CBI MARKET SURVEY

THE GERMAN MARKET FOR LUGGAGE AND (LEATHER) ACCESSORIES

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Report summary
This CBI market survey discusses the following highlights for the luggage and (leather) accessories market in Germany:

- German consumption of luggage and (leather) accessories was € 1,878 million in 2005, up 0.7% per annum on average, while production fell to € 127 million.
- In 2005, Germany imported luggage and (leather) accessories valued at € 1,270 million, or 168 thousand tonnes. Since 2001 values increased by 0.5%, and volumes were up by an average annual rate of 6.8%.
- Around 61% of imports by value came from developing countries (77% by volume). The share of imports by developing countries is unchanged since 2001 in value, and up from 73.4% in volume terms.

This survey provides exporters of luggage and (leather) accessories with sector-specific market information related to gaining access to Germany. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The luggage and (leather) accessories market in the EU', which covers the EU market 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 German market for luggage and (leather) accessories was worth € 1,878 million in 2005. Germany is the largest EU market for luggage and accessories, followed by Italy and France.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
1,828	1,823	1,860	1,789	1,878	0.7	82.4	22.8

Source: BTE Statistik, Grüner+Jahr, Euromonitor (2006)

The per capita consumption of € 22.8 was above the EU average of € 19.7. In the period under review, between 2001 and 2005, the German market increased by an average 0.7%, a figure below the EU average of 2.9%. Until 2003, German sales of luggage and (leather) accessories did not grow much. In 2004, sales dropped due to the economic recession, high unemployment and less travel by air. In that year value sales of luggage dropped sharply due to a weak demand and an oversupply of cheap items from Asia.

In addition to department stores, many luggage, bags and accessories in the low-middle price ranges are increasingly sold by non-specialist retailers such as hypermarkets, clothing stores, footwear stores, stationery shops, sports shops, electrical shops and discounters. Being price conscious, consumers took advantage of special promotions by hypermarkets and discounters, which restrained value sales.

It was in 2005 that consumer confidence was slowly regained, which was especially felt in handbags for young women. According to BTE Statistik, more ladies' fashion accessories were bought, including handbags, belts, hats, shawls and costume jewellery. There was more interest in quality items or designer handbags of well-known brands being sold at department stores and boutiques. As handbags have boosted the luggage and accessories market, the total value sales has grown by 5%, between 2004 and 2005.

When buying luggage most German consumers are practical and there should be a clear reason for replacement. They regard function, quality, comfort and a competitive price as most important, whereas in handbags, belts, cross over bags and sports bags, design, fashion and brand awareness are more important, especially among women.

The market is expected to grow in 2006 and beyond, and will be mainly driven by:
- More women in business along with the growing economy.
- Fashion-aware women who will look for medium-priced, fashionable handbags and
- belts that are as close as possible to the haute couture items.
- More international travel, which will stimulate the suitcases and travel bags segments.
- An extra impulse may come from increased business travel and the popularity of short weekend trips with 'low-cost carriers'.
- New markets for men and teens. For example, pouches for men, instead of briefcases, which have become more popular. More variety in girls' purses in different fabrics is expected.
- Fast changes in the technology sector will boost the small accessories segment, as consumers buy new mobile phones, portable audio systems (ipods), personal GPS systems, with or without holders.

In general, luggage and accessories in medium price ranges are gaining importance. However, due to the power of discounters, the German market will continue to be affected by cheap Chinese imports, especially counterfeit items such as handbags and belts.

Market segmentation

- *Segmentation by product group*
  There are a number of ways that the market can be segmented. Most analysts use the traditional product based segmentation. This indicates that in 2005 in Germany:
  - Suitcases accounted for 32% of the market (€ 602 million),
  - Handbags for 25% (€ 467 million),
  - Small (leather) accessories for 14% (€ 263 million),
  - Travel and other bags for 10% (€ 189 million),
  - Briefcases for 11% (€ 207 million),
  - Belts for 8% (€ 150 million).

