CBI MARKET SURVEY

THE OUTERWEAR MARKET IN GERMANY

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the outerwear market in Germany:

- Germany remained the largest clothing market in the EU, despite decreases in clothing expenditure since 2001. The German market amounted to € 58.9 billion in 2005, of which 83% concerned outerwear.
- German imports of outerwear fell 9.1% during the period 2001-2004 to a value of € 16.6 billion but Germany remained the largest EU importer.
- A growing share of total outerwear imports came from developing countries: 46% in 2001 and 52% in 2004. Turkey remained the leading exporter of outerwear to Germany followed by China. Imports from Bangladesh increased 24% and passed Italy, becoming the 3rd supplier of Germany.

This survey provides exporters of outerwear with sector-specific market information related to gaining access to Germany. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The outerwear market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo.

1. Market description: consumption and production

Consumption

Total market size

The GDP of Germany, which is the largest economy in the EU, grew more slowly than the EU average. As result of the weak economic situation, Germany's 82 million inhabitants continue to sit on their wallets and consumer spending is stagnant. At the same time, market conditions have become more difficult and the competitive pressure is increasing due to expansion of powerful foreign companies in the German market and market activities by companies from outside the clothing sector. These and other (such as decreasing population figures, changing consumer expectations, growing imports from low-cost countries) developments resulted in lower expenditure on clothing until now, while for 2007 a slight recovery is expected.
Consumer expenditure on outerwear decreased again in 2005, but more slowly than in the previous years.
Preliminary figures for 2006 indicate a slight decrease, too. For 2007, and in the longer term, the expectations are more positive, for the following reasons:

- ageing population and older people tend to spend more on comfortable clothing, while outdoor activities (and therefore outdoor clothing and accessories) are popular among an important group of active seniors;
- an expected recovery of the economic situation resulting in increased consumer expenditure on clothing;
- increasing interest in fashion trends especially among younger consumers.

Germany remained the largest clothing market in the EU, because of its large population. Since 2002, clothing expenditure decreased in Germany; total spending on clothing amounted to € 58.9 billion in 2005, of which 83% concerned outerwear. The diminishing average spending per person is lower than other major EU markets, like UK and Italy, but much higher than the EU average. For eight years, Germans spent an average of almost 7% of their disposable income on clothing, but this has now fallen to 5%.

Table 1.1 Consumer expenditure on outerwear (in € million) in Germany, 2002-2007

	2002	2003	2004	2005	2006 f	2007 f
Women's outerwear	28,667	28,045	27,518	27,357	27,200	27,390
Men's outerwear	15,114	14,235	14,342	14,420	14,530	14,845
Children's outerwear	6,805	6,717	6,441	6,395	6,270	6,190
- Girls' outerwear	*3,596*	*3,553*	*3,398*	*3,330*	*3,290*	*3,245*
- Boys' outerwear	*2,205*	*2,155*	*2,054*	*2,060*	*1,985*	*1,950*
- Babies' outerwear	*1,004*	*1,009*	*989*	*1,005*	*995*	*995*
Leather wear	503	465	450	435	435	455
Total outerwear	**51,089**	**49,462**	**48,751**	**48,607**	**48,435**	**48,880**
Yearly change	- 3.0%	- 3.2%	- 1.4%	- 0.3%	- 0.4%	+ 0.9%

f= forecasts
Source: Bundesverband des Deutschen Textileinzelhandels (BTE) and Euromonitor

Women and children's outerwear expenditure showed the same pattern: decreases in the period 2002-2005. Women's outerwear fell 4.6% and children's outerwear 6.0%, while men's wear levelled off in 2004 and increased 1.3% during the last two years, after a decrease of almost 11% in the period 2001-2003.
Consumer demand for leather garments fell dramatically for several years to € 435 million in 2005, of which an estimated 85% covered leather and suede jackets.
Clothing prices declined 0.7% in the period 2000-2004, though in terms of volume the German clothing market grew 15% during the same period. The sector was characterised by a lack of buoyancy, the trade by lack of customers and consumers by a lack of disposable income.
The still-falling birth rate and not least the falling real net income of families with children, even amongst the grandparents who have previously functioned as buyers of clothing as gift, are causing further reductions in the children's wear sector.

Table 1.2 Development in clothing consumption 2004-2005 in terms of volume

Women's wear		**Men's wear**	
Type of article	**Change in %**	**Type of article**	**Change in %**
Coats (or furs)	+ 6	Coats	+ 7
Suits	- 2	Outdoor jackets	+ 4
Jackets	+ 1	Suits	+ 4
Dresses	- 9	Jackets/blazers	+ 1
Skirts	- 8	Leather	- 11
Trousers	- 3	Trousers	0
Jeans	+ 7	Jeans	+ 2
Blouses	- 6	Shirts	- 2
Knitwear	- 1	Knitwear	+ 6
		Ties	+5
Women's wear total	**- 1**	**Men's wear total**	**+ 2**

Source: BTE (estimates based on 11 months figures)

These figures illustrate that amongst general reluctance to buy, men's wear at plus 2% was holding up better than women's wear with its fall of 1%. The still firm trend towards casual clothing found expression in men's wear in the form of jeans, other cotton trousers and outdoor jackets. Suits for young men were also in demand in the fashion sector. Women took out their purses for cotton trousers, skirts, light knitted fashion and fashionable blouses.
The German market for clothing remained weak and based on preliminary figures, a recovery is not expected in 2006. In 2007 it will grow slightly and reach an estimated value of € 48.9 billion.
Despite the developments described above, Germany is an attractive market for producers of outerwear. In 2005, the German clothing market was still 8.4% larger than the UK clothing market.

