mentioned factors of price and quality aspects, the reliability of the supplier, the speed of delivery, and technological advancement, but also productivity level, and originality in design are important criteria.

The following criteria should be used to analyse competitiveness:

- *Price competitiveness*
As most developing countries have the best chances to enter the EU leather goods market by targeting the bottom end (lowest prices) of the market, price remains an important competitive tool. It should be noted however that although price competitiveness is important, it is certainly not the only instrument to outrank competitors. The following instruments are equally important.
- *Consistent quality*
The quality instrument depends very much on the market segment that the exporter intends to penetrate. When he chooses for the high quality/high price segment, consistent and top quality leather goods are more important than the lowest price. However, when he opts for the low end of the market, quality aspects are less important, as price will be the major tool to penetrate this market segment. It should be noted that the main opportunities for new suppliers of leather goods to the EU are at the extreme ends of the market, thus either the most expensive high quality goods or the cheapest leather goods.
- *Reliability of supply*
To be a reliable supplier who always honours his agreements is a very valuable asset for any trade partner in the EU. Exporters who want to change agreed trading terms disrupt the value chain, causing unnecessary costs to other chain members. Please refer to section 13.2 of this survey for more details.
- *Speed of delivery*
Leather goods are not only used as functional items, but increasingly as fashion articles as well. Fashion trends tend to be very short and increasingly unpredictable. This means that trade partners in the EU do not want to carry a large stock, as changing

consumer preferences can make fashionable leather goods quickly outdated. As a result stock has to be discounted heavily in order to be sold. Trade partners therefore prefer smaller orders and more frequent and fast deliveries. To catch a trend, speed-to-market is often the decisive factor. Suppliers who can comply with these requirements have an important competitive advantage.

The major problems faced by importers in The Netherlands in importing leather goods from developing countries are the following:

- Quality of shipment is not in line with samples sent
- Delayed delivery
- Exporters want to change agreed payment and delivery terms
- Bad communication

Exporters who are able to offer leather goods at a competitive price and who can successfully apply competitive tools as described above are in a good position to outrank competitors. This should be combined with a good understanding of the above-mentioned problems importers are confronted with. By providing solutions to these problems, exporters have another tool to outrank competitors.

Another way to establish a competitive position in the market is for exporters to seek for a partnership with EU manufacturers. This is particularly important for the low price/quality segment. In this way, manufacturers can take care of the sales/marketing and stocking side of the business, leaving exporters to concentrate on the production and the delivery of the goods. New exporters could also develop product lines in close co-operation with EU buyers. This may take time, but will bring better results in the end. Especially where it concerns fashion products this close co-operation is required, as fashion changes twice a year and fashion items need to be exactly right in design and colour. It is therefore very difficult for exporters to penetrate this market successfully on their own. In principle, fashion products can best be avoided as they are likely to cause problems. Rather, simple articles without fancy design are usually the best to start with, especially for producers whose production machinery is limited to sewing machines and other basic tools.

10.3 Sales channel assessment

Having assessed the prospective markets and market segments, including an evaluation of the exporter's competitiveness, it is now important to understand the trade structure and supply channels in the EU leather goods market. Based on the distribution structure for leather goods as described in chapter 7, the exporter should evaluate which sales channels are the most appropriate for his products and his company. The following questions should be answered:

- Which potential sales channels exist for your products in the target market?• What are the pros and cons of the different sales channels for your specific company?
- What are the most important requirements of the identified sales channels?
- What are the conditions for an exporter to function in a specific supply chain?

As can be seen from the trade structure in chapter 7, distribution channels for leather goods in the EU are rather complex. To determine which channel(s) is (are) the most suitable for his products, the exporter should take the following steps:

Step 1

First, the exporter should choose the mode of market entry into the EU; the choice is between exporting directly or indirectly to the EU.

- *Direct exports to the EU*

If the exporter chooses to export directly to an EU trade partner, the advantages are:

- Direct contact with EU trade partners, resulting in better information about market requirements and trends, price levels, supply and demand situations, etc.
- Shortening of the supply chain.
- Better control over the products to final destinations

The disadvantage is that the company has to invest in an export organisation and reserve budgets for travelling to trade partners in the EU and to promote his products.

This option is suitable for larger size companies that can supply full container loads (FCL) and that have the resources to set up an export department.

- *Indirect exports to the EU*

With this approach, the company sells its leather goods to a locally based export house or trading company, who takes care of all the export documentation and formalities. The advantages for especially small companies are:

- No need to invest in an export organisation
- Possibilities to supply less container loads (LCL) to local export intermediaries, who usually consolidate smaller shipments from several exporters in order to fill a full container load (FCL). This way, shipment costs can be reduced.

The disadvantage is that the company has no direct contact with trade partners in the EU and is therefore less informed about market developments.

This option is suitable for small companies that cannot fill a full container load and that do not have the financial resources to set up an export department and to invest in EU market visits, participation in trade fairs, samples and brochures.

When an exporter decides that indirect exports to the EU suits his company the best, he does not need to take the following step. By selling to a locally based export house or trading company, sales can be considered more as domestic.

Step 2

When an exporter has decided that direct exports fit his strategy best, he then should decide which sales channel he intends to use.

In evaluating the different options, the following should be considered:

- *Direct exports to large retail chains and mail order houses*

Exporting directly to these customers, the following factors should be taken into account:

- These channels usually buy large quantities at very competitive (low) prices. The exporter should have sufficient production capacity in order to meet the volumes required. He should also consider if he will not become too dependent on one or two major customers when choosing for this sales channel.
- With this sales channel, quality complaints are difficult to deal with, as the exporter usually does not have the means to check the shipment on the spot and to evaluate the complaints. The hiring of an independent quality surveyor is necessary to assess the damage.
- Especially mail order houses operate in the fashionable, low/medium price segment of the market. They tend not to have large stock, but require from their suppliers smaller orders with fast delivery schedules.

- *Through importers/wholesalers*

Importers/wholesalers are the most important sales channel for leather good in the EU as they serve the largest part of the EU leather goods market. They cover a wide variety of market segments, supplying retail chains, members of buying groups, street markets and independent retailers alike.

- Importers buy for their own account and risk. This means that the exporter does not have any influence on the reselling prices of the importer/wholesaler, who might take a too high margin, thereby slowing down sales.
- The importer/wholesaler takes care of all importing procedures and in a FOB contract arranges for shipping from the port of loading as well. This means the exporter does not need an extensive export department as he only supplies one or a few importers in the EU.
- When payment is done on 'open account' basis, credit insurance is necessary to protect the exporter from non-payment by the importer.

- *Through agents*

Exporters, who target specific market segments, for example the high quality/high price segment, requiring control of the goods to final customers, will find agents a good option.

- Agents are direct representatives of exporters in EU countries and are usually more involved in the business of their principals than exporters.
- As exporters ship directly to final customers and invoice them directly, they are able to follow closely the sales performance of their customers. This way, they are better in touch with the markets and by dealing with customers directly; they can detect trends in the market more quickly.
- Working with agents and shipping to a multitude of customers requires a well-organized and knowledgeable export department. This means the exporter should invest in knowledge of shipping and export procedures to EU countries.

- *Through domestic manufacturers*

Domestic manufacturers form the second largest distribution channel for leather goods in the EU, after the wholesale channel. As many EU manufacturers outsource part of their production to developing countries, this could be an interesting option for an exporter. Especially as EU manufacturers supply an important part of the leather goods market.

- Exporters who engage in contract manufacturing for EU suppliers, have to work according to strict product specifications set by the EU manufacturer. This means the exporter should invest to bring his products up to the standards required by his principal in the EU.
- Contract manufacturing can lead to a long-term relationship, providing sustainable exports to EU markets.
- Exporters should be aware that they often become very dependent on one or a few customers that can result in squeezed margins and slim profits.

In assessing the use of trade partners in the EU, the exporter should consider his internal capabilities to handle exports to EU countries. Direct exports require a rather sophisticated export department, a minimum volume to ship and a strong financial position. On the other end of the spectrum a locally based export house will be a good option for small companies with limited finances and only one or two products to sell.

10.4. Logistics

Logistics should be an important criterion for exporters in the selection of a sales channel in the EU. Important questions that need to be answered in this context are:

- How often do the different sales channels require delivery?
- What size of supply do the different sales channels demand?
- Which formalities do the different sales channels require from the exporter?

There are three developments in EU countries that have influenced logistic requirements for exporters of leather goods to the EU. The logistics should therefore be assessed against these developments in EU countries:

- Retailers and importers alike tend to hold less stock, trying to let their suppliers do the stockholding. Stock keeping leather goods is costly, as it does not only occupy (expensive) warehouse space, but represents also 'dead' capital that can not be used elsewhere.
- Fashionable leather goods follow clothing and shoes in style and colours. As fashion seasons become shorter and more collections are introduced during summer and winter season, order sizes are smaller. This means that shorter runs of different styles and colours replace long production runs of the same articles, causing increased production costs for manufacturers.
- As consumers become increasingly unpredictable in their buying behaviour, retailers keep low stocks. On the other hand, when a style catches on, retailers require speedy delivery times from their suppliers: thus, time-to-market is getting shorter.

The consequences of the above-mentioned developments for exporters are that they are required to deliver their products much faster, especially fashionable leather goods in the middle and lower price segment.

Logistic requirements from EU trade partners, in combination with the internal capabilities of the exporting firm to comply with these requirements form an essential factor in selecting distribution channels. To supply large retail chains and mail order houses requires a sophisticated logistics system on the part of the exporter, as smaller orders and speed-to-market are crucial criteria for these trade partners to select their suppliers.

When exporters cannot comply with these requirements, importers/wholesalers are still the best option, as one of their main functions is to hold stock and therefore the speed-to-market is a less crucial criterion for this sales channel.

Exporters working with agents have possibilities to keep stock in EU countries. To shorten lead times,

agents often rent warehouse space on behalf of the exporter where goods are stocked on a consignment basis. This means that the exporter has goods on stock in the EU for his/her own risk.

Delivery terms also play an important role in the logistics system of an exporter. When FOB (Free on Board) terms are agreed, the exporters' responsibility is to deliver the goods at the agreed time at the port of loading in his/her country and to have the required export documents available before shipping. The exporter is not involved in securing shipping space and negotiates shipping terms with freight forwarders. On the other hand, when CIF (Cost, Insurance, Freight) terms are agreed, the exporter also has to take care of securing shipping space at the agreed time of delivery the goods in the port of loading. Please check for details on delivery terms and export formalities sections 13.4 and 9.2 of this survey.