  Suitcases formed the largest part and represented 32% of the total German market. According to Wirtschaftwoche, sales in this segment dropped substantially until 2004, due to a drop in overseas travel as a result of the US attacks and the Sars Virus. In addition due to the sustained stagnation of German economy, many German people did not find it necessary to replace their luggage. But as economics prospects are improving, business travel is increasing. In 2004, sales of luggage have stabilised. Business travellers are looking for comfortable suitcases of a better quality.

  Nowadays, there is more variety in suitcase models, colours, sizes and weight. There is also a shift from large suitcases to smaller trolley cases and to holdalls particularly for short holidays or trips, which have become more popular in Gemany. Luggage for this category of travellers must be light in weight as 'low-cost carriers' charge a lot for every extra kg. Some popular brands include Samsonite, Longchamp and Lacoste as well as private brands from department stores.

  Handbags represented 25% of the total German luggage and accessories market and has been a fast growing segment, not only among working women, but also among teens. Especially in the low-middle price ranges trendy handbags, made of leather, fabrics or any other material, were increasingly sold by clothing (H&M, Zara, Esprit) and footwear retail chains. In the high price range designer handbags e.g. Gucci, Hermes, Boss and Prada have become more popular, as consumer confidence has been on the increase. Along with the French and Italian fashion trends, handbags have become larger in size. They are more used as a 'combination bag', not only to carry personal items and cosmetics but also small electronic gadgets, mobile phones, ipods and books.

Travel bags and other bags include holdalls, backpacks, rucksacks, sports bags, shopping bags and all kinds of other bags. In 2005, this segment represented 10% of the total German market. The revival in overseas tourism will stimulate sales of travel bags, holdalls and backpacks. Backpacks are now more comfortable with shapes specifically designed for the female torso and many additional features such as mobile-phone pockets, padded laptop sleeves and detachable smaller packs.

Demand for sports bags has been more or less static, as fitness participation has not grown much and people do fitness more at home. Next to Adidas, Reebok, Puma and Eastpack are well-known brands. Cross over bags for laptops have gained in popularity, especially among men, which has been at the expense of briefcases. These bags are safe to carry computers and have several compartments for all other necessary stationery items.

Briefcases represented 11% of the total market and were one of the weakest segments. Briefcases and computer cases both include compartments for laptop computers. Computer cases are increasingly made of synthetic materials, are lightweight and less expensive than traditional leather briefcases. During the unemployment period, laptop computers slowly increased and computer cases have stimulated demand in this segment.

Small (leather) accessories includes wallets, purses, key pouches, passport folders and holders for personal organisers, ipods, personal GPS systems etc. This segment represented 14% of the total market but has not grown much in the past few years, as many German people see no reason to make a replacement. Some future growth may be in holders for mobile phones, ipods or other electronic gadgets.

- *Segmentation by buying habits*
  As in other EU countries, young people shop around and look for the latest trends in fashion styles and are much attracted to influences from the USA. Whereas older people used to be loyal buyers, they now shop around as well, although they often do this in a hurry, as they do not have much time. Consumer behaviour has become more unpredictable and it has become more difficult to categorize them. One person can buy at a specialist, or at a luxury boutique, a department store or at a discounter. Another change in behaviour is that consumers in all age groups have become more demanding and expect value for money.

Market trends

- During the recession, the German luggage and accessories market has polarized into a higher quality/price and a lower quality/price sector. But now there is an upgrading towards the middle/price sector. Since 2005, German consumers gradually started to look again for better quality and more comfort in luggage. In handbags and all other bags, style has become more important especially in the younger women's segments.
- There are more women in business, which means that briefcases are lighter and have more compartments. Designs are more female oriented, which not only applies to briefcases, but also to suitcases and small accessories.
- In line with greater levels of disposable income, more money is being spent on accessories and all sorts of bags, and parents are also spending more on their children. Part of this is due to greater influence from advertising.
- Image is also more prevalent in luggage (suitcases and briefcases), as its design or brand says something about the status or lifestyle of the owner. In the luggage and accessories

business, marketing will be increasingly focussed on particular consumer target groups.
- Because of intensified security (terror alerts) at airports, there are restrictions on the size of hand luggage and its contents. So now manufacturers are looking for more lightweight and compactness in hand luggage and also in all other types of suitcases.
- For all luggage and accessories, there is more variety in non-leather material, e.g. made of nylon, fibre, PVC coated, textile or combinations of materials.