Market segmentation

The general criteria for market segmentation of outerwear are: by demographic factors, such as age, gender etc.; by type of product and type of activity resulting in specific clothing behaviour, like formal, casual, leisure and active sports dress; by attitude towards fashion and life style; and by product/quality ratio.
Other criteria are based on special events (weddings, parties, communion etc. in these cases dress can be considered as formal wear) or other circumstances, like maternity wear.

Segmentation by demographic factors

The size and age structure of the population is one of the basic determinants of how much will be spent on clothing.

- The German population is increasing at a slow pace from 82.26 million in 2000 to 82.45 in 2005. Growth has been affected slightly due to a fall in the number of births and in the number of deaths. The German population is projected to decrease to 75 million by 2050.
- Just like in other major EU countries, the category below 20 years has decreased in Germany, while the categories 40 and older have increased substantially. In 2000 about 50% of the total population was older than 40. Following the trend in other European countries of an ageing population, in 2005 18.6% of the German population is 65 or over, which is higher than in other western European countries.
- Another important demographic development is the increase of one- and two-person households. The persons in such households do not have many household or family obligations, so they have a lot of leisure time. Besides that they have rather high incomes. Both factors are stimulating clothing consumption.

Segmentation by type of product and type of activity

In general, the outerwear market can be divided into several segments based on type of product combined with type of activity, resulting in a specific clothing behaviour.
The active sports segment (now 5% of total men’s and 4% of total women’s outerwear market) will continue to expand its influence on the leisure (22% of men’s and 21% of women’s market) and casual segments (resp 33% and 32%). Formal wear (resp 40 and 43%) will lose out to these sectors but ‘smart casual’ will be further influenced by the workplace.
The opinion of some experts is that the move in clothing behaviour from formal to casual and from formal and casual to leisure and active sportswear in Germany will not, or only slightly, be continued in the coming years.

Trends in consumption

- Men’s wear market is the most dynamic; driven by the increasing number of men who are fashion conscious, and enjoy buying their own clothes. This is one of the major reasons, besides also demographic changes, to boost the growth of sports and leisure wear.
- Many German consumers on lower incomes will continue to seek low price clothes in a steadily growing discount sector. On the other hand, quality and convenience will become more important, and the youthful outlook of the older consumers will strengthen designer and sports labels.
- The overall development of the market reflects the growing disparity between the different economic strata of German society, and the increasing number of poor and relatively poor German residents.
- West Germans buy more clothing than East Germans due to the higher level of unemployment in the east of the country and the generally low wages.
- Children’s and teenage clothing from trendy brands and sports labels are doing well, also because of extensive marketing and spin-offs from the adult market.
- Babies’ wear and small sizes in children clothes are decreasing due to popularity of second hand clothes and by receiving used clothes from friends and family.

Production

Total production
Turnover of the German clothing industry amounted to € 8.9 billion in 2004 (5.5% lower than in 2003), of which 71% outerwear. Germany ranked 3rd in clothing production after Italy and France; the share in total EU turnover was 13% in 2004. In the first nine months of 2005, the clothing industry turnover stabilised. Nearly all industrial companies developed an outsourcing policy.
The number of outerwear manufacturers decreased from 279 in 2003 to 248 in 2004, employing almost 27,000 people against almost 30,000 in 2003. Total turnover of these outerwear manufacturers amounted to € 6,349 million in 2004, 2% lower than in 2003, indicating improved production per employee.

Major players
Major companies in turnover of German clothing industry are in the sectors (among others):
- Sportswear: Adidas-Salomon AG (http://www.adidas.com); Puma (http://www.puma.com)
- Family wear: S. Oliver Group (http://www.soliver.de); Tom Tailor (http://www.tom-tailor.com); JCK Holding (http://www.jck.de); Hucke (http://www.hucke.com)
- Women's wear: Escada-Gruppe (http://www.escada.com); CBR Holding (http://www.street-one.com); Gerry Weber International (http://www.gerryweber-ag.de)
- Men's wear: the Ahlers Gruppe (including sportswear and workwear; http://www.ahlers-ag.com); Brinkmann (http://www.bugatti.de)
- Women's and men's wear manufacturers are: Hugo Bosch (http://www.hugoboss.com); Mac Mode (http://www.mac-mode.com); Brax Leineweber (http://www.brax-fashion.com)
- Children's wear manufacturer: Sanetta Textilwerk Gebr. Amman (http://www.sanetta.de).