10.5 Price structure

Although price is not the only marketing tool to export leather goods to EU markets, it is certainly a very important one. Prices and margins throughout the value chain have been put under pressure in recent years because of concentration of buying power, increasing supply of leather goods and global outsourcing of the production of these goods.

Margins

These margins for leather goods which are applied by the various sales channels are not fixed. However, a general pattern can be recognised:

Trade channel	Mark up
From FOB - CIF (The Netherlands)	20 - 40%
From CIF - importer/wholesaler	10 - 20%
From importer/wholesaler – retailer	30 - 50%
From retailer – consumer	95 - 120%
Ratio CIF – Consumer price (multiplier)	3 - 4.5 times (incl. VAT 19%)

Note: The VAT differs per EU country. The above-mentioned value of 19 percent is valid for The Netherlands.

Agents usually work on a commission basis of 6 - 12 percent. This percentage is substantially lower compared to importers and wholesalers. The reason is that agents do not assume title to the goods, nor do they assume any risk or are involved in financing the shipments. They carry no stock and are not running any risk of non-payment.

All above-mentioned margins for the different sales channels (importers, wholesalers, retail, agents) are influenced by many factors, such as:

- The size of the order;
- The length of the trade channel;
- The quality of the product;
- Availability of the product;
- Added value

Margins of trade partners are further influenced by, amongst others, the following factors:

- The degree of risk;
- The specific product/market combination
- The volume of business (rate of turnover);
- Listing fees (up to € 35,000 per year in department stores);
- Functions or marketing services rendered;
- Anti-dumping levies;
- General economic conditions (booming or depressed business);
- The level of competition between supplying countries or in the leather industry;
- The exclusiveness of the item concerned

Faced with increasing costs and at best stabilizing selling prices, which together cause margins to decrease, exporters should:

- Have a clear insight in their cost prices for exports to EU markets in order to set a minimum selling price. At least all variable costs and part of the fixed costs should be covered by the selling price. When the market price is lower than the minimum selling price, a loss situation can easily occur. Although this could be acceptable for individual orders in order to prevent larger losses (stock losses), for the longer term this situation will undermine the financial stability of the company.
- Try to obtain more efficiency in their operations in order to decrease cost prices, for example reduction of stocks, more efficient production runs, negotiate lower purchase prices for their raw materials and packing materials, etc.

Export calculation model

In order to prepare an export calculation for a shipment to an importer in The Netherlands, the following structure is given, based on a Cost, Insurance and Freight (CIF) delivery, according to the Incoterms 2000 (see also section 13.4):

Usually prices quoted to EU trade partners are in Euros (€). Shipping costs are usually quoted in US\$. Both currencies should be converted to local currency at the rate of exchange applicable at the time of quoting.

For price developments in the leather goods market and sources of price information, see Chapter 8.

Selling price CIF Rotterdam		€
<i>Less:</i>		
- insurance (marine)		€
- shipping costs (usually quoted in US\$)		€

FOB Port of loading		€
Conversion from € to local currency should be based on the current rate of exchange		
<i>Less:</i>		
- handling and loading charges	local currency	
- inland transport	local currency	

Ex works	local currency	
<i>Less:</i>		
- variable costs	local currency	
- interest charges	local currency	

Gross contribution	local currency	
<i>Less:</i>		
- fixed cost allocation	local currency	

Net contribution	local currency	

10.6 Product profiles

Product profiles give a complete overview of relevant information for one certain product on an EU market. These profiles can assist potential exporters to assess the suitability of their leather products for exporting to EU markets. Main criteria like market requirements, market structure and main competitors can be reviewed on one sheet. Exporters should ideally develop product profiles for their own prospective export products, using the two examples below. These examples of product profiles given below are respectively for billfolds and suitcases:

PRODUCT PROFILE Billfolds

1. Product name: Billfolds

2. Market requirements:

Quality standards:

No European standards have yet been set. However, consumers prefer billfolds as mentioned underneath. Billfolds, first of all, are designed and purchased for their functionality.

The materials used should be soft and rather flexible. Skiving and folding should finish items. At least 2 or 3 compartments for banknotes.

(Pay attention to the sizes of the euro banknotes!) Partitions for credit cards are essential. Some additional compartments for other documents like driving-license or club-member cards are advisable. Billfolds with a compartment for coins and credit cards are the most popular items.

The compartment for coins should be rather wide. This compartment should have a push-button for closing

Minimum labelling:

- Product name and identification number:
- name and address of the producer / exporter:

Packaging:

Large importers often have their own requirements for packaging but some advices underneath.

- Each item to be wrapped in tissue paper or plastic pocket;
- a limited number (6 - 12) in little cardboard boxes;
- mention the number of the item and the colour of the item on this little box;
- for packing the small boxes do use solid boxes
- before packing the small boxes make sure that the products inside the main box are protected by plastic bags order to avoid damage from rain or moisture;
- each main box should have a packing list with specification of the products inside in terms of quantity, types, colours etc.

Import regulations:

Relevant import documents:

- EUR 1 form for ACP countries;
- FORM A for other developing countries

3. Market structure:

Export price

Lower segment of the market:

US\$ 2,- - 3.50

Middle segment US\$ 3.50 - 5.00

Upper-middle segment US\$ 5.00 - 8.00

High segment US\$ 8.00 and above.

Main markets:

The main European importers are The Netherlands and Germany, followed by the UK.

Market trends:

The market is rather stable but there is an increasing demand in the lower and middle segment by mail-order houses.

4. Main suppliers:

The leading supplying countries to the European Union are China, India and Italy

5. How to improve the quality:

Special attention for cleanliness of the items. Regular and fine stitching is preferred. Corners to be rounded.

PRODUCT PROFILE Suitcases (Trolleys)

1. Product name: Trolley

2. Market requirements:

Quality standards:

No European standards have yet been set. On the other hand there are some general guidelines for the quality control of standard suitcases. These guidelines can be ordered from:

T.N.O. Institute for Packing and Packaging
P.O. Box 71
2600 AB Delft
The Netherlands
Tel.: +31 15 2696900/2696444
Fax: + 31 15 2 566308

Trolleys (upright luggage) now hold the major share of the suitcase segment. The trolley should have two “skate” wheels at the rear and an extendible handle. This handle should be rather long, making it much easier to transport. The best materials are polyester or super fibre nylon. Frames should be strong and wheels of good quality. Zippers in nylon or optilon. Metal zippers are not accepted. An additional fixed handle at one of the sides is a point in favour. Design some compartments (with easy accessibility) on the outside are preferred. Airline companies use different maximum sizes for cabin-luggage, depending on the aircraft. In general, a size of 115 cm as total for length+height+width is the maximum acceptable size. The 115 cm. can be divided as 55+40+20 cm or 55+35+25 cm. respectively.

Minimum labelling:

- Product name and identification number - name and address of the producer/exporter
- Name and address of the producer/exporter;

Packaging:

Large importers often have their own requirements for packaging. Some general advices:

- Design your trolleys in sizes that will fit into each other (Less volume)
- Each item (or set of items) to be packed in a solid cardboard box.
- Mention the article or set-number and the colour on the box.
- Make sure that the contents of the box is protected by a plastic bag in order to avoid damage from rain or moisture
- Give each box a successive number.

Import regulations:

- Relevant import documents:
- EUR 1 form for ACP countries

3. Market structure:

Export price:

Because of the different sizes, materials and all elements mentioned, a general guideline cannot be given on prices. To give some indication about Cabin-Luggage:

Lower segment US\$ 12.00 - 20.00
Middle segment US\$ 20.00 - 30.00
Upper-middle segment US\$ 30.00 - 45.00
High segment US\$ 45.00 and above.

Main markets:

The main European importers are Belgium, France, followed by Germany, and The Netherlands

Market trends:

At the expense of traditional suitcases, there is an increasing demand for trolleys all over the European Union.

4. Main suppliers:

The leading supplying countries to the European countries are China, Belgium and France

5. How to improve the quality:

Don't use inferior materials. Wheels should be “built-in” A simple but effective lining will improve your trolley. Handles should be fixed properly.

11 INTERNAL ANALYSIS: COMPANY AUDIT

After performing the external analysis described in the previous chapters, the exporter should have a clear insight into the opportunities and threats of exporting his products to selected EU markets. The next step is to prepare an internal analysis. The internal analysis or company audit is a review of the company's strengths and weaknesses in terms of all company resources such as export marketing capabilities, finance, personnel, internal organisation, management, infrastructure, etc. The internal analysis:

- Assesses the capabilities of the exporter's company in different fields (production, logistics, marketing and sales, finance and human resources) to:
 - ☛ Compete effectively with international competitors in supplying EU markets
 - ☛ Take advantage of the opportunities that are identified in EU markets
 - ☛ Deal with threats that are identified in EU markets
 - ☛ Comply with product, packaging and shipping requirements by the EU, national governments and trade partners
- Assesses the investments you should make in relation to the above-mentioned subjects

11.1 Product standards, quality, USP and production capacity

As already mentioned in the chapters 9 and 10 (sections 10.1 and 10.2), product standards and quality aspects are important factors to introduce leather goods on EU markets. Quality standards of the specific EU countries need to be adopted by the manufacturer for long-term growth in the market. Additional quality requirements may also be prescribed by the respective EU buyers. Based on these requirements, the exporter can determine to which extent he has to adapt his products, packaging and processing and the amount of investments required to export to EU countries. Without ensuring quality, there is no likelihood of entry or acceptance on EU markets. Note that quality does not only mean product quality. Management quality is just as important. For European companies looking for new long-term suppliers, delivery reliability and the ability to learn and adapt are important quality criteria. Furthermore, keeping to the agreed quality is indispensable for building up a long-term business relationship.

Questions regarding quality that an exporter needs to answer are:

- What management quality standards does your company fulfil (ISO)?
- What is the general level of your product quality compared to other products in the identified

markets? Does your product have any official quality standards?

- In case environmental labelling significantly improves the competitiveness of your export product, which one is the most interesting for your product-markets combination?

Check your current quality standards with the voluntary and compulsory standards described in chapter 9. Also refer to chapters 8, 9, and 10 for information on the importance of the various quality standards, including environmental labels, for your specific product-market combination.

Unique Selling Proposition (USP)

A unique selling proposition or USP defines what makes your business unique from every other competitor in the field. Although this is one of the most difficult subjects to realise, the exporter should try to look for ways that distinguishes him from his competitors, in other words to present his USP to potential trade partners in the EU. A USP spells out the precise niche you seek to fill and how you aim to fill it.