Production

Total production

Germany is a sizeable producer of luggage and (leather) accessories but production has fallen consistently in the past few years. The value of luggage and accessories production was estimated at € 127 million in 2005. As table 1.2 indicates, this is down by almost half from € 199 million in 2001.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
199	171	147	144	127	464	na

Source: Eurostat, BTE Statistik (2006)

The leather industry mainly consists of 464 tanneries, which are primarily located in the southern part of the country. The long-established domestic leather industry is highly skilled and specialised. Most companies are larger businesses, with more than 20 employees. In 2005 the total luggage and leather accessories production can be subdivided as follows:
- Handbags and other bags – 39% of total value, € 50 million.
- Suitcases and briefcases – 38% of total value, € 48 million.
- Belts – 22% of total value, € 28 million.
- Small leather accessories – 1% of total value, € 1 million.

As many large German manufacturers have outsourced their production to developing countries, where wages are lower, the decrease in luggage and accessories production is generally forecast to continue. For smaller German manufacturers, early signals of the EU anti-dumping measures for handbags are starting to reduce the increasing rates of imports. This is important in helping their production to recover. Between 2004 and 2005, the German production of handbags decreased from € 127 to € 50 million. Also small leather accessories' production decreased from € 36 to € 1 million. On the other hand, production of cases largely increased from € 18 to € 48 million and belts from € 17 to € 28 million.

The German 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 specialisation or by producing items made of vegetable tanned leather.

Main players

- The main manufacturers of interest in Germany are:
  - Muller & Meirer GmbH, (http://www.maitre.de), located in Kiln producing high quality leather handbags, backpacks, diaries and a variety of stationery items made of leather.
  - Johan Becker GmbH (mailto:johann-becker@web.de), producer of leather handbags, located in Mainhausen.
  - Winfried Kralle GmbH, (http://www.fralle.com) located in Obertshausen producing high quality leather handbags, backpacks, suitcases, briefcases, diaries and

stationery items made of leather.
  - Picard Lederwaren GmbH, (http://www.picard-lederwaren.de) located in Obertshausen producing leather handbags, backpacks, diaries and a variety of stationery items made of leather and other materials.
  - Bree Collection (http://www.bree.com), located in Isenhagen and producing leather bags, belts, suitcases, computer cases and small leather accessories.
  - Colonia Leather GmbH, manufacturer and tanner of vegetable tanned, crust, nubuck, nappa calf, sheep and goat leather for leather goods.
  - Heller Leder GmbH, manufacturer and tanner of mineral and chrome free tanned, dyed and finished cow leather for leather goods.
  - Rimowa is a well known brand for aluminium suitcases, trolleys and beauty cases. (http://www.rimowa.de).

- A directory of the German luggage and accessory manufacturers can be found via the German Leather Industry Association (http://www.vdl-web.de) and the Leather Goods and Luggage Association (http://www.lederwarenverband.de).

Opportunities and threats

+ As the German economy starts to improve after years of stagnation, opportunities will become apparent for exporters from developing countries. There is more demand for cross over bags, fashionable handbags, light and compact luggage and computer cases. With regards to computer cases, please check well beforehand the size of the screens, as they change regularly.
+ In the middle-higher segments, German consumers are prepared to pay high prices for well-known brands and items made in France or in Italy. As an exporter from a developing country, you will therefore find more opportunities in the low-medium segments and approach the German market with less fashion-sensitive lines such as travel bags or small leather accessories.
+ The growing market for fashionable handbags provides opportunities for exporters if they can produce at the prices demanded. However there is a danger in becoming too reliant on this sector of the market. If you are not able to supply quickly and change production at the short-term whim of the fashion market, you could find yourself exposed to the dangers of overtrading.
+ The ageing of the German population offers opportunities for suitcases with ergonomic elements, especially with regard to comfort - easy to carry, easy to store - which is important for older people.

