CBI MARKET SURVEY

THE AUSTRIAN MARKET FOR LUGGAGE AND (LEATHER) ACCESSORIES

Publication date: June 2007

Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the luggage and (leather) accessories market in Austria. The information is complementary to the information provided in the CBI market survey 'The luggage and (leather) accessories 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.eu/marketinfo

1 Market description: consumption and production

Consumption
- The Austrian market for luggage and (leather) accessories is valued at € 196 million in terms of retail sales.
- Austrians spent € 23.7 per capita per year, which was well above the EU average of € 19.7 in 2005. This is in part due to the high price strategy resulting from the change to the euro adopted by a number of specialist retailers.
- Austria is the tenth largest luggage and accessories market in the EU and this medium market is similar in size to a cluster of other countries, including Portugal, Greece and Sweden.

Table 1.1 Consumption of luggage and (leather) accessories in Austria, 2001-2005, € million

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
200	198	193	194	196	- 0.5	8.2	23.7

Source: Euromonitor, RegioPlan (2006)

- Between 2001 and 2005, the Austrian market decreased by an average 0.5%. Especially after 2002, Austrian sales of luggage and (leather) accessories dropped substantially due to less travel as a result of the US attacks and the economic recession.
- As from 2004, sales slowly started to pick up, which can be partly attributed to the popularity of lap top computers, which stimulated demand for computer cases and cross over bags. Between 2004 and 2005, the sales of luggage and (leather) accessories rose by 1%, from € 194 to 196 million (see table 1.1).
- Unemployment remains high, due to an oversupply of labour in several sectors and a weakening manufacturing output, which has restrained the frequency of travel and demand for briefcases.
- When buying luggage, most Austrian consumers are practical and there should be a clear reason for replacement. They regard function, quality, comfort and a competitive price as most important. In suitcases, there is a shift from large to smaller trolley cases.
- On the other hand, design, fashion and brand awareness are more important in handbags, belts, cross over bags and sports bags. Here it should be noted that the classic style remains important, especially among middle aged and older people.
- As the recession of neighbouring countries e.g. Germany slowly comes to an end, consumer confidence among Austrians will be regained. However, a slight increase in sales is expected from 2005 onwards, which will be mainly driven by:
  - Fashionable and higher quality accessories (e.g. handbags, belts, wallets and purses)

for women and teens.
  - More international travel and popularity of short trips
  - Fast changes in technology e.g. ipods, personal gps systems etc.. which require holders of leather or of other material.

Production

- Austria is a small producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 4.1 million in 2005 and has consistently fallen in the past few years. Production value is down by almost half from € 7.7 million in 2001, as table 1.2 indicates.
- However, between 2004 and 2005 production increased by 8% along with the rise in domestic demand, especially for belts and small leather accessories (wallets, purses etc.), which are also produced in the country itself.

Table 1.2 Production of luggage and (leather) accessories in Austria, 2001-2005, € million

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
7.7	6.7	4	3.8	4.1	na	na

Source: Eurostat, RegioPlan (2006)

- The leather industry in Austria is long-established, highly skilled and specialised (e.g. schoolbags, special belts, waiters' wallets, bags for carpenters, special gloves etc.). Most companies are large-sized businesses.
- In 2005, all of Austrian production was small leather accessories and belts, in which the country has been specialising, whereas in 2001 the production of briefcases, suitcases and handbags accounted for almost half (48%) of total production value. However, since 2005 these products have been outsourced by Austrian manufacturers to China, India, Vietnam and other countries, where wages are lower.
- The Austrian leather industry is based on qualitative competition, implying that it will not be trying to compete on price with low cost manufacturers in India or China. The industry has invested in environmentally friendly machinery and in modern production methods. Some manufacturers and tanners are surviving by specialising in particular products and techniques or by producing items made of vegetable tanned leather.
- The main manufacturers in Austria are:
  - Schneiders Ges.mbH, located in Vienna and producing suitcases and travel bags (mailto:office@schneiders-vienna.at).
  - Dr. Hans Neuner Lederfabrik, located in Klagenfurt and producing handbags (mailto:hansgruber@gmx.at).
  - Georg Essl, located in Hermagor and producing schoolbags and rucksacks (mailto:essl@rucksacks.at).
  - Herbert Eigner Ges.mbH, located in Grödig and producing small leather accessories.
  - Artisanal Produktions GmBH, located in Klagenfurt.