Trends in production
- A high degree of integration in the value chain. More and more manufacturers of brands open their own brand stores.
- A further decrease in the number of manufacturing companies as a result of growing imports from low-cost countries.

Opportunities and threats
- Germany is still the largest market for outerwear in the EU, however, consumer expenditure decreased for several years. Clothing expenditure in Germany is expected to recover after 2006.
- Demand for outerwear in Germany will increase slightly in the period 2007-2009. The number of garments purchased per head of population will continue to rise but prices will not follow this growth rate.
- Caused by economic developments in their country, many German consumers on lower incomes will continue to seek low priced clothes. On the other hand, the size of the market and the polarisation in incomes offer huge markets for quality and convenience, designer labels, (global) sports brands etc.
- To satisfy the requirements of importing companies in Germany (and other EU countries), exporters in developing countries will be faced with increased demands for higher quality and environmentally and sociability friendly products.
- Strategies of German manufacturers led to further sourcing of products in low-cost countries and, probably, of products with a higher design content. The largest middle range market segment may offer good opportunities for exporters in developing countries.

Useful sources
- Various information about the German clothing and outerwear market can be found at websites, such as http://www.germanfashion.net ; http://www.textil-mode.de ; http://www.wer-zu-wem.de
- Euratex Bulletins (http://www.euratex.org); Apparel Retailing in Western Europe, Retail Forward (http://www.retailforward.com); Clothing Retailing Europe and European Retail

Handbook 2005/6, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor publications (http://www.euromonitor.com); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Total imports

German imports of outerwear fell 10% during the period 2000-2004 to a value of € 16.6 billion in 2004. Nevertheless Germany remained the largest EU importer of outerwear. The decrease in clothing consumption since 2001, as described in the previous chapter, led to a fall in imports and in domestic production during this period.
72% of outerwear imports was sourced outside the EU. A growing share of total outerwear imports came from developing countries: 46% in 2001 and 52% in 2004.
Total German imports of outerwear decreased by 5.9% in terms of value in the period 2002-2004, which is a far worse scenario than developments in the whole of the EU, which registered a fall of 4.0% over the same period.
Average import prices fell in 2003 by 12.5% and 7.2% in 2004, which was mainly caused by the weak domestic consumer market and the intensive competition, both at trade level and at suppliers' level.
Imports of knitted outerwear stabilised in the period 2002-2004, while imports of woven outerwear fell considerably by 9%. The decrease in imports of leather garments was even more in the same period, namely 32%.

Table 2.1 Outerwear supplied to Germany, 2000–2004 € million / '000 tonnes

	2000		2002		2004		DC*) share in % of value, 2004
	Value	volume	value	volume	value	volume	
Total outerwear	**18,205**	**777.4**	**17,593**	**763.1**	**16,556**	**881.2**	**52%**
Knitted outerwear							
- overcoats/outdoor jackets	90	3.7	134	5.5	147	8.5	56%
- suits/jackets/trousers	878	45.4	694	37.5	668	46.3	56%
- shirts/blouses	502	24.2	481	20.9	462	23.1	52%
- T-shirts	1,986	112.6	1,961	111.1	2,227	128.3	61%
- jerseys/pullovers	3,200	136.2	2,934	135.1	2,640	143.7	51%
- babies garments	214	10.0	191	9.5	191	13.8	71%
- sportswear	215	10.2	166	7.8	186	12.5	49%
- accessories	147	10.2	149	11.6	188	16.7	56%
Total knitted outerwear	**7,232**	**352.5**	**6,710**	**339.0**	**6,709**	**392.9**	**56%**
Woven outerwear							
- overcoats/outdoor jackets	1,487	54.6	1,438	63.2	1,302	83.8	63%
- suits/ensembles	545	17.4	514	15.8	504	18.1	41%
- indoor jackets	1,186	34.5	1,280	36.6	1,195	37.6	31%
- trousers	3,630	167.2	3,860	176.3	3,716	199.6	43%
- dresses	312	9.3	236	7.3	192	7.1	43%
- skirts	468	16.2	421	15.5	410	17.2	48%
- shirts/blouses	1,794	71.0	1,591	65.8	1,387	64.5	56%
- babies garments	74	3.5	79	4.3	82	6.2	72%
- sportswear	341	15.9	286	13.1	230	14.3	58%
- accessories	242	7.7	173	6.3	159	7.2	56%
- other	318	13.5	199	7.4	317	21.2	49%
Total woven outerwear	**10,397**	**410.8**	**10,363**	**422.6**	**9,494**	**476.8**	**48%**
Leather garments	**576**	**14.1**	**520**	**12.5**	**353**	**11.5**	**83%**

*) developing countries
Source: Eurostat, 2005

Main developments in origin of outerwear imports by Germany concerning DCs in the period 2003-2004 were:

- Imports from developing countries grew (+ 5%) to the detriment of imports from developed non-EU countries (- 26%);
- Imports from Asian developing countries grew by 13% (mainly China, Bangladesh, Cambodia and Vietnam); imports from Central and South America and from developing CEECs grew too, but these imports were limited;
- Imports from Mediterranean developing countries decreased 5% (mainly caused by decreased imports from Tunisia and Morocco), while imports from ACP countries decreased 6% (mainly caused by fallen imports from Mauritius).

