

CBI MARKET SURVEY

THE LUGGAGE AND
(LEATHER) ACCESSORIES
MARKET IN THE CZECH REPUBLIC

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the luggage and (leather) accessories market in the Czech Republic. 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 Czech market for luggage and (leather) accessories is valued at € 92 million in terms of retail sales.
- Czechs spent € 9.0 per capita per year, which was less than half the EU average of € 19.7 in 2005.
- The Czech Republic is the fifteenth largest luggage and accessories market in the EU and this small-medium market is similar to a cluster of other countries, including Finland, Denmark, Ireland and Hungary.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
73	78	83	87	92	6.5	10.2	9.0

Source: Trade Estimates (2006)

- Between 2001 and 2005 the Czech market for luggage and accessories increased by an annual average 6.5%, compared to the EU average of 2.9%.
- The market is predicted to continue to grow, but at levels slightly lower than recently. Prices in the Czech Republic are still lower than western EU member states, but they are catching up. From 2005 the sales of € 92 million are expected to grow further and will be underpinned by more genuine market growth, rather than growth in value based on price increases.
- Although the market is developing strongly in Prague and some of the other large cities, there are still major differences between these areas and the countryside. Here market stalls and locally produced products are more popular.
- The major retailers and luxury goods stores that are now part of the Czech retailing scene have introduced the more fashionable and younger sections of the Czech population to more sophisticated bags and accessories.
- The business community in the Czech Republic has also embraced the use of laptops and other new technology, thus participating in the purchase of laptop and other cases seen elsewhere in the EU.
- The luggage sector has also increased in the Czech Republic as rising living standards have enabled more affluent Czechs to travel more than they used to. The Czech Republic is well served by a number of low cost airlines, which makes the decision to travel easier.

- Local production accounts for a small proportion of market value, which implies more imports of luggage and (leather) accessories from Asia and other EU countries.

Production

- The Czech Republic is a small-medium producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 18.1 million in 2005, just below its 2001 levels, when production stood at € 19.6 million, as table 1.2 indicates.
- Between 2001 and 2005, there have been a number of ups and downs. Production increased up to 2003, then fell in 2004 only to rise again in 2005.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
20	18	23	12	18	30	1,000

Source: Eurostat, National Statistics (2006)

- Since the 1989 revolution, the industry has had to rationalise and make it fit to compete in the global market. This has resulted in a significant reduction in the number of companies and employees in the industry. It is not clear whether production will increase or not in coming years, but the industry will continue in some form.
- Production in the Czech Republic is equally split between handbags and luggage. There is no declared production for small accessories or belts. The trend is towards greater handbag production and less luggage production.
- Companies involved in the production of leather products include:
 - Krol manufacture fancy leather goods but have also extended their scope to include retailing and wholesaling (<http://www.krol.cz>).
 - As well as producing footwear, Luna Leder also produce a wide range of luggage and accessories (<http://www.lunaleder.cz>).
 - M+M Rynarec is a family-owned company that produces handbags and other accessories for export as well as the local market.
 - Arteddy is also a large supplier of a range of products (<http://www.arteddy-eu.com>)

A list of producers of luggage and accessories can be found at the Czech Footwear and Leather Association (<http://www.coka.cz>). In addition, among the list of exhibitors at the Kabo and Stil International Fair in Brno you will find many manufacturers of luggage and leather goods (<http://www.bvv.cz>).

Opportunities and threats

- + A growing number of single households are more open to fashion-based bags and accessories. They will form a large market, especially for casual and classic bags.
- + Along with the growing economy, there will be more women at work who are looking for fashionable laptop cases designed specifically for women.
- + The Czech market is now turning into a middle class market. Exporters from developing countries can find opportunities at fashion specialists in the middle/lower sector. As the country has a long history in leather goods, a Czech retailer or distributor will expect good quality, durability at a comparative price advantage when buying from a developing country.
- + In a competitive market with growing supplies from China and India, exporters should seek opportunities in market niches, or try to form a partnership with a local producer and adapt some local producers to your own design capabilities.

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

- As the Czech retail trade is very fragmented, the use of a wholesaler or agent is still a very important way to access the Czech market. The independent sector, including many small specialist retailers and market traders, dominates but this is slowly changing as large international retailers have recently established a strong position in the Czech market. Riwal is an importer and wholesaler in this sector, particularly for wallets and purses (<mailto:riwal@cbox.cz>). Grosseova Sona is also a wholesaler of leather goods (<mailto:sg-leather@pvt.net.cz>). Other distributors include:
 - Valleco produces bags and belts, but also has a number of retail outlets in the Czech Republic (<http://www.valleco.cz>).
 - Topgal manufactures and distributes a wide range of luggage and accessories (<http://www.topgal.cz>), as does Snezka Nachod (<http://www.snezka-na.cz>).
- Hypermarkets (Tesco, Carrefour, Hypernova) and increasingly mail order operators are important non-specialist channels for luggage and accessories. One leading mail order operator is the German owned Quelle (<http://www.quelle.cz>).
- In each trade channel different margins and prices apply, with multiples of 2.6 up to 3.1 of the manufacturer's or importer's price. Generally wholesalers' margins range between 30 – 40% of the CIF price, while retailers' margins are between 55 – 75%. 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 Czech Footwear and Leather Association (<http://www.leatherindustry.cz>) or The Czech Association of Textile, Clothing and Leather Industry (<http://www.atok.cz>).