Trade partners for leather goods in EU countries generally have a wide choice of suppliers from all parts of the world: they receive up to thirty offers per day from new suppliers looking for their business. In order to stand out from the crowd, the exporter should therefore try to draw attention to his company and get noticed by the trade partner.

A USP usually does not refer to one single subject, but to a mix of different factors that distinguish the exporter from his competitors.

A USP in the leather goods sector could for examples include the following:

- Product specifications exceeding the requirements of trade partners
- Guarantees given by the exporter on quality aspects
- Outstanding service, for example
 - ☛ Replying within 24 hours to any question or request
 - ☛ Open communication
 - ☛ On-time delivery
 - ☛ Honouring agreements to the letter, even when they have financial implications

Production capacity

Selling a product internationally (as well as domestically) requires the capacity to produce or manufacture the product. Trade partners in the EU require a continuous flow of products that meet their needs throughout the year. Exporters should therefore assess in advance the volumes they could sell to trade partners in the EU, especially during peak seasons.

The exporter should then work backwards and adjust his production capacity to the required capacity. Supplying sufficient volumes during the peak periods can be an important competitive tool. To this end it is necessary that the company possesses the capacity (in terms of for instance machinery, personnel, and space) needed to manufacture the specific products for the specific countries to which it is exporting. If the company is already selling domestically, it is necessary to investigate if the production capacity to handle and store additional orders is available. After all, expanding into the international marketplace will result in a much higher number of units to manufacture. The manufacturer will also have to ask himself whether this increase in production will affect quality of output.

Questions regarding production capacity that need to be answered are:

- What quantities do you produce?
- How is the present capacity being used? Is there still capacity left for extra orders?
- Will new export activity hurt your domestic sales?
- What will be the cost of setting up additional production capacity and is that possible at all?
- Are there fluctuations in the annual workload for staff or management? When? Why?

11.2 Logistics

Logistics deal with all matters to ensure a smooth flow of products from production to the final customer in the country of destination. Ensuring adequate logistics thus means having the right goods at the right time, in the right volumes at the right place, and all that with a minimum of costs. Particularly for fashion sensitive leather goods, this is of the utmost importance, just like regularity in deliveries and there should be no delays. Particularly with fashion products, there is now a tendency amongst EU trade partners to order smaller amounts, while their order frequency is increasing. This way, EU trade partners try to shift the risk of market fluctuations to the manufacturers. Also the number of rush orders is increasing. These tendencies require more flexibility and a well-organised logistic organisation from the side of the producers.

Based on the requirements of EU trade partners, the exporter should make an assessment of the following subjects:

- *Planning of production*
EU trade partners usually work with tight arrival schedules in order to deliver the products to their customers on an agreed date and time. It is therefore important to plan production well in advance to ensure that the products are available in time for shipment.
- *Purchasing of raw material and packing material*
As part of the planning of production, EU trade

partners might have special requirements for raw material, ingredients and packing material. For example, a certain type of export carton might be required. It is important that the exporter ensures that this type is available from his supplier.

- *Handling of export orders*
The handling of export orders requires a good internal logistic process; from ordering raw material and packing material, to production planning, inspection and obtaining of export documentation.
- *Export documentation (certificates, packing lists, invoices, insurance certificates, etc.)*
Depending on the requirements of the EU trade partner, some export documentation like inspection and insurance certificates must be obtained from external organisations. Especially when government agencies are involved, sufficient time should be reserved to obtain the necessary documents.
- *Availability of containers and shipping space*
Any developing country manufacturer entering the export market must ensure that the shipping facilities at his disposal can guarantee delivery within contractual time requirements. This tends to pose few problems for countries with access to ports with well-established shipping channels to the EU. However, it can be a problem for many exporters in Africa, who for example, in addition to needing to move goods overland to a port, must deal with shipping services that are often unreliable and infrequent. A reliable shipping agent is essential for these exporters. Moreover, during peak season, availability of containers and shipping space might be a problem. In order to meet the required shipping date, an exporter should assure himself that containers and shipping space are available on the required shipping date.
- *Agreements with transport providers to the port of shipment, shipping and customs agents*
- *Pre-shipment inspection (when required)*
Please see the above-mentioned remarks under 'export documentation'.
- *Communication with trade partners in the EU*
It is of utmost importance that exporters communicate immediately to their EU trade partners when certain requirements cannot be met. This will give the trade partner the opportunity to make alternative arrangements. Open and accurate information from the exporter is an important tool to be a reliable trade partner for his EU counterpart.

11.3 Marketing and sales

In chapter 10.3 the market entry modes direct or indirect exports are discussed. When a company decides on direct exports, it will be necessary to set up a commercial department to handle export activities to EU countries.

"Marketing and sales" form the commercial department

responsible for all export activities to EU countries. Whether to employ different persons for marketing and sales depends entirely on the size of the company and the possibilities to invest in the commercial department. In order to assess marketing and sales functions as part of the internal analysis, the responsibilities of both functions are given below:

Marketing

- Familiar with all non-tariff and tariff barriers relevant to the export of the company's leather goods to EU countries
- In cooperation with production and finance departments, adjustment of products and packaging to EU and trade partner's requirements
- Preparation of promotion (or sales support) material like brochures and product samples
- Installation of communication tools like websites and e-mail
- Organisation of participating in EU trade fairs
- Carry out market research
- Preparation of MES and EMP
- In cooperation with sales and finance departments, the preparation of annual budgets

Sales

- Selection of potential trade partners in the EU
- Contacts with trade partners
- Familiar with all export documentation to ship products to EU markets
- Familiar with sales contracts, payment and delivery terms
- Negotiation with trade partners in the EU
- Responsible for the margins made on exports to EU destinations
- Negotiations with logistic service suppliers (transporters, shipping agents, custom agents, and inspection bodies)

Although it appears from the above-mentioned description that different employees should occupy both functions, a combination of both functions in one position is also possible. Much depends on the complexity of the work, the number of export destinations and the selected EU trade partners.

It is also an advantage to have a company representative in the target market who can gather information, monitor progress, and follow up leads. This representative can for instance also be a relative, a friend, or a supplier. Such a person should be proficient in the language of the target market. Ideally, he or she should also have a profound knowledge of, and practical experience with leather goods. He/she should in addition be knowledgeable about the technical implications of provisions in trade contracts, and should be able to negotiate confirmed contracts swiftly on behalf of the exporter and should have access to rapid communication facilities.

Important questions related to marketing and sales which a potential exporter needs to answer are the following:

- Does your company have people specifically assigned to marketing and sales activities?
- Which persons do you know in the target markets?
- What promotion material is available?

Please refer to section 10.3 on sales channel assessment, where the different modes of market entry are described, together with the functions of different trade partners in the EU.

11.4 Financing

One of the most important subjects to assess in the internal analysis is the financial capability to start exporting to EU countries. The company should not only have access to sufficient funds to invest in adaptation of products, packaging and possibly production equipment, but also the company's credit facilities should be large enough to cover extended payment terms. Moreover, the company should have sufficient financial funds to withstand commercial risks (quality problems, non-payment, late delivery, etc.) that are often inherent to starting to export to new destinations. For the internal analysis, the following financial aspects should be assessed:

Investments

The exporter should evaluate his capabilities regarding financial availability for making the necessary investments when engaging in exporting. Additional investments may be required in:

- Product development (adjustment of products to EU and trade partner's standards)
- Packaging
 - Adjustment of content
 - Adjustment of packing material
 - Packing for long-distance shipments
 - Labelling requirements (barcodes, information)
- Human resources (qualified export staff)
- Production equipment
- Certification (ISO)
- Promotion (participation in EU trade fairs, travel to EU countries, brochures, etc.)

Payment terms

The exporter should also evaluate his capabilities regarding financial availability with respect to payment terms. The following factors should be assessed:

- Credit terms, for example payment 60 days after receipt of goods
- Local interest rates
- Bank charges, for example confirmation of Letter of Credit, handling of documents
- Non-payment risks, for example with 'open account' payment

Commercial risks

The exporter should also make an assessment of the following factors related to commercial risk:

- Claims, for example in case of late delivery and quality problems
- Consignment shipping, for example selling price is below cost price
- Insurance premiums, for example credit insurance

Miscellaneous costs

Finally, an assessment should be made of the following additional costs when engaging in exporting:

- Export documentation
- Certificates of origin
- Stationary for export purposes
- Communication expenses

Further reference is made to section 13.4, handling the contract, where the different payment and delivery terms are discussed.

11.5 Capabilities

Apart from the subjects mentioned-above, the following capabilities of the firm should be assessed as part of the internal analysis:

Languages

When dealing with European trade partners, foreign language skills are essential. English is most widely used in EU countries as the official business language, so with most European trade partners it will be possible to communicate in English. However, in some countries such as France, Italy, Spain, Portugal and Greece, English is far less widely spoken. Exporters who target these countries are advised to communicate in the local language. Not only will this prevent miscommunication, but it also shows respect and commitment to local trade partners. This can be an important USP and competitive tool compared to competitors who are less conversant in local languages.

Business culture

Business culture can differ tremendously from one EU country to the other. You should familiarize yourself with the prevailing business culture in your targeted EU country. This culture refers to items like dress codes, making appointments, invitation to lunches or dinners, the use of business cards, addressing of your counterpart and business conversations.

Please check section 13.2 of this survey for further information on this topic.

Commitment to export

It is important to consider whether the company has staff that is able to sell and develop an international business, as knowledge of exporting leather goods to EU countries is required. This knowledge does not only

apply to technical matters regarding exports (documentation, export calculations, shipping possibilities, etc.) but also to knowledge of EU requirements and market developments in the leather goods sector in the EU.

This knowledge is necessary to negotiate with your trade partners in the EU at the same level. Ignorance on the part of the exporter is often (mis)used by trade partners to extract more favourable trading conditions at the expense of the exporter. If you do not have personnel with such knowledge, you can either hire such a person or train present staff to assume the responsibilities.

Export experiences

If the company previously already engaged in exporting, these experiences should be evaluated. These past export experiences should be analysed and used to improve current skills to export. Especially if the company has previously tried and failed to penetrate an export market, this should be analysed in order to determine where things went wrong so as to avoid the mistakes from the past.