Turkey remained the leading exporter of outerwear to Germany in 2004, despite a fall of almost 4% during 2003-2004 and accounted for 15% of total German imports, followed by China. Imports from China grew 14% during 2003-2004 and accounted for 13% of the value of German imports. Imports from Bangladesh increased 24%, passed Italy and became the 3rd supplier of Germany.

Table 2.2 Leading suppliers to Germany by product groups in 2004, share in % of value

	Total share
Total outerwear	
Intra EU : Italy (6%); Netherlands (4%); Poland (3%); Belgium (3%); Czech Rep. (3%).	28%
Extra EU excl DCs : Romania (6%); Hong Kong (3%); Bulgaria (2%); Ukraine (1%); Macao (1%).	20%
DCs : Turkey (15%); China (13%); Bangladesh (6%); India (3%); Indonesia (2%); Tunisia (2%); Cambodia (1%); Pakistan (1%); Vietnam (1%); Macedonia (1%).	52%
Woven outerwear	
Intra EU : Italy (6%); Poland (5%); Netherlands (4%); Czech Rep. (3%). Belgium (3%).	27%
Extra EU excl DCs : Romania (9%); Hong Kong (3%); Bulgaria (3%); Ukraine (2%); Macao (1%).	25%
DCs : China (15%); Turkey (10%); Bangladesh (5%); Tunisia (3%); India (2%); Indonesia (2%); Vietnam (2%); Macedonia (2%); Croatia (1%); Pakistan (1%).	48%
Knitted outerwear	
Intra EU : Italy (6%); Netherlands (5%); Greece (3%); UK (3%); Belgium (3%).	31%
Extra EU excl DCs : Hong Kong (2%); Romania (2%); Taiwan (2%); South Korea (1%); Macao (1%).	13%
DCs : Turkey (22%); Bangladesh (8%); China (8%); India (3%); Cambodia (3%); Indonesia (2%); Morocco (1%); Pakistan (1%); Egypt (1%); Philippines (1%).	56%
Leather garments	
Intra EU : Italy (5%); Netherlands (2%); Denmark (2%); Spain (1%); Czech Rep. (1%).	13%
Extra EU excl DCs : Switzerland (1%); UA Emirates (1%); South Korea (1%); other countries such as Romania and Hong Kong lesser than 1%.	4%
DCs : China (39%); Turkey (17%); India (16%); Pakistan (8%); Croatia (1%); Uruguay (1%) and other DCs such as Sri Lanka, Bosnia/Herzegovina, Philippines and Thailand < 1% .	83%

Source: Eurostat, 2005

Developments in German outerwear imports in 2004 compared to 2003 can be classified into:
- Countries with sharply falling (between 10 and 30%) supplies like: Italy, The Netherlands, Poland, France, Tunisia, Greece, Portugal, Slovakia, Taiwan and Hungary;
- Countries with strongly falling (between 5 and 10%) supplies, like India, Denmark and Ukraine;
- Strongly growing (between 5 and 10%) exports came from countries like Bulgaria and Ukraine;
- Very strongly growing (more than 10%) exports came from countries like China, Bangladesh, Cambodia, Vietnam, Austria and Spain.

Imports from all countries mentioned valued more than € 100 million in 2004.

Other fast-growing suppliers to Germany (exports valued more than € 20 million and growth of more than 10%) of outerwear during the period 2003-2004 were: Myanmar, Philippines, Egypt, Moldova, Madagascar, Canada and the USA.

Imports by product group

Analysis of import figures indicated an increasing demand for cotton products to the detriment of products made of man-made fibres especially for skirts and blouses. An important exception was formed by imports of outerwear jackets (anoraks etc.) for both sexes. German imports of cotton T-shirts increased, while T-shirts of man-made fibres stabilised. Imports of denim jeans grew considerably in the period 2000-2002 and stabilised in later years.
The volume of German imports of outerwear products which grew significantly more than average during the period 2000-2004 are mentioned in table 2.3.