+ Outsourcing also provides opportunities. German manufacturers have had to adapt their systems to remain competitive. They have forged partnerships with domestic and overseas suppliers. They will particularly appreciate input from suppliers who can demonstrate design flair and innovation. Try to avoid competition on price, but offer something different that is unique to your country in terms of design, material or craftsmanship.
+ The use of the Internet is well established; however the purchase of luggage and accessories via the Internet is still low. It serves mainly for the purpose of making price comparisons, but it also makes the Germans very well informed about different items.
- Equally any of these trends can be an opportunity for one exporter, but a threat to another. German buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country. The outcome of this analysis will depend on the specific situation of each exporter.

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'.

Useful sources

- There are a number of commercial research organisations that produce reports on the German market for luggage and accessories, but these can only be obtained at a cost.
- They include the Market Research Bureau Euromonitor (http://www.euromonitor.com),

as well as Mintel (http://www.mintel.co.uk) and Just Style (http://www.just-style.com).
- Production information can be obtained from Eurostat as well as the German National Statistics (see later in this report for contact details).

2 Trade channels for market entry

Trade channels

- The distribution of luggage and (leather) accessories can be divided into specialist and non-specialist channels. As constant enlargement by non-specialist outlets has taken place in the past ten years, distribution of both luggage and (leather) accessories is dominated by non-specialists as is shown in table 2.1.
- German specialists' sales are led by the independent stores and stores linked to a buying group. Buying groups are particularly strong in Germany in all quality/price ranges.
- Within the non-specialists, department stores took up 27% of retail sales, while clothing and footwear stores are taking up a proportion – no statistics were available.
- For smaller exporters from developing countries, the wholesale sector that serves smaller outlets, or the use of an agent, who would also work for other manufacturers, would be the most appropriate channels. They often do not require large quantities and if the working relationship is successful, usually more business will follow.
  Some of the manufacturers mentioned in Chapter 1 under 'Production' are also wholesalers. Other interesting wholesalers for luggage and (leather) accessories are:
  - Braun Buffel, located in Kirn and also produces handbags and other bags (http://www.braunbueffel.de)
  - Bodenschatz Lederwaren, located in Presseck, specialises in bags, belts and small leather accessories (http://www.bodenschatz-bags-and-more.de).
  - Deuter Sport & Leder and specialised in leather rucksacks (http://www.deuter.com).
  - Pamela Lederwaren Vertriebs GmbH, located in Hanau, specialises in small handbags, travel and other bags and accessories and stationery of leather (mailto:info@pamela-lederwaren.de).
  - Jutamo Lederwarenimport GmbH, located in Hanau, specialises in handbags and small leather accessories and stationery.

- Some luggage and accessories are imported through agents that usually specialise in particular types of items or region. Some interesting agents can be found via the Federation of German Commercial Agents (http://www.cdh.de).
- Increasingly, agents are being overlooked and exporters to Germany are approaching the major luggage and accessories retailers directly. Some disadvantages in working with an importer/wholesaler are that their margins are high and they may require the exclusivity for your item.
- The role of importers and agents continues to be important, although their influence is decreasing. Changes in distribution, including the growth of non-specialist stores, have resulted in more price competition.
- The influence of larger retailers continues as the trade continues to concentrate further. Exporters from developing countries need to try to find importers in a particular niche if they do not feel they are equipped to supply the large retailers such as hypermarkets, department stores or clothing chains. These companies are increasingly purchasing direct from established suppliers (either German owned manufacturers or from other overseas contacts), or even investing in their own production facilities in a low-labour cost country.