12 DECISION MAKING

12.1 SWOT and situation analysis

Based on the outcome of the external and internal analyses in chapter 10 and 11, the exporter can use the results to prepare a SWOT analysis in order to define his position in the market, as well as to find ways to improve his competitiveness. In this SWOT analysis he identifies Strengths and Weaknesses of his company compared to competitors and Opportunities and Threats that he identified in selected EU markets.

An example of a SWOT analysis of an exporter in the high quality/high price segment is given in the table below.

Please note that the above matrix is just an example and every potential exporter should adapt the matrix to his own situation. Based on the SWOT analysis, the exporter should evaluate the consequences of improving his weaknesses and whether the threats pose manageable obstacles to start exporting to the EU. When the company's strengths and the opportunities he sees in the market outweigh the company's weaknesses and the threats he sees in the market, he might consider to go ahead with exporting to EU markets and commence preparations.

12.2 Strategic options & objectives

Based on the SWOT analysis, the exporter thus should be able to decide whether or not to export. If the potential exporter decides to indeed export to the EU, he should formulate his strategy to enter the EU market. This marketing strategy is designed around the information collected in the internal and external analysis. The market entry strategy (MES) deals with the following subjects:

- *Identification of selected EU markets*
From the SWOT analysis, the exporter should also be able to identify suitable target markets. It is advisable to select only one or two EU markets. In this way, the exporter can focus his efforts and concentrate his (often limited) resources. After gaining experience and after establishment of regular exports a solid base is formed to roll out to other EU countries. Selection of too many markets leads to diffusion of resources and often failed efforts to establish a durable position.
- *Market segments (for example high quality/high priced leather travel bags)*
It is impossible to be everything to everybody. The market segments for leather goods are rather diverse: each segment requires different product standards and a different approach. To be successful, the exporter should therefore carefully select a segment in which he can excel and outrank his competitors. In this way he can fully concentrate his resources to this particular segment: specialisation in niche markets is a far better strategy than to go after volume/low priced markets, where he will be one of the crowd of suppliers who usually compete on price.
- *Type of distribution channel and trade partner to appoint*
Depending on the country selected, the chosen market segment, and his internal capabilities, the exporter identifies the most suitable distribution channel. This selection of the right EU trade partner is a crucial factor. Appointing the wrong trade partners means loss of turnover and delays in building a durable position in selected markets. Please refer to section 13.2 for more details about how to select a suitable EU trade partner.

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Consistent and high product quality • Strong financial position • Own design • Low inflation rate • Frequent departures to EU ports 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Relatively high labour costs • Longer delivery times • Weak language capabilities • Raw material needs to be imported • Limited production capacity in peak season
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Growing demand in the United Kingdom, Italy and Finland for leather travel bags • Increase in business travel • Increasing preference for high quality leather products 	<p>THREATS</p> <ul style="list-style-type: none"> • Recession in the many EU countries • Declining number of specialised leather shops in key EU markets • Increasing limitations in the use of raw material and ingredients

- *Product and packaging*
Based on the requirements of selected markets and market segment, the exporter should determine which product range to offer, whether his products needs to be modified to meet market demands, suitable packing for shipping to EU markets and labelling requirements both regarding the products and the packaging.
- *Pricing*
Pricing leather goods for export to EU destinations requires much attention to detail. On one hand, the products should be priced in accordance with pricing levels of the market segment chosen, on the other hand the selling price should leave the exporter a healthy margin to allow him to invest in building a durable export position.
It is very important to include all additional costs with respect to the export transaction in the cost price, such as:
 - ☛ Additional production and packaging costs
 - ☛ Interest to cover extended payment periods
 - ☛ Cost of export documents and inspection
 - ☛ Agent's commission
- *Promotion*
The exporter should determine which promotional tools he will use to make his export proposition known to potential trade partners in the EU. When he intends to participate in EU trade fairs, the investments should be calculated beforehand. Trade fair participation is a very effective tool, but also a rather expensive one.

Objectives

After the exporter has formulated his market entry strategy, he should clearly set the objectives he wants to realise during the next 3 – 5 years. Exporting to the EU requires a long-term vision and investments to establish a durable position on EU markets.

By formulating clear objectives, the exporter provides himself benchmarks in order to determine annually whether his objectives have been met or rather have been falling (far) below expectations. In the latter case, the exporter should adjust his strategy and determine whether to continue his export efforts.

Objectives should be clearly formulated for:

- *Annual turnover and volumes per market/per trade partner*
It is important to set realistic targets for volume and turnover per market and per trade partner. Although the setting of these targets is a difficult exercise when the exporter does not have experience in the selected markets, they provide a basis for export budgets and for the level of investments needed to realise these objectives.
In this way, the company can determine the viability of exports to the EU and can compare the actual results per period compared to the budgeted results. It is extremely difficult to set objectives for annual

turnover. A good way to solve this problem is to work with different scenarios:

- ✓ an optimistic scenario, where you estimate turnover in the most favourable market conditions
- ✓ a pessimistic scenario, where you estimate turnover in poor market conditions

The optimistic and pessimistic scenarios give the lower and upper borders of your turnover objectives. A realistic objective will fall somewhere within this range.

By using this approach, it is possible to calculate profitability in both scenarios. When profitability is marginal even in the optimistic scenario, the exporter should think twice before entering EU markets.

- *Profitability*
Building up a sustainable export position in the EU market requires a long-term approach. In order to build up a durable position, profitability is essential. As with volumes and turnover, actual profits realised should be compared to budgeted profits.

Formulating an export marketing strategy based upon sound information used in the external and internal analysis and a proper assessment of this information increases the chances that the best option will be selected, resources will be utilised effectively, and efforts will consequently be carried through to completion.

For assistance in the formulation of the Market Entry Strategy, please refer to CBI's Export Planner. For general information on conducting market research please refer to the CBI's manual on market research. In addition, the tools provided in the next chapter will be helpful to draw up the MES as well as the Export Marketing Plan.

13 EXPORT MARKETING

This chapter will discuss which marketing tools can be used to build up a successful business relationship. The following issues will be discussed in subsequent sections: matching products and the product range, building up a relationship with a suitable trading partner, drawing up an offer, handling the contract, and sales promotion.

13.1 Matching products and the product range

In order to be attractive to potential trade partners in the EU, the exporter should consider the product range to offer, with respect to both range width and range depth. These concepts are explained by using the example of a product range in the table below.

A company can export a wide product range. In above-mentioned example this is the case when the company exports handbags, small leather goods and briefcases; each product in different and matching colours, packed in different sizes.

A company can also focus on range depth, which is the case when the company concentrates on one product, for example only handbags, but exports this product in many types and colours and in an extensive range of packaging.

A manufacturer can only select a suitable business partner if he is fully aware of the exact range his company can offer and what ranges are demanded by EU trade partners. Based on the SWOT analysis in previous chapters, the manufacturer should already have matched market opportunities with the company's products on offer. This can be used as a starting point for considering possibilities to improve the exporter's

product range. In some cases, exporters may find out that the current product range doesn't match the identified market segment and sales channel's demand. A possible cause of this mismatch could be that there is no demand in the EU market for such varieties, even if the products are successfully sold in your own country or other export markets. Based on the product specifications required by EU trade partners, the exporter can determine on which items he should match his products and packaging to the required EU market demands.

13.2 Building up a relationship with a suitable trading partner

Selection of the right trade partner in the EU is of utmost importance to build up a durable export position. A practical tool to select the right trade partner is to prepare a profile/checklist of the EU trade partner according to your own requirements. The following items should be covered in this profile/checklist:

- *Range of products*
The range of products carried by an EU importer or represented by an agent indicates whether the exporter's products are complementary to this range or are competitive to other products in the trade partner's range. Moreover, a review of the trade partner's range indicates also whether this range is suitable for the market segment the exporter intends to cover
- *Customers*
Customers served by the trade partner should be the same group the exporter intends to target with his products
- *Annual turnover*
The size of the business in combination with the range of products of the EU trade partner gives an

Product range (width and depth)		
Handbags	Small leather goods	Briefcases
Types: with shoulder trap without shoulder trap	Types: wallets purses billfolds	
Types: briefcases attaché cases	portfolios	Colours: dark brown bright red
Colours: black light brown black	Colours: dark blue black dark grey	bordeaux red Packing: 10 handbags per carton 20 handbags per carton

indication of the extent to which the exporter's range will be an important addition or merely a small side product. In the last case, the time a trade partner will spend on the exporter's products will be very limited.

- *Territory covered*
The territory covered by the EU trade partner indicates whether the exporter needs to appoint more trade partners to cover selected countries
- *Experience in the leather goods sector*
A young company will certainly have the ambitions to do a good job for the exporter, but might lack the necessary contacts and relationship with buyers
- *Financial stability (especially importers)*
Financial stability of the EU trade partner is a prerequisite for any exporter before signing an (exclusive) agreement with the trade partner. Whether the company of the EU trade partner is financially stable or not, credit insurance should always be taken out when payment is done on open account basis.
- *Trading terms*
This refers to payment, delivery, stock, shipping and promotional issues in order to start a business relation.
- *Personal chemistry*
This is a very important issue, especially in countries like France, Italy, Spain and Greece.