Table 2.3 Imports into Germany of products with growing import shares, 2000-2004 (in million units)

	2000	2002	2004
KNITTED			
Cotton anoraks for women	0.5	1.7	3.5
Man-made anoraks for women	2.7	3.2	7.3
Synthetic ensembles for men	0.1	0.1	1.6
Synthetic shorts for men	1.1	1.2	2.8
Cotton ensembles for women	2.8	2.4	5.3
Cotton indoor jackets for women	1.0	1.9	3.0
Cotton dresses	8.1	8.3	12.7
Cotton blouses for women	22.8	23.8	41.1
Cotton T-shirts	474.3	472.0	651.7
Cotton jerseys etc. for women	112.4	114.2	133.3
WOVEN			
Man-made anoraks for men	19.1	17.2	24.6
Man-made anoraks for women	21.0	28.9	45.3
Denim jeans for men	41.2	57.4	64.5
Other cotton trousers for men	62.5	58.2	74.0
Cotton skirts	8.7	20.6	27.5
Cotton trousers for women *)	60.9	75.0	91.3
Cotton shirts for men	95.5	93.1	106.3

*) cotton other than denim or corduroy
Source: Eurostat, 2005

The volume of imports of the following products decreased:

- Knitted blouses for women from 27.0 million in 2002 to 16.5 million in 2004;
- Woven blouses for women of man-made fibres: from 61.3 million in 2002 to 47.9 in 2004;
- Woven synthetic scarves: from 24.7 million in 2002 and 16.0 million in 2004.

Exports

Germany ranked 2nd in EU outerwear exports, after Italy. Exports amounted to € 7.7 billion or 16% of total EU exported value in 2004. Exports by Germany increased 3% in terms of value in the period 2002-2004. Exports were for an important part re-exports, illustrated by the fact that export prices were 22% lower in 2004 than in 2002.
Woven outerwear accounted for 63% of Germany's exports (in terms of value), knitted outerwear for 35% and leather garments for 2% in 2004.

Table 2.4 German exports of product groups and by destination, 2004 in € million

	Intra-EU	Extra-EU	Total
Woven outerwear	3,596	1,285	4,881
Knitted outerwear	2,093	586	2,679
Leather garments	107	57	164
Total	**5,796**	**1,928**	**7,724**

Source: Eurostat, 2005

A share of 25% went to countries outside the European Union, which was equal to the EU average. Leading destinations of exports remained Austria (17% of total exports) and France (14%), followed by The Netherlands (13%), Switzerland (9%), United Kingdom (6%) and Belgium (6%).

The main destinations outside the EU, besides Switzerland, were Russia (ranked 9th with 4%), USA (ranked 12th with 2%) and Japan (ranked 18th with 1%).
Exports by Germany, as described above, include the so-called re-exports: imported products, which are exported to other (mainly other EU) countries. The volume of re-exports can be calculated when national production statistics are available and destination of production can be divided into domestic sales and exports by industry. It can be assumed that about 34% of Germany's outerwear imports is re-exported or that almost 60% of exports of outerwear consists of re-exports.

Opportunities and threats

- An increasing share of 52% of outerwear imports into Germany came from developing countries in 2004, this percentage was being significantly higher in the following product groups: T-shirts (61%), knitted and woven garments for babies (resp 71 and 72%), woven outdoor jackets (63%), woven sportswear (58%) and leather garments (83%). The share was significantly lower for the product groups: woven suits and ensembles (41%), indoor jackets (31%), woven trousers and dresses (each 43%).
- Imports of clothing decreased by 4.6% in the first half of 2005 compared with the first half of 2004, while exports declined 1.1% over the same period. The decline in production (as discussed in chapter 2) occurred in spite of an improvement in the clothing trade deficit. Clothing imports from China increased by more than 50% year-on-year. This made China the leading supplier of clothing to Germany in 2005. Imports from Turkey, meanwhile, held a 15% share.
- Import prices will be under pressure and the decrease in average import prices will put further pressure on German producers and force them to pare margins and/or to source abroad furthermore. It should be notet for exporters, that for this statement, it is a case of: an opportunity if you can respond, a threat if you can't!
- The fast changing demand in the clothing market is a significant factor. Because of the higher dynamics of the clothing markets in terms of quicker changing consumer preferences and more seasons per year, there is a general tendency in the clothing branch to demand shorter delivery times and smaller volumes of series and orders. An opportunity if you can respond, a threat if you can't!

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/ Go to: trade statistics.
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int Go to: 'themes' on the left side of the home page - 'external trade' - 'data – full view' - 'external trade - detailed data'.
- Euratex Bulletins (http://www.euratex.org) and Textile Outlook International (http://www.textilesintelligence.com).

3. Trade structure

Trade channels

Selling to wholesalers has many advantages for exporters, as described in chapter 8 of CBI survey *The outerwear market in the EU*, which is also valid for the German market. Thousands of wholesalers operate in Germany. A selection of German wholesalers can be made by searching through the several (free) available trade directories. A selection can also be made by searching through http://www.dino-online.de ; typing the search keyword: 'grosshandel Kinderbekleidung' (wholesale children's clothing) results in 312 sites. Other possibilities are Damenoberbekleidung, Herrenoberbekleidung or specific product names.
The site of trade magazine Textil Wirtschaft: http://english.twnetwork.de click on 'suppliers', after which a choice can be made by company, brand or a selection of product category and the type of organisation, such as wholesaler, importer etc. including link to websites.