Trends and main players in the retail sector

- There are two key distribution trends in luggage and in accessories retailing, both of which impact on how a developing country exporter should approach this market.
- *Firstly* there is a move away from low priced luggage and accessories, and there is more demand for better-designed items, made of a higher quality material (leather and non-leather). Specialised retailers are focussing on the middle and higher end of the market and advertise to try to retain their market position. Between 2001 and 2005, the number of retail outlets fell from 2,078 to 1,836, a fall of 13%. The major buying groups were:

- o Goldkrone, with 182 outlets - owned by the German Garantschuh + Mode.
- o Assima with 169 outlets.

Table 2.1 Retail distribution in Germany, 2006

Outlet type	
Specialists	**43**
Chain stores (incl. franchise stores)	na
Buying groups	na
Independent stores	na
Non-specialists	**57**
Department stores	27
Variety stores (household articles)	na
Hypermarkets	na
Clothing stores	na
Footwear stores	na
Sports retailers (sports and travel bags)	na
Office /Stationery shops	na
Home Shopping/mail order	8
Gift shops / Perfumeries	na
Electrical shops	na
Others (factory outlets, market stalls etc.)	na

Source: Grüner+Jahr (2006)

- Even if independent retailers have largely benefited from the demand for handbags, they are still facing difficult times because of competition from clothing stores and with consumers shopping around more extensively than before.
- *Secondly*, the reduction of specialists in favour of non-specialist channels, is likely to continue, particularly in favour of the discounters. The variety of channels selling luggage and accessories continues to increase. This growth is driven by lower prices and by convenience for the consumer. The main non-specialist retailers are:
  - o *Department stores* have always been strong in the luggage and accessories market, especially for suitcases, handbags, belts and small leather accessories (wallets, purses, personal toilet sets). The main department stores are Karstadt (143 outlets), Kaufhof (127 outlets) and the variety store Woolworth (330 outlets, UK owned).
  - o *Clothing stores* such as C&A, Betty Barclay, Boss, Zara, H&M, Esprit, as well as independent retailers specialising in ready-to-wear items, have extended their ranges and included accessories to match their clothes. They also change product ranges more frequently to keep consumers' attention.
  - o *Discounters* (Aldi, Lidl, Wal-mart) and hypermarkets (Metro, AVA, Rewe) have been strong in the luggage and accessories market, especially for briefcases, belts and small leather accessories (wallets, purses, personal toilet sets). However, as other products (communication, DVD players etc.) have been more in demand, they have recently reduced their luggage selling space.
  - o *Footwear stores* (Reno, Deichmann, Goerz, Kienast, Schuhof, Roland, Geox, etc..) have a similar strategy to clothing stores. The major footwear chains and footwear boutiques are well-represented on the high street and in the out-of-town shopping centres.
  - o *Sports shops* have grown fast in Germany, along with the increasing popularity of sports practice (fitness, inline skating), and outdoor trekking in Germany and abroad. The leading chains/buying groups include Intersport (1,462 outlets), Sport 2000 (975 outlets) and Runners Point (120 outlets).
  - o *Electrical shops*, such as Media Markt (314 outlets), PC-Spezialist (105 outlets) and Vobis (98 outlets), selling cases and bags for lap-top computers and small suitcases.
  - o *Stationery shops* or the large *office supply chains* have grown fast along with the boom of computers in the past few years. They also sell cases and bags for lap-top computers, small suitcases (day-packs) and a variety of small accessories (passport folders, filofax, holders for personal organisers, agenda with leather covers etc...).
  - o *Home shopping* and mail order is important and accounted for 8% of the luggage

and accessories market, with mail order sales suffering from the growing popularity of Internet sales. Some of the mail order companies are Universal Mail Order, Otto Group, Baur Versand, Heine group, Schwab, Klingel Versand and Bertelsman.