A profound knowledge of the prevailing business culture in the country of the trading partner is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often decides whether the cooperation is long-term or not. The first meeting with a trading partner in the EU is the most crucial one, since the first impression a trading partner gets during this encounter is usually decisive for future cooperation. In order to assist the exporter in the preparations for his first meeting with a EU trading partner, the business culture of the six EU countries mentioned in this survey is described below. This business culture determines how to communicate and deal with identified trading partners:

United Kingdom

- Polite, direct with an understated use of language
- They treat counterpart as equal but expect respect for their achieved status/position. Wait until your counterpart assigns you a seat
- They are extremely task-oriented – 'hello, nice to meet you' and then straight to the point. This may confuse exporters, who think his relationship building with the trading partner is required.
- A British trading partner will give the exporter the opportunity to sell himself, his company and his products
- He will be interested in the track

record/achievements of your company and your products

- When convinced, he will be prepared to give it a try on basis of a trial shipment
- They get slightly irritated by small talk and formalities and like to get down to business; do not talk about politics, religion and private/family matters
- They expect that their counterparts have their own opinion and voice it, even when they do not agree to it
- They expect counterparts to take initiative and expect assertive communication

The Netherlands

- They are rather informal and are quick to use first names
- They treat their counterparts as equal and are friendly in their communication
- They are very direct in their approach and they do not like to beat around the bush
- Often they do not have a secretary to bring coffee; instead they ask you to accompany them to the coffee machine somewhere in the corridors; coffee is offered throughout the day
- Dutch trading partners expect you to take the initiative in the conversation: what do you have to show or tell me. They like to ask questions and take a pro-active attitude
- Dutch counterparts are empowered by their organisation to make decisions there is no need to refer to their bosses; responsibilities are delegated to purchasers
- They are very task oriented and do not like extensive social talk; they like to come straight to the point; being very price conscious, Dutch importers will be quick to ask for the price of your product
- Showing off is frowned upon; Dutch people do not like a display of wealth (Rolex watch, expensive car, tailor made Saville Row suits, etc.). 'Act normal' is their way of doing business.
- Dutch purchasers like to work with strict deadlines: 'when can you get your proposal to me?' and they expect you to stick to the agreed date

France

- French are formal, polite and not too direct
- They like shaking hands, both at the beginning and the end of a meeting
- French companies are very hierarchical; your counterpart is probably not empowered to make any decisions
- Instead they want to gather as much information as possible about your company and your products, so they can report back to their superiors
- French are rather chauvinistic; they prefer you to conduct the conversation in French and that you are familiar with French culture

- French buyers can be rather arrogant and can treat you as much lower in status than themselves
- Do not expect to come to business during the first meeting; the building of a relationship between you and your French counterpart is essential before any business can be done
- Patience is an important virtue in dealing with the French; it takes a rather long time to commence business; however, when the relationship is established they are rather loyal customers
- Dress correctly and conservatively; no flashy and contrasting colours
- French remain formal to their business partners; first names are not used

Germany

- Germans are formal and never use first names
- They like to be addressed by Herr (Mr.), Frau (Mrs) or Fraulein (Ms) and their last names; important is to check beforehand whether your counterpart has a title: in this case titles should be used also: Herr Doktor Schmidt or Frau Ingenieurin Albrecht
- German purchasers like to come quickly to the point and are well prepared for the meeting; as they want

to eliminate uncertainties as much as possible they will ask a lot of details

- Offer your German counterpart especially ‘certainties’: assurances, guarantees, references to check you and your company out; company background, expertise and track record are very important elements for Germans in his search for certainties
- Dress correctly and formally; avoid flashy and contrasting colours and expensive watches, rings, bracelets, etc.
- Come strictly on time; German purchasers usually have very tight agendas and many meetings on one day; they usually inform you how long the meeting will last and the points they want to cover
- They require detailed planning and concrete arrangements and expect you to adhere to them; prepare yourself into detail on this meeting: mistakes or inability to reply to questions will not be tolerated and means the end of a possible business relationship
- Try to get friendly with the secretaries; they have a lot of influence in scheduling the appointments for their bosses; here again, never address them by their first names

Some important factors to keep in mind when doing business in EU countries

- Suppliers should accompany their offers to buyers with samples. Quotations should be made on C&F, CIF or FOB basis, depending on the location of the producer and the requirements of the importer. Prices should be mentioned in Euros.
- In the leather goods sector, there are many imitations. This makes life easy for the importer of “copying” producers, but rather frustrating for creative manufacturers. Regarding fashion items, there is a two-way stream of models: either the importer hands the model to the producer or the producer offers a collection to the importer. The search for “something new” at “a good price” is an all-pervading theme in the selection of models. It is very important for manufacturers in developing countries either to have a western-designer to style their collection or to follow the models as indicated by the importer. In the latter case, every importer will insist on exclusivity.
- Large retailers buying high volumes usually expect to obtain a price which is lower than the best wholesale price. Suppliers must take this into consideration when setting their prices, after making their own export calculations.
- Importers normally start by placing trial orders, if good samples of the desired models have been received. If the first trial order proves to be successful, more substantial orders may follow. Delivery should then be made in a rather short time!
- The delivery date of an order is always specified at the time of purchase. Suppliers should be aware that failure to meet the specified delivery will usually result in cancellation of the order.
- Never ship poorer quality goods than those demanded and agreed upon. Importers reserve the right to return merchandise that does not conform to the sample they were shown or doesn’t fulfil the quality standards they expected. In some cases, logistics may make it unfeasible to return the order, but in that case the importer will surely never place a new order with the same supplier.
- Avoid bad packaging of the goods. Investigate packaging problems in order to reduce transportation costs and to improve product quality and appearance.
- Depending on the size and market of the importer and the success of an item, the number of items of one model may vary from fifty to several thousand. The latter figure indicates a fairly successful product in, for example, the Dutch market. Appointments are carefully planned in diaries, leaving little or no room for individual discussions on a spontaneous basis, so: always make appointments ahead of time.
- Communication and speaking the right language is very important. If you cannot finish something by a deadline, say so early on. Doing your best (though not keeping a deadline) is not enough. Also, answer questions quickly. Telephone and fax are indispensable; telex is hardly used anymore. E-mail and Internet are rapidly gaining popularity.
- It takes a considerable time to gain confidence as a new supplier.
- Little business is done in July and August (holidays).
- Women can occupy high executive positions in the EU.

Italy

- Polite and formal; no first name basis; business partners should be addressed with their title and last name (ingegnere Raimondo, dottore Calvi, avvocato Guzzi)
- Italians like formal dress and etiquette; sloppy dress is regarded as being uninterested and badly educated
- You are expected to sell yourself and your company; Italian buyers like to hear about your successes, results and achievements
- Be prepared that your Italian counterpart speaks little or no foreign languages.
- Building up a relationship plays a very important role in Italian business life.
- Italian companies are very hierarchical; your counterpart might not have decision power and has to report back to his boss.
- Business meetings are usually finished with a lunch or dinner.

Although there are large cultural differences in dealing with trade partners from different EU countries, the following aspects are important in all EU countries in order to build up a good relationship.

- Open and prompt communication. When asked questions or in case of enquiries, an answer within 24 hours is very much appreciated
- Timely information in case of problems. For example, when shipments will be delayed, please inform your trade partner in time. He will be able to take the necessary measures on his side. Even when you only expect problems, advise your trade partner
- Reliability is a key issue to build up a durable relationship.

13.3 Drawing up an offer

After establishing contacts with potential trade partners in the EU, the exporter might be requested to make an offer. The preparation of an offer should be done with caution. An offer without escape clauses and accepted by an EU trading partner is a legally binding document requiring the exporter to deliver on the specified terms, even when the trading conditions are unfavourable to him.

Before making an offer, the exporter should verify the following items:

- Reputation of trade partner
Important to check whether the trade partner requesting an offer is well established and has a good reputation. Sources to check are:
 - ☛ Branch organisations in the EU (see appendix 3.4)
 - ☛ Trade registers in the country of the trade partner, for example the Chamber of Commerce
 - ☛ Commercial organisations, which can supply

company profiles like Dun & Bradstreet, Cofaz and Graydon. The provided information is usually quite extensive, but reports from these organisations can be quite expensive.

- Rules, regulations and quality standards
It is important to verify whether the exporter can comply with EU and national regulations on products and packaging and the specifications requested by the trade partner.

When making an offer, the following elements should be included:

- Date of quotation and a reference number. This number can at a later stage be used on contracts, payment and shipping documents as an easy reference to the consignment in question.
- Full names and addresses of both parties
- Product and product specifications
- Packaging specifications
- Quantity in units
- Price per unit, currency (ideally in Euros) and total amount
- Delivery terms (Incoterms 2000)
- Delivery period
- Payment terms
- Validity of the quotation.
- Waiver. This is a very important element of the quotation. The waiver gives the exporter an escape clause not to honour the quotation, even when accepted by the EU trade partner. A waiver in the offer is quite customary and can be worded as follows:
 - ☛ This quote is subject to our confirmation
 - ☛ This offer is without any obligations
 - ☛ This offer is subject to confirmation by means of a sales contract

An offer made without waiver and accepted by the buyer obliges the exporter to deliver the goods according to the quotation.

- Referral to the general sales conditions of the exporter. General sales conditions apply to all offers and contracts and stipulates items like:
 - ☛ Retention of title of the goods (in case of non-payment)
 - ☛ Product liability
 - ☛ Force majeure (when an exporter cannot supply due to circumstances beyond his control like strikes, fires, political unrest, perils of the sea)
 - ☛ Resolution of disputes
 - ☛ Delayed payment, late/non delivery
 - ☛ Inspection procedures
 - ☛ Exclusion of Value Added Taxes (VAT) in price quotations

Please remember that the general sales conditions of an exporter might conflict with the general purchasing conditions of an importer.

For details on export calculation models and pricing please refer to Chapter 8 and section 10.5 of this survey.

13.4 Handling the contract

Payment terms

Payment terms form an important negotiation tool for the exporter. By granting credit terms to his trade partner in the EU and by accepting less secure forms of payment, he can stimulate trade partners to accept his offer.

The different payment methods and the risks attached to them are extensively described in CBI's Export Planner. Although payment by letter of credit (L/C) could be negotiated for first time shipments, trade partners in the EU usually pay on 'open account'. The exporter sends his invoice to the importer, who will (or will not) pay the invoice by bank transfer.

Open account payments provide the following advantages for both parties:

- No documents are required; only an invoice is sufficient. This means less paperwork.
- Low cost
- Quick execution
- Simple

However, the exporter has no guarantee that his invoice will be settled. Although he can claim retention of title of the goods as long as the shipment has not been paid, in practice he has very little control over his products when they are in the warehouse of his trade partner. It is therefore strongly advised to take out credit insurance for commercial risks. The local bank of the exporter can advise about the possibilities and the premiums.

Exporters who want to supply EU markets will invariably be faced with longer payment terms. Usually, trade partners will wait with payment until they have inspected the goods upon arrival in their warehouse against the (approved) samples they received. Depending on the shipping period, the exporter can easily face a period of 8-12 weeks after production of the goods before he receives payment of the invoice. The interest he loses should be calculated into his cost price. This is especially important for countries with high interest rates.

Once the offer has been accepted by the buyer and reconfirmed by the exporter, a sales contract will be prepared. Reference is made to the sales contracts of the International Chamber of Commerce (ICC). The ICC sales contracts contain all the necessary elements and can be used as a good basis. However, in practice, an offer signed by both parties automatically converses into a sales contract.

Delivery terms

Delivery terms should be based on the INCOTERMS 2000 issued by the International Chamber of Commerce (ICC). For full details on the INCOTERMS, please check CBI's Export Planner or request a copy of the INCOTERMS 2000 from the ICC.

Delivery terms in the leather goods sector are usually Free on Board (FOB) and Cost, Insurance, freight (CIF).

