CBI MARKET SURVEY

THE OUTERWEAR MARKET IN AUSTRIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Austria. The information is complementary to the information 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

- Clothing has traditionally been a strong performer in Austrian retail. Austria is one of the EU's highest spending countries on clothing per capita.
- Slowdown of the economy caused also clothing consumption to slump in 2003; consumption returned to weak (+ 1.1%) growth in 2004 and recovered (+ 4.0%) strongly in 2005.
- Total consumer spending on outerwear amounted to € 6,065 million in 2005 . As a share of total consumption, the clothing market declined from 6.0% in 2000 to 5.2% in 2005. The main competition for consumers' euros has come from household goods, recreational items and health products as well as services. There is also pressure on prices in the highly competitive clothing market, where many of the leading players target the value or price-conscious end of the market.
- With disposable income expected to rise following the tax reform in 2005, consumer animation and spending are set to pick up again. Clothing consumption will grow slightly by an estimated 2.3% for the period 2005-2007.
- A declining birth rate and a fairly high life expectancy has meant that the population of Austria has remained steady. Immigration also helped to keep the population at around 8.1 million during the years 1998-2005. Much like the rest of Europe, Austria has an ageing population. In 2004 a quarter of the population was aged 45-64 and around 15% was aged 65 or more; this is compared to only 17% aged 0-14. Furthermore this trend is likely to continue until 2025.

Table 1 Consumer expenditure on clothing in Austria in value (€ million), 2002-2007

	2002	2003	2004	2005 e	2006 f	2007 f
Outerwear for women and girls	2,911	2,775	2,838	2,960	2,997	3,079
Outerwear for men and boys	1,790	1,726	1,780	1,848	1,841	1,873
Knitwear	1,031	995	1,013	1,056	1,075	1,100
Clothing accessories	189	186	193	201	207	213
Total outerwear	**5,921**	**5,682**	**5,824**	**6,065**	**6,120**	**6,265**
Total clothing	6,721	6,550	6,622	6,890	6,940	7,050
Yearly change	-3.1%	- 2.5%	+ 1.1%	+ 4.0%	+ 0.7%	+ 1.6%

e= estimated f= forecasted
Source: Euromonitor and national statistics

Production

- Production index of the Austrian clothing industry:
  2000= 100; 2001= 88.9; 2002=86.6; 2003=87.2; 2004=80.7, which indicated that production fell by 7.5 in 2004 compared to the previous year. Absolute figures were not available.

For the second year, production prices fell in Austria, while the number of employees in the clothing industry was reduced by 6.4% in 2003-2004. Further decline is expected.
- Most of the Austrian suppliers can be found on http://www.fashion-industry.at/fashion_e/FRAMESET_E.html, this website includes an online directory over the 200 members of the Austrian branch organisation Fachverband der Textilindustrie Österreichs (FBÖ).

Trends
- The Austrian clothing market is considered traditional, Austrian are dressed more conservatively compared with consumers in Italy, France and the UK.
- Based on developments in the retail sector such as the success of H&M, which has a high level of fashionability in its collections, coupled with the problems encountered by the more basic Vögele offering, suggests that consumers are becoming more fashion conscious.
- Austrian consumers have in recent years become more price conscious, and price deflation has been apparent in the clothing market. Discounters such as Kik and Takko have won ground in the period under review. If these and other discounters remain popular in the near future, the value growth of the clothing sector may fall behind expectations, even if the volume sales recovers.

Opportunities
- Consumer expenditure is expected to grow further, but at a slower level, in 2006, and in the longer term, caused by:
  - a continuing interest in more fashionable outerwear;
  - 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;
  - active sportswear, also worn as streetwear, will become more popular among young people.
- According to FBÖ, the Austrian textile/clothing sector has not been hit as hard by the phase-out of quotas as have many other EU countries, because the Austrian industry no longer produces many of the items made in low cost countries which are now unrestrained by quotas.

Useful sources
Euratex Bulletins (http://www.euratex.org); Apparel Retailing in Western Europe, Retail Forward (http://www.retailforward.com); Clothing Retailing Europe, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor (http://www.euromonitor.com); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Imports
- In 2004, Austria imported 90,000 tonnes outerwear valued € 2,640 million, consisting of € 1,485 million of woven outerwear, € 1,085 million of knitted outerwear and € 70 million of leather garments. Total imports showed a growth of 8.5% compared to 2002. Increasing imports led to a decline in production which indicates that the import share in the growing outerwear market increased.
- Imports of knitted outerwear consisted of jerseys, pullovers etc. (38%); T-shirts (32%); sportswear (8%); blouses and shirts (7%); trousers, shorts etc. (7%).
- Imports of woven outerwear consisted of trousers, shorts etc (34%); coats and outdoor jackets (14%); blouses and shirts (14%); indoor jackets (12%); suits and ensembles (6%); skirts (5%); sportswear (4%).
- Germany remained by far the leading outerwear supplier to Austria in 2004, with an import share of 57 percent in terms of value, followed by Italy (import share of 8%), Turkey (grew almost 20% to an import share of 8%) and China (grew almost 17% to an import share of 4%). Other countries with increasing exports to Austria were: Romania, Spain, Bulgaria and Slovenia.