Retail trade
The general developments in retail (cross-border activities or internationalisation and concentrations) are also valid in Germany. Many foreign owned clothing retailers are active on the German market, of which the most important are: Hennes & Mauritz (Sweden), Vögele (Switzerland), the Mulliez Group from France with the chains Orsay and Pimkie, Benetton (Italy), Esprit (USA), Zara and Mango (from Spain), M&S Mode, WE and Zeeman (from The Netherlands) etc. Examples of concentration in Germany are groups like: Karstadt/Quelle, which is Europe's leading department store and home shopping group, Otto Group and Metro Group.
The German retail-clothing and textiles market is becoming more concentrated: 20 companies accounted for 50% of the market.

Table 3.1 Market shares for retail distribution of clothing in Germany, 2001-2005 (in % of value)

	2001	2003	2005
Specialists	**55**	**54**	**54**
- Independent retailers	27	26	24
- Clothing multiples *)	28	28	30
Non-specialists	**45**	**46**	**46**
- Department and variety stores	13	12	12
- Home shopping companies	13	14	14
- Hyper- and supermarkets	5	6	7
- Sports stores	4	4	4
Other	10	10	9
Total	**100**	**100**	**100**

*) including discounters
Source: BBI and BTE

According to BTE, the total number of German outlets with clothing in their assortment is 42,000. The number of independent clothing stores is estimated at 20,000, of which 7,000 are specialised in women's wear, 2,000 in men's wear, 7,500 have a broader range and the remaining part is specialised in another product group. Around 40% of the **independent retailers** is members of a buying corporation. In no other European country, with the exception of The Netherlands, do the buying organisations play such a significant role for specialised independent retailers as they do in Germany. The most important buying corporations are KMT (http://www.kmt-mode.de) with 350 members; Ardek (http://www.ardek.de) is specialized in babies' and children's products including clothing and has 350 members with 500 outlets, Katag-abz (http://www.katag.net) operates through 993 outlets. Other buying groups are Unitex (http://www.unitex-gmbh.de) with 500 members and Sütegro (http://www.suetegro.de) is specialised in women's wear with 130 members. Most of the sport shops are organisations of independent retailers, many of them being organised in (international) co-operations like Intersport (1,500 outlets) and Zentrasport's Sport 2000 (1,129 outlets).

Leading clothing specialist chain C&A sells clothing through 247 stores for the whole family and operates mainly in the middle of the market, but is also active in both the upper and the lower price brackets. The market share of C&A came under pressure, besides increasing competition of non-specialists, since the entrance and expansion of foreign general clothing chains like Hennes & Mauritz (282 stores), Vögele (352) and Zara (33). The retail market for women's outerwear has many players including foreign specialists, such as Orsay, Xanaka and Pimkie, all owned by the French Mulliez Group (respectively 239,77 and 152 stores) and the Dutch M&S Mode (77 stores). An important player on the German (textiles) discount sector is Zeeman (241 stores) from The Netherlands.
The number of clothing chains in children's wear and men's wear is very limited in Germany, as can be derived from the list of major clothing chains.

The following overview gives the important German chains, operating in Germany.

Table 3.2 Major specialised clothing, sports and discount chains of German origin in Germany, 2005

Clothing retail chain	Parent company	Sector	Number of outlets
General			
C&A	C&A	http://www.c-and-a.com	247
P&C	Peek & Cloppenburg West	http://www.peek-und-cloppenburg.de	67
P&C	Peek & Cloppenburg Nord	http://www.peekundcloppenburg.de	26
Sinn Leffers	Karstadt/Quelle	http://www.sinnleffers.de	51
Wöhrl	Wöhrl	http://www.woehrl.de	41
K+L Ruppert	K+L Ruppert	http://www.kl-ruppert.com	40
Women			
Bonita Mode	Bonita Group	http://www.bonita.de	490/548*
Ulla Popken	Popken Group	http://www.ullapopken.com	160/300*
Men			
Pohland	Pohland	http://www.pohland.de	10
Nicolas Scholz	Bonita Group	http://www.nicolas-scholz.de	40
Children			
Kids Stores	C&A	http://www.c-and-a.com	96
Leisure			
New Yorker	Friedrich Knapp	http://www.newyorker.de	360
Mister + Lady Jeans/Beran	Western Store Beran	http://www.mljeans.de	200
Jeans Fritz	Schaeffer-Kuehn	http://www.jeans-fritz.de	200
Sports			
Runners Point	Hannover Finanz	http://www.runnerspoint.de	120
Discounters **			
Ernsting's Family	Ernsting Familie	http://www.ernstings-family.de	1046
Takko	Takko Holding	http://www.takko.de	748
KiK	Tengelmann-Gruppe	http://www.kik-textilien.com	1900
Adler	Metro Group	http://www.adler-mode.de	107
NKD	Daun & Cie.	http://www.nkd.de	850

* respectively outlets in Germany and in Europe ** textile and/or clothing discounters

Leading **department stores** are Karstadt and Kaufhof. Karstadt (http://www.karstadtquelle.com) has 166 stores, including Wertheim, Hertie, KaDeWe and Alsterhaus and 32 Karstadt Sport Shops and is part of Karstadt/Quelle; Galeria-Kaufhof (128 stores; http://www.galeria-kaufhof.de) is part of Metro. Another department store is Breuninger (14 stores; http://www.breuninger.de). The leading **variety store** is Woolworth (330 outlets; http://www.woolworth.de), of which textiles accounted for about 40% of total turnover.