There is a large difference in DDP deliveries on one hand and FOB and CIF deliveries on the other. DDP deliveries are arrival contracts: the exporter is fully responsible for the goods until they arrive at the warehouse of the trade partner anywhere in the EU. FOB and CIF are departure contracts: responsibility for the goods passes on from the exporter to the importer at the moment the goods pass the ship's rail at the port of departure.

13.5 Sales promotion

To promote the exports of his products to markets in the EU, an exporter in the leather goods sector can apply the following tools:

- *Participation in trade fairs in the EU.*
This is by far the most important promotion tool, as the exporter has the opportunity to present his products to importers, agents, manufacturers and retailers from all EU countries. The most important trade fairs in the EU are Offenbacher Messe, Modeforum and Frankfurter Messe in Germany, Mipel and Capionare di Firenze in Italy and Iberbiel in Spain. Please check contact details in appendix 3.5 of this survey.
Further reference is made to CBI's 'Your show master'.
- *Company brochures and product samples*
A company brochure should be factual, in order to inform potential trade partners on relevant information of the company. Lengthy stories about the founding family and historic reviews should be omitted, as these are of little interest to trade partners in the EU. Instead information should be given about production capacities, applied technology, processing equipment, organisation, markets (both domestic and export), turnover and personnel. This way, a potential trade partner will be able to form an image of your company.
Be careful not to exaggerate and to 'walk your talk' (deliver what you promise).
- *Visits to potential trade partners in the EU*
As personal contacts always work best in any sector, the exporter should invest time and money to visit EU trade partners. It is advisable to allow additional weeks after a trade fair to follow up on contacts and to make appointments with the most promising trade partners.

- *Company stationary*
In order to build the right image for your company, please make sure that the layout, colours and texts of your letterheads, invoices, business cards and envelopes is consistent and that good quality paper is used. Company stationary is an important ambassador for your company as they are sent/given to EU trade partners.
- *E-promotion*
This applies to the use of e-mail and website. A website forms an easy reference for any EU partner to obtain information about your company. In designing a website for your company, the same rules as for company brochures apply: factual and to-the-point information is all a trade partner wants to see. Time is at a premium for trade partners in the leather goods business and they do not want to spend any time in reading information not relevant to their business.
- *Samples*
Samples are a very important tool to promote leather goods. The first thing interested trade partners in the EU will ask for are samples of your products. Often, they will inform you on their product specifications and request you to send samples according to these specifications.
In sending samples (often by airmail), attention should be given to the packaging. Rough handling during transport is common; good packing ensures that your sample reaches your contact in the EU in top condition.

For further details on above-mentioned subjects, please check CBI's 'Your image builder'.

Appendices

APPENDIX 1 DETAILED HSCODES

HS Codes	Product group
4202 11 10	Briefcases , attaché cases, portfolios, school bags and similar containers of leather or imitation
12 11	Briefcases etc. of plastic sheeting
12 91	Briefcases etc. of plastic, vulcanised fibre or textile
11 90	Suitcases , trunks, vanity cases, similar containers of leather or imitation
12 19	Suitcases etc. of plastic sheeting
12 50	Suitcases etc. of moulded plastic
12 99	Suitcases etc. of plastic or textile
19 10	Suitcases , trunks, vanity cases, briefcases , attaché cases, school bags, bags or similar containers of aluminium
19 90	Suitcases , briefcases etc. of other material
21 00	Handbags , with or without shoulder straps, incl. those with handles of leather or imitation
22 10	Handbags of plastic sheeting
22 90	Handbags of fabric
29 00	Handbags of vulcanised fibre, paper or paperboard
31 00	Small leather goods : wallets, purses, key pouches, tobacco pouches or similar articles carried in the pocket or handbag, of leather or imitation
32 10	Small leather goods : wallets etc. of plastic sheeting
32 90	Small leather goods : wallets etc. of textile
39 00	Small leather goods : wallets etc. of vulcanised fibre, Paper or paperboard incl. spectacle cases of moulded plastic
91 10	Travel bags , toilet bags, rucksacks, sports bags of leather or imitation
92 11	Travel bags , toilet bags, rucksacks, sports bags of plastic sheeting
92 91	Travel bags , toilet bags, rucksacks, sports bags of textile
91 80	Other bags : shopping bags, tool bags, jewellery or cutlery boxes, map cases cutlery cases, cases for binoculars, musical instruments, cameras, phone holsters and similar containers of leather or imitation
92 19	Other bags : shopping bags, tool bags etc. of plastic sheeting
92 98	Other bags : shopping bags, tool bags etc. of textile
99 00	Travel bags and other bags/cases/boxes of vulcanised fibre, paperboard or other material
4203 30 00	Belts , waist belts and shoulder belts of leather or imitation

APPENDIX 2 DETAILED IMPORT/EXPORT STATISTICS

The source of the data presented in appendix 2 is Eurostat 2003

A2.1 Imports of leather goods by detailed product group, 1999-2001						
€ 1,000/Tonnes						
	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	4,981,918	601,897	5,965,646	715,882	6,042,625	743,912
Extra-EU	3,327,178	471,615	4,055,680	525,117	4,006,191	531,039
Developing countries	2,715,122	410,974	3,391,586	467,863	3,414,025	485,791
Detailed product groups:						
Cases						
Briefcases	282,709	39,501	310,345	39,087	320,326	40,515
Suitcases	801,153	166,030	996,492	191,100	924,122	178,360
Bags						
Handbags	968,893	76,561	1,230,777	135,115	1,387,465	173,110
Travel bags	1,360,947	172,275	1,554,037	184,745	1,458,183	178,004
Other bags	805,330	106,299	978,774	116,832	1,002,192	114,615
Small leather goods						
Belts	134,224	4,349	156,408	5,875	183,172	6,029
Other small leather goods	628,662	36,882	738,813	43,128	767,165	53,279

A2.2 Imports of leather goods by source, 1999-2001						
€ 1,000/Tonnes						
	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	4,947,011	597,001	5,917,228	709,823	6,031,016	743,075
Extra EU	3,327,178	471,615	4,055,680	525,117	4,006,191	531,039
Developing Countries	2,715,122	410,974	3,391,586	467,863	3,414,025	485,791
<i>Top 3 suppliers</i>						
China	2,154,839	367,230	2,745,390	422,375	2,730,446	435,866
Italy	397,643	14,785	478,039	28,463	536,314	290,472
Belgium	344,070	42,325	379,278	44,894	416,676	51,544
<i>Top 10 developing countries</i>						
China	2,154,839	367,230	2,745,390	422,375	2,730,446	435,866
India	179,110	10,694	224,352	12,636	219,180	12,250
Vietnam	142,666	14,653	166,371	15,336	157,283	14,099
Thailand	62,665	4,909	68,253	3,904	64,418	3,806
Indonesia	0	0	0	0	44,886	5,125
Turkey	26,206	1,578	30,106	1,542	40,348	2,250
South Korea	44,144	2,406	37,469	1,826	25,230	1,137
Tunisia	17,511	691	20,875	1,005	24,345	960
Morocco	13,020	621	14,793	780	17,078	1,037
Pakistan	14,141	2,654	12,829	2,132	12,314	2,145

A2.3 Imports of briefcases by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	280,889	39,007	309,340	38,877	319,809	40,478
Extra EU	209,511	31,918	226,296	30,994	239,149	33,403
Developing Countries	173,495	27,616	196,106	28,081	213,312	31,268
<i>Top 3 suppliers</i>						
China	142,778	25,270	170,171	26,224	187,659	29,285
France	16,028	1,371	26,320	1,623	18,755	798
Netherlands	17,146	3,148	15,480	3,852	15,900	3,169
<i>Top 10 developing countries</i>						
China	142,778	25,270	170,171	26,224	187,659	29,285
Vietnam	12,436	1,182	8,979	855	7,970	717
India	5,930	333	6,572	339	4,965	254
Morocco	2,462	86	2,579	95	2,550	294
Malta	2,430	195	1,610	121	2,452	154
Indonesia	0	0	0	0	1,450	199
Thailand	1,309	123	692	44	1,138	77
South Korea	1,080	88	1,047	65	958	36
Turkey	1,108	77	962	48	876	102
Tunisia	736	46	811	45	741	34

A2.4 EU imports of suitcases by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	788,278	163,011	979,461	187,936	922,765	178,220
Extra EU	496,464	123,120	635,635	144,578	564,220	133,154
Developing Countries	388,586	105,125	511,286	125,982	479,033	122,718
<i>Top 3 suppliers</i>						
China	343,957	99,339	460,517	119,565	425,685	114,119
Belgium	98,608	15,856	129,777	18,395	154,738	21,327
France	64,218	8,562	64,926	8,392	57,947	6,994
<i>Top 10 developing countries</i>						
China	343,957	99,339	460,517	119,565	425,685	114,119
Indonesia	0	0	0	0	12,257	2,563
Vietnam	6,419	804	12,920	1,870	11,817	1,693
India	7,192	843	11,599	1,246	7,473	783
Thailand	9,596	1,421	5,591	605	5,285	551
Moldova	6,123	1,173	6,603	1,275	3,045	1,183
Turkey	2,295	216	2,605	218	1,843	229
Malaysia	52	19	647	112	1,538	281
South Korea	2,949	212	1,742	111	1,325	86
Philippines	903	101	1,150	108	1,306	135

A2.5 EU imports of handbags by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	961,681	76,224	1,220,298	134,641	1,385,222	172,995
Extra EU	544,130	59,627	713,396	66,887	800,059	79,348
Developing Countries	441,697	53,369	582,868	60,431	643,241	71,240
<i>Top 3 suppliers</i>						
China	322,923	46,973	432,205	53,157	479,883	63,265
Italy	201,372	4,677	243,669	7,872	279,166	60,325
France	82,860	1,949	105,291	45,289	138,900	57,062
<i>Top 10 developing countries</i>						
China	322,923	46,973	432,205	53,157	479,883	63,265
India	63,340	3,377	85,623	4,086	83,855	4,274
Thailand	13,180	524	15,488	440	14,999	484
Tunisia	6,280	277	8,933	437	12,880	445
Morocco	6,779	294	7,480	320	9,729	441
Indonesia	0	0	0	0	7,821	362
Vietnam	5,527	537	8,599	756	7,349	758
Turkey	5,546	306	5,738	277	7,327	332
South Korea	4,923	284	3,719	174	4,365	158
Slovenia	1,722	66	2,728	101	2,985	122