Opportunities and threats

+ The Austrian market for luggage and (leather) accessories has polarized into a lower quality/price and higher quality/price sector. Exporters from developing countries can find opportunities in the growing lower-middle price sector.
+ In a competitive market with growing supplies from India and China, exporters should seek opportunities in market niches, by offering e.g. computer cases, travel bags and small leather accessories, which are unique to their country, to retailers, or to Austrian producers who want to specialise.
+ Other interesting market niches could be found in the rising numbers of tourists. There are more tourists from neighbouring countries (Czech Republic, Slovenia and

Hungary), where income levels are rising. Destinations are primarily to Tirol and Voralberg, which are important winter sports areas. All sorts of bags, belts and holders made of leather could be interesting for this target group. In winter and summer, travel bags with ergonomic elements could be interesting for older tourists, who are relatively large in number in Austria.
- An Austrian retailer or distributor will expect some form of comparative price advantage when buying from a developing country. While price is very important, it is equally important that you should not be perceived purely as a source of low cost product.

More information on opportunities and threats can be found in chapter 7 of the CBI market survey 'The EU market for luggage and (leather) accessories'.

2 Trade channels for market entry

- The distribution of luggage and (leather) accessories can be divided into specialist and non-specialist channels. However, there are differences between each segment:
  - *For luggage (suitcases and briefcases)*, the specialist channels remain important, as items need more space in stores for display. This is nor easy for a non-specialist.
  - *For bags and (leather) accessories* there is a wide distribution network.
  - For all segments, department stores take up a large proportion of retail sales.
- Austrian specialists' sales are led by the independent stores, most of which buy from an importer or wholesaler, although some of them are linked to a buying group. In 2005, the number of specialised retail businesses of footwear and leather goods was estimated at around 975. Independent retailers are facing difficult times with consumers staying price conscious and shopping around more extensively than before.
  Some interesting importers for luggage and accessories are:
  - Rudolf Gassner, located in Weiter and specialised in belts, wallets, purses and keypouches (http://www.gassner-elastics.com)
  - Bruder Oehring K.G., located in Vienna and specialised in gloves and small leather accessories (mailto:karin.steuer1@chello.at)
  - Vogue-Lederwaren, located in Bad Fischau-Bruhn, specialised in handbags and belts (mailto:voguequertel@aon.at)
- The majority of department stores and non-specialist chains store operators are foreign-owned, most of them from Germany, France and Switzerland. These operators have their luggage and (leather) accessories made in Asia and do their own importing.
- In 2005, the leading non-specialist retailers were:
  - Department stores (Tchibo/Edusho, Kastner & Öhler and Woolworth).
  - Clothing stores (C&A, KiK, H&M, Vögele, Palmers, Esprit, Orsay).
  - Footwear stores (Leder & Schuh, Stiefelkönig and Deichmann).
  - Sports stores (Intersport, Sport 2000, Hervis)
  - Electrical goods (Media Markt, Cosmos and Niedermeyer)
  - Mail order (Neckermann, Quelle, Universal, Otto, La Redoute and Klingel)
  - Discount (Reno, Hofer/Aldi and Zielpunkt).
- Smaller exporters from developing countries should see wholesalers or agents as the most appropriate channels. Agents can be found via http://www.commercial-agent.at or http://www.coesch.at.
- In each trade channel different margins and prices apply, with multiples of 3 up to 4.5 of the manufacturer's or importer's price. Generally wholesalers' margins range between 30 – 50% of the CIF price, agents' margins are between 6 – 12%, while retailers' margins are between 95 – 120%. These margins will vary depending on which market segment is being targeted.
- More information can be found in chapter 3.2 of the CBI market survey 'The EU market for luggage and (leather) accessories'.
- More information on trade structure and business contacts can be found at the Fachverband der Ledererzeugenden Industrie (Verband der Lederwaren und Kofferindustrie – Association of the Leather and Luggage Industry), or at the trade portal http://portal.wko.at or the portal http://www.fashion-industry.at.