Discounters sell family clothing, sportswear, underwear, nightwear, hosiery but also household textiles and beds; they buy in large quantities and avoid middlemen, in order to get low-priced goods in the shops quickly. All discounters mentioned increased strongly in turnover and in number of outlets in recent years.

Home shopping companies occupy a significant position in the German retail market. Leading companies are Quelle (http://www.quelle.de), Neckermann (http://www.neckermann.de), both from Karstadt/Quelle, Otto (http://www.otto.de) and Klingel (http://www.klingel.de). The Otto Group is the world's biggest home shopping organisation, due to its many foreign activities: 123 companies in 19 countries, of which, besides Otto, Les trois Suisses and Baur are those most well-known. Otto includes for instance Schwab-Gruppe (Schwab-Versand and Joseph Witt) and Heine-Gruppe (Heine, Sport Scheck, Alba Moda, Frankonia Jagd and Eddie Bauer). Besides Neckermann and Quelle, home shopping companies like Atelier Goldner Schnitt, Peter Hahn, Madeleine and many others belong to the Karstadt Quelle Group. Other (independent) home shopping companies are Bader (http://www.bader.de) and Walbusch (http://www.walbusch.de). Most of the companies mentioned have outlets; on the other side, several clothing multiples started home shopping activities and have their own catalogue, website, teleselling activities etc.

Many textiles including outerwear can be found increasingly in **super- and hypermarkets**, like: Aldi (Aldi Nord 1,950 stores; http://www.aldi-essen.de and Aldi Süd 1,600 stores; http://www.aldi-sued.de), Edeka (5,812 supermarkets; http://www.edeka.de), Lidl (2,350; http://www.lidl.de) and Penny (owned by Rewe 2,015 stores; http://www.penny.de). Most of these retail organizations regularly or incidentally offer clothing and other textile products. Tengelmann sells clothing and textiles via KiK, one of the formulas of this internationally operating chain, in total 7,500 outlets in 15 countries.
'Other' includes: wholesalers with retail activities such as Metro Cash and Carry (60 establishments; http://www.metro-cc.de) part of the Metro Group and Fegro (39; http://www.fegro-selgros.de) part of Rewe; Tchibo operates with coffee shops, including retail activities in clothing and textiles and home shopping activities; street markets; factory outlets.

Trends

- The non-food offer in the grocery sector is increasing in Germany. The hypermarket format with its strong non-food component plays an increasingly important role. However, it should be noted these companies operate more in low-priced incidental offers than in a fixed/permanent clothing assortment.
- The specialist clothing sector in Germany is becoming more concentrated. The leading buying group, of which most of the members are independent retailers, holds a strong position in the national market.
- Many German retail chains have expanded their activities abroad.
- Ongoing expansion by many of the leading chains to develop smaller store formats so as to create a more specialised boutique character (for instance H&M and Zara).
- Stronger ranges of complementary accessories and footwear.
- Clothing specialised multiples have been the biggest exponents of the fast fashion phenomenon, which encourage more frequent purchasing.

Opportunities

- Wholesalers, importing manufacturers, clothing multiples, buying organisations and non-specialised chains, like hypermarkets, home shopping companies, discounters, department and variety stores and sports chains are potential trade channels for exporters in developing countries.

The decision of an exporter, as to which market entry strategy can be chosen, depends on many internal (own manufacturing and organisational capabilities etc.) and external factors (direct or indirect exporting and in the latter case which intermediaries are the most suitable). Nearly all of the above mentioned retail organisations are active in the mid-market and/or lower-market segments. Chapters 8 and 11 of CBI's 'The outerwear market in the EU' give detailed information on this subject.

Useful sources

Apparel Retailing in Western Europe, Retail Forward (http://www.retailforward.com); Clothing Retailing Europe and European Retail Handbook 2005/6, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor publications (http://www.euromonitor.com); national statistics and websites of organisations mentioned in this survey.

4. Prices and margins

Prices and margins

Analysis of clothing prices in 2004 relative to 2000:
- Consumer prices - 0.7%
- Import prices - 20.8%

Developments in the period 2004-2005 have been given in previous chapters.

The clothing market in Germany has shown a decrease in consumption, despite a slight fall in consumer prices which was much lower than the import price reductions.

The market is intensively competitive and prices vary widely according to the product and type of outlet. A rough indication of differences in price levels by types of outlets has been given in chapter 4 of *The outerwear market in the EU*, while an overview of margins valid for the distinguished levels in the clothing market can be found at chapter 9 and 11.5 of the same survey.
Price is an important selling factor, especially in the lower segments of the clothing market, whereas in the higher segments (higher added value) factors like quality and fashion are more important than price. In the lower segments of the clothing market, retailers have little room to manipulate prices because competition is very fierce and margins are low.