A2.6 EU imports of travelbags by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	1,353,345	171,593	1,539,630	183,767	1,454,341	177,684
Extra EU	974,532	138,922	1,135,730	147,595	1,038,422	139,683
Developing Countries	820,544	124,117	984,139	135,066	944,760	129,678
<i>Top 3 suppliers</i>						
China	685,542	111,106	838,955	123,135	783,499	117,265
Belgium	177,572	16,600	168,205	15,806	178,315	18,220
Vietnam	89,789	9,382	98,453	8,342	97,167	7,542
<i>Top 10 developing countries</i>						
China	685,542	111,106	838,955	123,135	783,499	117,265
Vietnam	89,789	9,382	98,453	8,342	97,167	7,542
Indonesia	0	0	0	0	17,707	1,516
Thailand	11,920	1,058	10,117	722	9,076	693
India	9,681	785	9,063	664	7,171	468
South Korea	6,917	424	6,932	452	4,936	264
Philippines	3,249	254	3,999	259	4,357	336
Turkey	1,029	66	1,788	111	3,884	160
Malaysia	2,702	286	2,718	288	3,503	315
Sri Lanka	1,257	104	1,502	122	2,507	166

A2.7 EU imports of other bags by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	803,267	106,056	975,782	116,497	999,962	114,440
Extra EU	634,848	85,253	791,002	98,468	786,158	97,670
Developing Countries	510,731	72,669	660,439	85,976	654,040	86,611
<i>Top 3 suppliers</i>						
China	411,035	61,618	539,700	73,731	533,842	74,127
Italy	20,697	2,146	23,139	1,364	44,886	1,268
Netherlands	38,273	4,164	37,399	4,088	37,490	3,171
<i>Top 10 developing countries</i>						
China	411,035	61,618	539,700	73,731	533,842	74,127
Vietnam	21,430	2,253	30,840	3,148	26,716	2,941
India	17,635	2,622	21,544	3,201	22,165	3,185
Thailand	16,288	1,585	22,354	1,886	19,382	1,805
Turkey	5,351	552	5,355	344	12,422	647
South Korea	18,465	953	16,536	724	9,243	430
Pakistan	10,711	2,169	8,545	1,683	8,766	1,781
Philippines	2,073	191	3,187	233	4,109	307
Indonesia	0	0	0	0	3,744	387
Brazil	166	6	2,340	75	2,803	83

A2.8 EU imports of belts by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	133,405	4,340	156,121	5,870	182,875	6,025
Extra EU	32,364	1,437	38,277	1,670	53,170	2,454
Developing Countries	18,433	967	22,572	1,207	30,336	1,920
<i>Top 3 suppliers</i>						
Italy	52,582	1,345	63,806	1,724	64,697	1,695
Netherlands	11,681	475	13,761	561	17,389	813
China	5,143	368	8,683	517	15,708	1,158
<i>Top 10 developing countries</i>						
China	5,143	368	8,683	517	15,708	1,158
Turkey	5,736	203	5,881	273	5,962	237
Tunisia	3,016	56	3,104	59	3,239	100
India	1,423	160	1,562	165	1,851	233
Pakistan	824	71	1,315	66	903	69
Argentina	433	19	603	39	724	21
Morocco	289	33	324	45	382	37
South Korea	289	8	311	8	378	16
Mexico	228	15	333	22	275	25
Thailand	584	19	162	6	227	8

A2.9 EU imports of small leather goods by source, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	626,146	36,770	736,596	42,235	766,042	53,233
Extra EU	435,329	31,338	515,344	34,925	525,013	45,327
Developing Countries	361,636	27,111	434,176	31,120	449,303	42,356
<i>Top 3 suppliers</i>						
China	243,461	22,556	295,159	26,046	304,170	36,647
India	73,909	2,574	88,389	2,935	91,700	3,053
Italy	51,787	1,208	65,185	12,007	64,463	220,714
<i>Top 10 developing countries</i>						
China	243,461	22,556	295,159	26,046	304,170	36,647
India	73,909	2,574	88,389	2,935	91,700	3,053
Thailand	9,788	179	13,849	201	14,311	188
Turkey	5,141	158	7,777	271	8,034	543
Slovenia	1,163	79	2,502	187	6,424	475
Vietnam	7,030	493	6,575	365	6,248	446
Tunisia	3,728	107	4,801	186	4,226	152
South Korea	9,521	437	7,182	292	4,025	147
Morocco	1,360	67	1,609	99	1,992	81
Indonesia	0	0	0	0	1,706	94

A2.10 EU Exports by product group, 1999-2001
€ 1,000/Tonnes

	1999		2000		2001	
	Value €	Volume	Value €	Volume	Value €	Volume
Total	4,038,362	199,446	5,033,275	212,036	5,531,525	214,674
Extra-EU	2,087,791	39,408	2,767,393	51,101	3,121,905	52,703
Developing countries	216,334	9,162	316,846	12,570	340,506	12,555
Detailed product groups:						
Cases						
Briefcases	135,034	8,932	165,529	10,195	153,116	8,782
Suitcases	484,034	56,362	604,452	60,665	556,502	59,753
Bags						
Handbags	1,312,497	46,654	1,751,070	37,111	2,035,861	40,084
Travel bags	855,147	49,325	818,860	55,149	810,772	54,713
Other bags	355,475	22,217	471,048	28,284	599,974	29,352
Small leather goods						
Belts	239,705	5,181	266,517	6,732	309,949	5,721
Other small leather goods	656,470	10,775	955,799	13,900	1,065,351	16,269

APPENDIX 3 USEFULL ADDRESSES

3.1 Standards organisations

INTERNATIONAL

International Standardisation Institute (ISO)

E-mail: central@iso.ch
Internet: <http://www.iso.ch>

Convention of Washington on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

Address: International Environment House,
Chemin des Anémones, CH-1219 Geneva,
Switzerland
E-mail: cites@unep.ch
Internet: <http://www.cites.org>

EUROPEAN UNION

Comité Européen de Normalisation (CEN)

European Committee for Normalisation
E-mail: infodesk@cenorm.be
Internet: <http://www.cenorm.be>

BELGIUM

Institut Belge de Normalisation (IBN)

E-mail: info@ibn.be
Internet: <http://www.ibn.be>

FRANCE

Association Française de Normalisation (AFNOR)

E-mail: info.normes@afnor.fr
Internet: <http://www.afnor.fr>

GERMANY

Deutsches Institut für Normung e.V. (DIN)

E-mail: postmaster@din.de
Internet: <http://www.din.de>

TÜV Rheinland Berlin Brandenburg

E-mail: presse@de.tuv.com
Internet: <http://www.de.tuv.com/>

Institut Fresenius, Chemische und Biologische Laboratorien AG

E-mail: info@fresenius.com
Internet: <http://www.fresenius.com>

Prüf- und Forschungsinstitut Pirmasens

E-mail: info@pfi-ps.de
Internet: <http://www.pfi-ps.de>

ITALY

Ente Nazionale Italiano di Unificazione (UNI)

E-mail: uni@uni.com
Internet: <http://www.uni.com>

LUXEMBOURG

Service de l'Energie de l'Etat (SEE)

Address: Département Normalisation,
P.O. Box 10, L-2010 Luxembourg
E-mail: see.normalisation@eg.etat.lu
Internet: <http://www.etat.lu/SEE>

THE NETHERLANDS

Nederlands Normalisatie-instituut (NEN)

Netherlands Standardisation Institute
E-mail: info@nni.nl
Internet: www.nni.nl

Stichting Milieukeur

E-mail: milieukeur@milieukeur.nl
Internet: <http://www.milieukeur.nl>

SPAIN

Asociación Española de Normalización y Certificación (AENOR)

E-mail: info@aenor.es
Internet: www.aenor.es

UNITED KINGDOM

British Standards Institution (BSI)

E-mail: info@bsi-global.com
Internet: www.bsi-global.com

3.2 Sources of price information

International Trade Centre

Internet: <http://www.leathernet.com>

Filiere Cuir

E-mail: ftaddei@leathermarkets.com
Internet: <http://www.leathermarkets.com>

FAO

E-mail: fao-hq@fao.org
Internet: <http://www.fao.org>

ITC - International Trade Centre

Web site that provides information on trade in the leather industry.
Internet: <http://www.leathernet.com>

Filiere Cuir

Leather markets and price information is given on the web site of the magazine Filiere Cuir:

Internet: <http://www.leathermarkets.com>

FAO

Publishes the "Monthly Bulletin of Statistics",
"Commodity and Market Review"

3.3 Trade associations

AUSTRIA

Fachverband der Lederverarbeitenden Industrie

Address: Wiedner Hauptstrasse 63, Postfach 63,
A 1045 Wien, Austria

Telephone: +43 (0) 1 50 105 34 53

Telefax: +43 (0) 1 50 20 62 78

E-mail: fvleder@wkoesk.wk.or.at

Verband der Lederwaren und koffenindustrie

Address: Postfach 313, 1045 Wien, Austria

Telephone: +43 (0) 1 50 105

Telefax: +43 (0) 1 50 206 278

BELGIUM

Chambre professionnelle de la maroquinerie

Address: Avenue Louise, B-1060 Brussel, Belgium

Telephone: +32 (0) 2 251 00 50

Telefax: +32 (0) 2 251 42 96

E-mail: febic@vidac.be

FRANCE

Federation francaise de la maroquinerie

Address: Boulevard Magenta, 75010 Paris, France

Telephone: +33 (0) 1 53 26 44 44

Telefax: +33 (0) 1 46 07 87 89

E-mail:

Internet: <http://ff-marroquinerie.fr>

GERMANY

Verband der Deutschen Lederindustrie e.V.

Address: Fuchstanzstrasse 61,
D-60489 Frankfurt am Main, Germany

Telephone: +49 (0) 69 97 84 31 41

Telefax: +49 (0) 69 78 80 00 09

E-mail: info@vdl-web.de

Bundesverband Lederwaren und Kunststoffherzeugnisse e.V.