3 Trade: imports and exports

Imports

- In 2005, Austria's imports of luggage and accessories were valued at € 240 million, or 17 thousand tonnes. Out of the 27 EU countries, Austria is ranked eighth largest, and as such is regarded as a medium-sized country for luggage and accessories imports. (Note imports of "made of leather" items in this group were valued at € 86 million or 2 thousand tonnes.)
- Between 2001 and 2005, Austrian imports grew by an average of 10% per annum in value and 17.6% in volume (14.5% and 22.7% respectively for "made of leather" items). Most of this growth occurred in the period after 2003 and more was imported from other EU countries such as Germany, Italy, Poland and Romania.
- Imports exceeded exports by almost three times in value and four times in volume in 2005. Exports are increasing more quickly than imports. The same period has seen a decrease in luggage and accessories production and a small average annual decrease in consumption of 0.5%.
- Around 17% of Austria's imports come from developing countries in 2005 (7.9% for "made of leather" items). This proportion was 21.4% in 2001 (11.6% for "made of leather"). China accounted for 81% of all developing country supplies by value in 2005, followed by India (9.1%) and Vietnam (4.1%). Turkey and Thailand were also important suppliers. While China's supplies increased by a quarter over the period, supplies from India and Vietnam both decreased. Most of Austrian imports came from Germany and Italy.
- By product group, Austrian imports by value can be sub-divided as follows:
    - Around 65%, valued at € 155 million consisted of bags, of which € 47 million were "made of leather". Within this group handbags (€ 82 million) was the largest sub-group, of which € 41 million were "made of leather".
    - More than 21%, valued at € 51 million consisted of small accessories such as belts, wallets, purses and pouches, of which € 33 million were "made of leather". Within this group, other small accessories (wallets, purses and pouches) valued at € 33 million was the largest sub-group, of which € 15 million were "made of leather". The remainder of this group is belts, valued at € 18 million, all of which was "made of leather".
    - Around 14%, valued at € 34 million, consisted of cases, of which just € 5 million were "made of leather". Suitcases was the largest sub-group, valued at € 25 million. Of these € 2 million were "made of leather".

Exports

- Luggage and accessories exports from Austria were valued at € 84 million in 2005, representing 4 thousand tonnes.
- Between 2001 and 2005, the average annual increase in exports was 44.1% by value and 36.1% by volume.
- There may be a limited amount of re-exporting, but this does not appear to be a major factor in the Austrian market.

Opportunities and threats

\+ The main growth opportunities for developing country suppliers are bags and small accessories, particularly handbags and belts. Developing country suppliers of cases are increasing in volume but value increases are less spectacular, whereas supplies of other small accessories to Austria have remained unchanged.

See Chapter 7 of the CBI market survey 'The EU market for luggage and (leather) accessories' for more information on opportunities and threats.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int
- Austrian National Statistics – http://www.statistik.at

4 Price developments

- Import prices of luggage and accessories in Austria have fallen by approximately 20% since 1995, while the wholesale prices of leather goods and travel accessories are over 1% lower than in 2005 (see http://www.statistik.at/statistische_uebersichten/english/pdf/c04a_3.pdf). Competitive prices of imports are preventing price inflation and helping to keep price increases to a minimum. However, there is a different development for luggage and for accessories. In luggage, Austrian consumers regard quality and comfort at a competitive price as still important. On the other hand, consumers are likely to pay more attention to design and brand, and regard price as less important for accessories, especially as the economy has started to grow since 2005. Therefore prices may rise in the coming years.
- The website of Austrian National Statistics (http://www.statistik.at) publishes harmonised indices of consumer prices, and wholesale prices, which includes leather goods and travel accessories. A useful website comparing luggage and accessories prices in Austria is http://www.nextag.com. The Karstadt Quelle German owned department store is represented in Austria. They feature prices of bags and accessories on their website (http://www.karstadt.de). An online shop for leather travel goods is http://www.koffer.de. Wholesale prices of suitcases can be found at http://www.vsl.at.

5 Market access requirements

As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select leather goods and Austria in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Information on tariffs and quota can be found at http://export-help.cec.eu.int/

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Austria, visit the following websites:

- mailto:fvleder@wko.at to reach the Fachverband der Ledererzeugenden Industrie (Verband der Lederwaren und Kofferindustrie). There are links via http://portal.wko.at to members and listings by product.
- http://www.mgc.at organises the Shoes & Bags exhibitions that also include footwear, and occur regionally in Vienna, Salzburg, Innsbruck and Klagenfurt.
- http://www.fashion-industry.at is the Austrian fashion industry portal, with links to various accessories.
- http://www.springer-sbm.at is the website of the publisher of Schuh & Lederwaren Revue, the main trade publication in this sector, also accessible via http://www.schuhrevue.at.

This survey was compiled for CBI by ***Searce***