Useful sources
Window-shopping in the prospective market place, at several retail shops is a good way of obtaining information about prices at retail or consumer level, but also about fashion, colours and qualities.
Alternatively, an impression of average prices can be formed by browsing through the catalogues of home shopping companies on Internet, or search under http://www.dinoonline.de click 'Produkte' and then 'Mode & Accessories'. Comparisons can also be found in the prices given in catalogues from large multiples, department stores or from company websites. For websites, we refer to the previous chapter.

5. Market access requirements

As a manufacturer in a developing country preparing to enter the German market, you should be aware of the market access requirements of your trading partners and the German government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns

Legislative requirements
National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation for outerwear go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements
Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to outerwear, go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

Packaging, sizing and labelling
A detailed overview of these aspects which are valid for all EU countries or for groups of EU countries, can be found in the CBI market survey *The outerwear market in the EU*.
The packing bag should be marked with the green dot label for Germany. Note: German buyers have the right according to domestic law to claim back a certain % of the FOB value if garments are not supplied in this way.

Tariffs and quota
Detailed information about tariffs and quota can be found in the CBI market survey *The outerwear market in the EU*.

The VAT tariff for clothing for adults and for children in Germany is 16%.

Useful sources
Euratex Bulletins (http://www.euratex.org); National Customs of the European Committee (http://ec.europa.eu).

6. Business practices

General information on business practices can be found in the CBI market survey *The outerwear market in the EU* and in CBI's *Export planner.* German business people will be interested in your academic credentials and the amount of time your company has been in business. They display great deference to people in authority, so it is imperative that they understand your level relative to their own.
German communication is formal, so that following the established protocol is critical to building and maintaining business relationship. Punctuality is taken extremely seriously.
Clothing exporters to Germany need to be aware of cultural issues when doing business in this country and to establish an effective and committed relationship at a personal level.
Several websites, providing practical tips on business culture and etiquette in Germany can be found, such as http://www.kwintessential.co.uk/resources/global-etiquette/germany-country-profile.html.

Selecting a suitable trading partner
First contacts with potential trading partners can be made by direct mails, for which contact details can be found in this survey, in business directories, CBI, Internet (like: http://www.wer-zu-wem.de) etc.
A detailed explanation herewith has been given in CBI's export manuals. A good place to make contacts is trade fairs, see below Sales Promotion. The lists of exhibitors of several trade fairs are mentioned at the website of the fairs. Clothing trade associations will also be able to provide advice on selecting the type of contacts best suited to your own business.

Reaching an agreement with your trade partner
Ensure that you are confident and know the organisation you are dealing with before you attempt to finalise any agreement.

Drawing up an offer
Provide as much detail as possible when drawing up the offer. A sample may be required, depending on the specification of the items. This is preferable for the first order, but good photography of items may be acceptable thereafter.

Methods of payment
It is advisable to obtain bank references before undertaking business in Germany. You may also wish to run a credit check on the organisation. Before agreeing on a method of payment, contact the international division of your bank. Payment can sometimes be secured in 60 days or less. The payment method depends on the degree of trust between the parties.
- Open account is the simplest and most flexible method. Payments are made via electronic funds transfer (e.g. SWIFT), bankers draft or the buyer's own cheque.
- Cash against documents is done through a bank and is a more secure method. Documents are only released in accordance with the exporter's instructions.
- Letters of credit are the most effective way of ensuring payment, in particular for SMEs and doing business for the first time.

Terms of delivery
FOB (Free on Board) terms and CIF (Cost, Insurance, Freight) terms are the most usual terms of delivery in the outerwear sector, as discussed in chapter 14.4 of CBI market survey *The outerwear market in the EU* . For details on delivery terms please check appendix 2 of CBI's *Export planner*.

Sales promotion
In the clothing trade, personal communication is highly rated. This is not a substitute for formal written or printed communication, but it is an important part of the overall sales and communication process. The communication value of a website cannot be understated, but the printed medium is particularly well used.
Trade fairs, as mentioned above, are important for orientation and communication. Major trade fairs in Germany are: CPD Woman/Man in Dűsseldorf (http://www.cpd.de); ISPO in Cologne (http://www.ispo.com); Kind+Jugend in Cologne (http://www.kindundjugend.de); Bread and Butter in Berlin and in Barcelona, Spain (http://www.breadandbutter.com)
The German Association in the clothing industry is BBI (Bundesverband Bekleidungsindustrie e.V). Internet: http://www.bekleidungsindustrie.de .
Import magazines in Germany are: Sportswear International (http://www.sportswearnet.com); Textil Mitteilungen (http://www.tm-fashion-portal.de); Textil Wirtschaft (http://www.twnetwork.de); Textile Network (http://www.meisenbach.de).

More information can also be found in CBI's *Export planner* and *Your image builder*.

This survey was compiled for CBI by Fashion Research & Trends.

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