

## CBI MARKET SURVEY

THE LUGGAGE AND (LEATHER) ACCESSORIES  
MARKET IN CYPRUS

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 Cyprus. 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 document for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>

**1 Market description: consumption and production****Consumption**

- The Cypriot market for luggage and (leather) accessories is valued at € 15 million in terms of retail sales.
- Cypriots spent € 18.2 per capita per year, which was below the EU average of € 19.7 in 2005.
- Cyprus is the fourth smallest luggage and accessories market in the EU and this small market is similar to a cluster of other countries, including Latvia, Luxembourg and Estonia.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
12	13	13	14	15	6.2	0.8	18.2

Source: Trade Estimates (2006)

- Consumption has increased since by an annual average of 6.2%, compared with the EU average of 2.9%.
- Since 2001, consumption has steadily increased, especially after 2003 when Cyprus joined the EU. This entry caused price rises and the sector experienced growth which was particularly due to a growing number of immigrants from the Turkish part as well as older people from other EU countries moving to the island. Between 2003 and 2005, the sales of luggage and (leather) accessories rose by 15%, from € 13 to 15 million (see table 1.1).
- Further increases are likely in the next few years. However, volume increases will be less spectacular than the value increases.
- Along with the growing economy and population, increases in sales from € 15 million are expected for the next few years. This will be also driven by international retailers, who are interested in the growing market potential of Cyprus due to the increasing numbers of wealthier Europeans who are retiring or buying a second home on the island.
- Cypriot women are similar to those of Greece and Italy in that they are very fashion-conscious and as such handbags and other accessories are very important parts of their wardrobe.

**Production**

- Cyprus is a small producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 1.4 million in 2005 and has fallen since 2001,

when production stood at € 2.2 million, as table 1.2 indicates.

- The fall in production was primarily due to a fall in the production of handbags and other accessories.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
2	2	1	1	1	16	48

Source: Eurostat, National Statistics (2006)

- Cyprus has a very small leather goods production industry, employing less than 50 people in just 16 enterprises, according to Cypriot National Statistics.
- Handbags account for half of all production by value, down from 72% in 2001, followed by belts accounting for 31% of production, up from 13% in 2001. Production of luggage items now accounts for 15% of production, compared with 6% in 2001.
- Most production is for the domestic market as exports are very small. There is no tanning industry, hides and skins are of low quality. All premium quality leather used for the products is imported.
- Production is not expected to increase significantly in the future. The island is gearing much of its economy to the service sector and new industries in the future.

### Opportunities and threats

- + Cyprus offers opportunities for exporters from developing countries, because of the growth opportunities in the domestic market. As many customers are from overseas, they are likely to have an interest in a wide range of products, which are not always available from domestic producers.
- + Exporters should seek opportunities in added value segments, perhaps in the tourist or expatriate sector, or with the more affluent local population.
- + They could approach the market directly by approaching one of the main retailers, or contacting an importer. Cooperation with local manufacturers will not likely be of value.

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

- Cyprus has a small luggage and accessories market and many of the larger outlets serve the numbers of overseas residents who live in Cyprus for part or all of the year.
- There are around 30 clothing retailers of which the Spanish owned multiples Springfield, Don Algodon (Gruppo Cortefiel) and Inditex/Zara are the most important. Other big name retailers are from the UK (Marks & Spencer), Germany and Italy.
- On the other hand, most local manufacturers mainly sell through small shops or through market stalls. This is a small part of the trade, as most products are imported.
- 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. The higher the market segment, the higher the margins that can be commanded.
- Interesting importers for developing country exporters can be found at the Cyprus Import Portal (<http://www.cyprusimporters.com>). MGC is an importer of ladies fashion accessories and also has ten retail outlets on the island (<http://www.mgc.com.cy>). An importer of backpacks is <http://www.polydorou.com.cy>

- Other information on trade structure can be found at <http://www.uktradeinfo.com> or the Ministry of Commerce, Industry & Tourism (<http://www.mcit.gov.cy>).