- Total Austrian imports from developing countries increased in terms of volume (+ 10.5%) and value (+ 14.1%) in the period 2003-2004. This growth can completely be ascribed to the growing imports from Turkey and China. Other developing countries with growing imports were Bangladesh, Vietnam and the Philippines, while imports from India and Indonesia decreased. Imports from other Mediterranean countries, besides Turkey, are very limited.

Exports

- Austria exported outerwear valued € 981 million in 2004, consisting of € 538 million of woven outerwear, € 412 million of knitted outerwear and € 31 million of leather garments.
- Total outerwear exports grew considerably by 43% during the period 2002-2004, mainly due to sharply increased exports to countries like Germany, Italy, Switzerland, Czech Republic and Hungary.
- Destinations were mainly (80% in value) other EU countries. Leading destination outside the EU was Switzerland at distance followed by the USA.
- The size of re-exports cannot be derived from the available trade statistics.

Opportunities and threats

- An increasing share of Austrian imports came from developing countries, however, this share accounted for 15% in 2004, which is very low compared to other EU countries. It can be assumed that an important share of German exports includes re-exports.
- Import shares from developing countries was higher than average for T-shirts (21%) while imports of other important product groups were around the average.
- Imports increased much slower than exports during 2002-2004. Trade deficit was up by 25% in the first half of 2005, compared with the same period in 2004.
- Import prices fell strongly during the period under review. The decrease in average import prices will put further pressure on Austrian producers and force them to source abroad.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/index.html
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int/
- Euratex Bulletins (http://www.euratex.org)

3. Trade structure

- Wholesalers, importing manufacturers, clothing multiples and non-specialised chains, like hypermarkets, discounters and sports chains are potential trade channels for exporters in developing countries.
- Clothing specialists represent some 60% of the Austrian clothing market in 2005. The Austrian clothing sector is relatively fragmented compared to other West European countries. Only two operators, C&A (http://www.c-and-a.com) and H&M (http://www.hm.com) boast a market share of over 10%, with most retailers hold a share of less than 5%. Other clothing chains (including outerwear) were: Vögele (from Switzerland; 140 stores; http://www.voegele-mode.com/corp/en/home_en); KiK (from Tengelman, Germany; 181 stores); 123 Schöps general clothing stores (http://www.schoeps.at); 58 New Yorker stores (Germany); 205 TPS stores (NKD, Germany); 58 Takko stores (Germany); 13 Adler stores (Germany); 85 Adessa stores (Sahinler Holding, Turkey); 34 Orsay women's wear stores (Germany); 60 Benetton outlets (Italy); 16 Pimkie women's wear store (France); 11 Mango stores (Spain); 10 Xanaka women's wear stores (France); 6 Zara general clothing stores (Spain).
- However, the harsh market conditions and economic gloom of recent years have benefited the mail-order sector, with its price competitive image, reaching a market share of 11%. Main players in the mail order sector are the German big book operators Otto and KarstadtQuelle.
- Sport goods retailers have maintained their unusually strong foothold (market share of 10%) in the clothing market. Their significance in the clothing sector stems partly from the importance of winter sports apparel in Austria. The leading operators in the sports goods

sector are Intersport with some 250 stores, followed by Sport 2000 (300 shops, mainly rent a sport) and 64 Hervis stores (http://www.hervis.at, part of the food chain Spar Österreich).
- With only a handful of players, the relatively undeveloped department and variety store sector has lost share in the clothing market to new specialist retailers. Compared to other west European countries, the market share of department and variety stores is limited and reached 4%.
- Among the food retailers, hypermarkets and superstores have a smaller role in Austria than in countries such as France and the UK, in part due to restrictive planning legislation. This means that fewer food retailers have developed a significant non-food offer. However, some hypermarkets (such as Interspar and Merkur) have increased their apparel ranges, thus strengthening their presence in the clothing market. Discount retailers from the food sector have also claimed a share of the lucrative market, with Germany's Lidl, Aldi and domestic Mondo at the forefront.
- The dominance of foreign players will continue in the clothing sector in Austria, with existing multiples improving their market share. More recent international entrants may also develop their presence in the market, stealing share from weaker domestic players and smaller independents.

4. Prices

- The Austrian market stagnated in the period 2002-2004 and can be characterised by a relatively low increase in consumer prices, while import prices were far below the EU average.
- Analysis of clothing prices in 2004 relative to 2000:
  Consumer prices + 1.8%
  Import prices - 19.1%
- The VAT rate in Austria for clothing is 20%.
- An impression of average prices can be formed by browsing through the catalogues of home shopping companies on Internet. 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

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's 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.
- Mandatory labelling requirements in Austria are valid for composition of textiles and care-labelling/washing instructions (see: http://www.ginetex.org). Optional labelling includes origin marking and size marking. Labelling has to be formulated in the Austrian (i.e German) language.
- For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo

6. Business practices

Try the following websites for information on business practices:
- http://www.fashion-industry.at/fashion_e/FRAMESET_E.html is the website of the trade association of Austria Fachverband der Bekleidungsindustrie Österreichs and includes a members list.
- An interesting website for information on business practices is: http://www.austriantrade.org
- There are no trade fairs in the clothing and/or fashion field in Austria; buyers visit foreign trade fairs, especially German and French ones.

- Leading magazine is clothing and textiles trade journal Österreichische Textil Zeitung http://www.textilzeitung.at

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