E-mail: info@lederwarenverband.de

Internet: <http://www.lederwarenverband.de>

ITALY

Aimpes

Address: Corso d'Italia 17, 20122 Milano, Italy

Telephone: +39 2 89 010 020

Telefax: +39 2 89 010 345

THE NETHERLANDS

Nederlandse bond van lederwaren en kofferfabrikanten

Address: P.O. Box 90145, 5000 LG Tilburg,
The Netherlands

Telephone: +31 (0) 13 394 45 48

Telefax: +31 (0) 13 394 47 49

SPAIN

Asociacion Espanola de Fabricantes de Marroquineria, Articulos de Viaje y Afines

(The Spanish Association of Manufacturers of Leather Goods, Travel Items and Related Articles

E-mail: asefma@asefma.com

Internet: <http://www.asefma.com>

UK

British Luggage and Leathergoods Association

E-mail: <http://www.bl11.org.uk> (on site)

Internet: <http://www.bl11.org.uk>

3.4 Trade fair organisers

BELGIUM

Trade Mart, Shoes'n Bags

Products: shoes and bags of all kinds of materials

Location: Brussels, Belgium

Date: not known yet

Organisers: Fashion Center Brussels

Email: info@fashioncenter.be

Internet: <http://www.fashioncenter.be>

GERMANY

Offenbacher Messe

Products:

March: Winter trends of leather bag fashion and accessories

September: Summer trends of leather bag fashion and accessories

Location: Offenbach, Germany

Date: 27-03-2004 – 29-03-2004 and
25-09-2004 – 28-09-2004

Organisers: Messe Offenbach GmbH

Email: info@messe-offenbach.de

Internet: <http://www.messe-offenbach.de>

Modeforum

Products: Innovations in design and function of leather goods and accessories
Location: Offenbach, Germany
Date: 07-02-2004 – 09-02-2004
Organisers: Messe Offenbach GmbH
Email: info@messe-offenbach.de
Internet: <http://www.messe-offenbach.de>

Fur und fashion

Products: Fur and leather goods
Location: Frankfurt, Germany
Date: 11-03-2004 – 14-03-2004
Organisers: Fur & Fashion Frankfurter Messe GmbH
Email: info@fur-fashion-frankfurt.de
Internet: <http://www.fur-fashion-frankfurt.de/english/index.html>

Pirmasens Leather and more

Products: Leather and shoe components
Location: Pirmasens, Germany
Date: Spring – Summer: 06-04-2004 – 07-04-2004
Autumn – Winter: 12-10-2004 – 13-10-2004
Organisers: Messe- und Veranstaltungsgesellschaft Pirmasens MbH
Email: info@messe-pirmasens.de
Internet: <http://www.messe-pirmasens.de>

THE NETHERLANDS

Trade Mart

Products: fashion accessories
Location: Utrecht, The Netherlands
Date: In general every first Monday of the month
Organisers: Trade Mart
Email: on site
Internet: <http://www.trademart.nl>

SPAIN

Iberpiel/Peleteria

Products: fur and leather fashion fair
Location: Madrid, Spain
Date: 13-02-2004 – 16-02-2004,
11-02-2005 – 14-02-2005
Organisers: IFEMA, Feria de Madrid
Email: semanamoda@ifema.es
Internet: <http://www.ifema.es>

ITALY

MIPEL

Products: leather accessories, leather travel and business products
Location: Milano, Italy
Date: 20-03-2004- 23-03-2004,
18-09-2004 – 21-09-2004
Organisers: Aimpes Servizi Srl

Email: segreteria@mipel.com
Internet: <http://www.mipel.com>

Campionare di Firenze

Products: leather goods
Location: Florence, Italy
Date: 02-03-2004 – 04-03-2004 and
30-09-2004 – 02-10-2004
Organisers: Prato Expo
Email: pratotrade@pratoexpo.com
Internet: <http://www.pratoexpo.com>

Lineapelle

Products: leather accessories, components, synthetic products, leather goods and leatherwear
Location: Bologna, Italy
Date: Spring – Summer: 27-04-2004 – 29-04-2004
Autumn – Winter: 26-10-2004 – 28-10-2004
Organisers: Lineapelle S.P.A.
Email: firenze@lineapelle-fair.it
Internet: <http://www.lineapelle-fair.it>

ASIA

Asia Pacific Leather fair

Products: Fashion and finished products
Location: Hong Kong, China
Date: Spring – Summer: 29-03-2004 – 01-04-2004
Autumn – Winter: October 2004
Organisers: APLF, Leather Division
Email: info@alpf.com
Internet: <http://www.alpf.com>

3.5 Trade press

GERMANY

Lederwaren Zeitung

Language: German
Publisher: Umschau Zeitschriftenverlag
Address: Postfach 110262,
D60329 Frankfurt am Main, Germany
Email: info@uzv.de
Internet: <http://www.uzv.de>

Lederwaren Report

Language: German
Publisher: Verlag Otto Sternefeld GmbH
Email: sk.vertrieb@sternefeld.de
Internet: <http://www.sternefeld.de>

FRANCE

Filiere Cuir

Language: French
Publisher: TPS
Email: ftaddei@leathermarkets.com
Internet: <http://www.leathermarkets.com>

ITALY

Arpel

Language: Italian
Publisher: Ars Arpel Group srl
Email: arsarpel@arsarpel.it
Internet: <http://www.arsarpel.it>

THE NETHERLANDS

Trend Boutique

Language: Dutch
Publisher: Blauwmedia uitgeverij BV
Email: trendboutique@blauwmedia.demon.nl
Internet: http://www.shoes.nl/html/mag_trendboutique.html

UK

Leather Magazine

Language: English
Publisher: Polyon Media
Email: sdavy@wilmington.co.uk
Internet: <http://www.polygonmedia.co.uk>

3.6 Other usefull addresses

GERMANY

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

German Agency for Technical Cooperation
E-mail: karin.soldan@gtz.de
Internet: www.gtz.de

LUXEMBOURG

Bureau for Official EU publications

EU publications
E-mail: info-info-opoce@cec.eu.int
Internet: www.eur-op.eu.int

THE NETHERLANDS

Centraal Bureau voor de Statistiek (CBS)

Central Bureau of Statistics
E-mail: infoservice@cbs.nl
Internet: www.cbs.nl

Centrale Dienst voor In- en Uitvoer (CDIU)

(Central Licensing Office for Import and Export)
Address: Engelse Kamp 2, P.O. Box 3003,
9700 RD Groningen, The Netherlands
Telephone: +31 (0) 50 5239111
Telefax: +31 (0) 50 5260698

Chamber of Commerce and Industries for Rotterdam & the Lower Meuse

(Provides information on registered business, business practices and import tariffs)

E-mail: dvergeer@rotterdam.kvk.nl
Internet: www.rotterdam.kvk.nl

Directie Wetgeving Douane, Ministerie van Financiën Customs Policy and Legislation Directorate, Ministry of Finance

E-mail: www.minfin.nl _ Mail to the Ministry of Finance
Internet: www.minfin.nl

Exportbevorderings- en Voorlichtingsdienst (EVD), Ministerie van Economische Zaken

Trade Promotion and Information Department, Ministry of Economic Affairs
E-mail: eic@evd.nl
Internet: www.evd.nl

CBI/AccessGuide

CBI's database on European non-tariff trade barriers
E-mail: AccessGuide@cbi.nl
Internet: www.cbi.nl/accessguide

The Ministry of Housing, Spatial Planning and the Environment (VROM)

Provides information on environmental regulations
E-mail: www.minvrom.nl _ mail
Internet: www.minvrom.nl

APPENDIX 4 LIST OF DEVELOPING COUNTRIES

Please note that the OECD list of developing countries, as applied in this market survey, may include countries that are usually not considered as developing countries.

Afghanistan	Botswana	Montserrat
Guinea-Bissau	Lesotho	Vanuatu
São Tomé & Príncipe	Syria	Cuba
Albania	Brazil	Morocco
Guyana	Liberia	Venezuela
Saudi Arabia	Tajikistan	Djibouti
Algeria	Burkina Faso	Mozambique
Haiti	Macedonia	Vietnam
Senegal	Tanzania	Dominica
Angola	Burundi	Myanmar
Honduras	Madagascar	Wallis & Futuna
Seychelles	Thailand	Dominican republic
Anguilla	Cambodia	Namibia
India	Malawi	Western Samoa
Sierra Leone	Timor	Ecuador
Antigua and Barbuda	Cameroon	Nauru
Indonesia	Malaysia	Yemen
Slovenia	Togo	Egypt
Argentina	Cape Verde	Nepal
Iran	Maldives	Yugoslavia, Fed. Rep.
Solomon Islands	Tokelau	El Salvador
Armenia	Central African rep.	Nicaragua
Iraq	Mali	Zaire
Somalia	Tonga	Equatorial Guinea
Azerbaijan	Chad	Niger
Jamaica	Malta	Zambia
South Africa	Trinidad & Tobago	Eritrea
Bahrain	Chile	Nigeria
Jordan	Marshall Islands	Zimbabwe
Sri Lanka	Tunisia	Ethiopia
Bangladesh	China	Niue
Kazakstan	Mauritania	Fiji
St. Helena	Turkey	Oman
Barbados	Colombia	Gabon
Kenya	Mauritius	Pakistan
St. Kitts-Nevis	Turkmenistan	Gambia
Belize	Comoros	Palau Islands
Kiribati	Mayotte	Georgia
St. Lucia	Turks & Caicos Islands	Palestinian Admin. Areas
Benin	Congo	Gabon
Korea, rep of	Mexico	Panama
St. Vincent and Grenadines	Tuvalu	Ghana
Bhutan	Cook Islands	Papua New Guinea
Kyrgyz Rep.	Micronesia, Fed. States	Grenada
Sudan	Uganda Costa Rica	Peru
Bolivia	Moldova	Guatemala
Laos	Uruguay	Philippines
Surinam	Côte d'Ivoire	Guinea
Bosnia & Herzegovina	Mongolia	Rwanda Tokelau
Lebanon	Uzbekistan	
Swaziland	Croatia	

Note: Eurostat figures do not include figures for Cook Islands, Niue, St. Kitts-Nevis, Timor and Tokelau

APPENDIX 5 USEFUL INTERNET SITES

PRICE INFORMATION

<http://www.leathernet.com>

International Trade Centre

<http://www.leathermarkets.com>

Filiere Cuir

<http://www.fao.org>

FAO

TRADE FAIRS

<http://www.messe-offenbach.de>

Offenbacher Messe

<http://www.mipel.com>

MIPEL

MAGAZINES AND JOURNALS

<http://www.polygonmedia.co.uk>

Leather Magazine

<http://www.uzv.de>

Lederwaren Zeitung

STANDARDS AND REGULATIONS

<http://www.ear.nl>

European authorised representative legal experts for entering the EU market.

<http://www.wssn.net>

World Standard Service is a network of standards organisations.

<http://www.cenorm.be>

Internet site of the European Committee for Standardisation.