### 3 Trade: imports and exports

#### Imports

- In 2005, Cyprus' imports of luggage and accessories were valued at € 18 million, or 6 thousand tonnes. Out of the 27 EU countries, Cyprus is ranked sixth smallest, and as such is regarded as a small-sized country for luggage and accessories imports. (Note imports of "made of leather" items in this group were valued at € 6 million or 1 thousand tonnes.)
- Between 2001 and 2005, Cyprus' luggage and accessories imports grew by an average of just 0.7% per annum in value but 90% in volume (down 2% and up 12.5% respectively for "made of leather" items). There was a fall in the period to 2003, then imports recovered in 2005, back to 2001 levels.
- Imports exceeded exports many times over, as exports have negligible value. Exports are increasing more quickly than imports, but from a very low base. The same period has seen a decrease in luggage and accessories production and an average annual increase in consumption of 6%.
- Around 30% of Cyprus' imports come from developing countries in 2005 (20.3% for "made of leather" items). This proportion was 49.4% in 2001 (37.5% for "made of leather"). This fall was mainly due to more imports from other EU countries such as Italy and France.
- China accounted for 78.8% of all developing country supplies by value in 2005, followed by India (14.6%) and Thailand (1.8%). Vietnam and Lebanon were also important suppliers. While China's supplies decreased by a third over the period, supplies from India and Thailand also decreased.
- By product group, Cypriot imports by value can be sub-divided as follows:
  - Almost 63%, valued at € 12 million consisted of bags, of which € 3 million were "made of leather". Within this group handbags (€ 9 million) was the largest sub-group, of which almost € 3 million were "made of leather"
  - Around 21%, valued at € 4 million consisted of small accessories, such as belts, wallets, purses and pouches, of which almost € 3 million were "made of leather". Within this group other small accessories (wallets, purses and pouches) valued at € 2 million was the largest sub-group, of which € 1 million was "made of leather".
  - Almost 16%, valued at € 3 million consisted of cases, of which less than 10% was made of leather. Within this group suitcases valued at € 2 million was the largest sub-group. The value of "made of leather" suitcases was negligible.

#### Exports

- Luggage and accessories exports from Cyprus were valued at € 0.3 million in 2005, representing negligible volume.
- Between 2001 and 2005, the average annual increase in exports was 12.5% by value and 36.1% by volume.
- Because of the low export volumes, there is unlikely be re-exporting, so this does not appear to be a major factor in the Cypriot market.

#### Opportunities and threats

- + The main growth opportunities for developing country suppliers are bags, particularly handbags. Developing country suppliers of cases and small accessories are decreasing. Suitcases and other small accessories are falling in particular, whereas supplies of belts to Cyprus are increasing.

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>
- National Statistics Cyprus – <http://www.mof.gov.cy>

**4 Price developments**

- Luggage and accessories prices in Cyprus were just above the average of all EU prices. However there were differences in market sectors. There is a large tourist trade in Cyprus and some prices in these areas, particularly of handbags, were above the prices in non-tourist areas.
- The website of Cyprus's National Statistics (<http://www.mof.gov.cy>) publishes harmonised indices of consumer prices. A useful website comparing luggage and accessories prices in Cyprus is <http://www.nextag.com>. Not many Cypriot luggage and accessories retailers feature prices on their website. <http://www.cyprusstores.com> is a vertical portal that features many stores in Cyprus, some of which feature prices. One retailer that features some prices is Zako (<http://www.zako.com>).

**5 Market access requirements**

As a manufacturer in a developing country preparing to access Cyprus, you should be aware of the market access requirements of your trading partners and the Cypriot government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select leather goods and Cyprus 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 Cyprus, visit the following websites:

- The Cyprus Employers and Industrialists Federation (<http://www.oeb.org.cy>) represents trade associations in Cyprus, but as there is no industry to speak of on the island, there is no trade association.
- There is no specific leather trade fair in Cyprus, but the International Fair, held annually in May in Nicosia may feature some luggage and accessories companies. It is organised by the Cyprus State Fairs Authority (<http://www.csfa.org.cy>), itself a member of the Mediterranean Trade Fairs Association (<http://www.mtfa.org>).
- There is no specific luggage and accessories trade publication in Cyprus.
- Cyprus Chamber of Commerce is a good contact (<http://www.ccci.org.cy>), as is Invest in Cyprus, the promotion agency for exporters who wish to invest in Cyprus (<http://www.investincyprus.gov.cy>).

This survey was compiled for CBI by *Searce*

Disclaimer CBI market information tools: <http://www.cbi.eu/disclaimer>