3 Trade: imports and exports

Imports

- In 2005, the Czech Republic's imports of luggage and accessories were valued at € 89 million, or 56* thousand tonnes. Out of the 27 EU countries, the Czech Republic is ranked twelfth 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 € 16 million or 43* thousand tonnes.)
- Between 2001 and 2005, Czech imports grew by an average of 16% per annum in value and 18.2% in volume (5.6% and 6.3% respectively for "made of leather" items). Most of this growth occurred in the period after 2003.
- Imports exceeded exports by 24% in value and almost three times in volume in 2005. Imports are increasing at the same rate as exports. The same period has seen a small decrease in luggage and accessories production and an average annual increase in consumption of 6%.
- Around 34% of the Czech Republic's imports come from developing countries in 2005 (19% for "made of leather" items). This proportion was 57.2% in 2001 (39.8% for "made of leather"). The major reason of this fall was that more was imported from other EU countries such as Germany and Italy as well as other eastern EU countries, such as Poland, Romania and Bulgaria. China accounted for 88% of all developing country supplies by value in 2005, followed by India (7%) and Vietnam (2.5%). Turkey and Thailand were also important suppliers. While China's supplies increased by 10% over the period, supplies from India and Vietnam both decreased. Falling DC supplies was due to significant intra-EU increases.
- By product group, Czech imports by value can be sub-divided as follows:
 - Around 65%, valued at € 58 million consisted of bags, of which € 7 million were "made of leather". Within this group travel bags (€ 28 million) was the largest sub-group, of which less than € 1 million were "made of leather".
 - More than 17%, valued at € 15 million consisted of small accessories such as belts, wallets, purses and pouches, of which € 8 million were "made of leather". Within this group, other small accessories (wallets, purses and pouches) valued at € 11 million was the largest sub-group, of which € 4 million were "made of leather". The

remainder of this group is belts, valued at € 4 million, all of which was "made of leather".

- More than 17%, valued at € 15 million, consisted of cases, of which just € 1 million were "made of leather". Suitcases was the largest sub-group, valued at € 11 million. Of these just € 0.5 million were "made of leather".

* Note 42 thousand tonnes were from the neighbouring country Slovakia. This may be an error in Eurostat figures, in which case volume imports would be closer to 14 thousand tonnes. Volume growth calculations have assumed the lower figure.

Exports

- Luggage and accessories exports from the Czech Republic were valued at € 72 million in 2005, representing 5 thousand tonnes.
- Between 2001 and 2005, the average annual increase in exports was 15.2% by value and 8.1% by volume.
- There seems to be some re-exporting, as Czech production levels are well below export levels.

Opportunities and threats

- + The main growth opportunities for developing country suppliers are bags and cases, particularly travel bags, handbags and suitcases. Developing country suppliers of other small accessories are also increasing but to a lesser extent, although supplies of belts are also increasing quickly. These are the only "made of leather" items that are significantly increasing in the Czech Republic. Supplies of other "made of leather" products are not showing much growth, in fact leather cases are declining.

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>
- Czech National Statistics – <http://www.czso.cz>

4 Price developments

- Prices of luggage and accessories in the Czech Republic are below the EU average, although prices are polarising. There is still a lot of this product group sold through markets at very low prices, but higher priced products of well-known brand names are appearing on the market as the retail trade develops.
- The website of Czech National Statistics (<http://www.czso.cz>) publishes information on consumer prices. A useful website comparing luggage and accessories prices in the Czech Republic is <http://www.nextag.com>. Prices of some luggage and accessories can be found at <http://www.quelle.cz>. The luggage manufacturer Samsonite has a link to the Czech Republic and prices can be accessed here (<http://www.samsonite.com>).

5 Market access requirements

As a manufacturer in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select leather goods and Czech Republic 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 the Czech Republic, visit the following websites:

- <http://www.leatherindustry.cz> is the website of the Czech Footwear and Leather Association. They produce an information bulletin and a catalogue of members.
- The Czech Association of Textile, Clothing and Leather Industry also includes some leather goods (<http://www.atok.cz>).
- The main trade fair for the Luggage and Accessories Industry is the Kabo show, which takes place in Brno in February and August (<http://www.bvv.cz/kabo/>).
- The main trade publications are Textilzurnal (<http://www.textilzurnal.cz>), Kozarstvi (<http://www.kozarstvi.cz>) and Tori (<http://www.tori.cz>).
- The Czech Leather and Fur Association (<mailto:ckka.belik@jaro.cesnet.cz>)
- More information on doing business in the Czech Republic can be found at <http://www.czechtrade.cz>.
- The main information portal for the leather industry is the website <http://www.obuvkuze.cz>. The English version of this is <http://www.shoes-leather.com>.

This survey was compiled for CBI by *Searce*

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