- One advantage of working directly with large retailers is that you can get a better price than through an importer or agent. However, it will be more difficult to establish a relationship as they often change suppliers. Another disadvantage is they require special conditions in terms of fast delivery, labelling, packaging (special promotions) or after sales service.

Price structure

- Due to intensified competition, margins have been falling in the lower end of the German market in recent years.
- In each trade channel different margins and prices apply, with multiples of 3 up to 4.5 times 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 approached. The higher the market segment, the higher the margins that can be commanded. Department stores or clothing and footwear chains ask for large-volume discounts, which are then passed on to their affiliated stores.
- More information can be found in chapter 3.2 of the CBI market survey 'The EU market for luggage and (leather) accessories'.

Selecting a suitable trading partner

This is a very important part of the export process. As important as finding a contact that is suitable for you in terms of the range of products that you can supply is the relationship and empathy you can establish between yourself and your partner. The essential element of any trading relationship is trust. You must satisfy yourself that you will be happy to deal with the organisation in question over a long period. Your own judgement and instincts are most important in this respect.

In relation to how you find a trading partner, the usual trade sources are an important point of contact. The German Leather Industry Association and the Leather Goods and Luggage Association are important contacts (see elsewhere in this report for contact details). The best place to meet potential trading partners is at the International Leather Goods Fair in Offenbach or at the Leather and More Fair.

It would be better to first visit an exhibition a few times before participating yourself. During a visit you can extensively look around at the stands of the main players and get a better idea of the latest fashions. At trade shows you have an opportunity to talk to potential partners on a face-to-face basis and better judge whether you would like to work with them. You could also identify potential partners from the exhibition website beforehand or from a catalogue. When selecting them (e.g. importer or wholesaler) try to find out:

- What type of luggage or (leather) accessories they sell (focussed on comfort, material or fashion).
- To which target groups they sell.
- In which areas they are well represented in their country. If they are exporting, to which other EU countries they sell.
- To whom they sell e.g. small or large retailers, department stores, buying groups etc..

You could also find this out by looking at their website or try to find a company profile through other hosted sites e.g. of a local BSO or trading platform, or by finding their company brochure. You can contact interesting trade partners by mail or e-mail and follow up by phone a few weeks later. See also chapter 3.1.3 of the CBI Export manual 'Exporting to the EU'.

Although you may initiate a communication by post or email, it is recommended that there is some personal communication before a trading partner is selected. You should also do a credit check of your potential trade partner, especially when an investment from your side is involved. This credit check could be done by a specialist company such as Dun and Bradstreet (http://www.dnb.com). A bank usually does not give credit ratings of its customers.

Although you may initiate a communication by post or email, it is recommended that there is some personal communication before a trading partner is selected. In this regard, you could also contact Business Support Organisations in Germany or the commercial department of your own embassy to see if they have any useful contacts. They may even have some knowledge of contacts you may have made independently. The Association of German Chambers of Industry and Commerce (http://www.diht.de) could be a good source of general advice. In addition, the main Business Insitute for doing business with Germany can be reached at http://www.ehi.org

3 Trade: imports and exports

Imports

Total imports

- In 2005, Germany imported luggage and accessories valued at € 1,270 million, or 168 thousand tonnes. This accounted for 15.7% of all EU imports by value, or 15.2% by volume. This represented an average annual increase in value of 0.5% since 2001 (6.8% in volume). Germany is the third largest importer of luggage and accessories by value after France and the UK, but the largest by volume. All three countries (and Italy) have similar levels of imports. (*Note imports of "made of leather" items in this group were valued at € 354 million or 15 thousand tonnes. These imports fell by 1.2% in value but increased by 3.3% in volume over the period between 2001 and 2005*).

- This growth in imports contrasts with a 6.3% growth in exports, which are approximately less than half the value of imports. However, import volumes are over four times as big as export volumes. Production has increased in volume but decreased in value in Germany and the consumer market has been showing a 3.3% annual decrease over the period.

- Around 61% of German imports by value (€ 776 million) came from developing countries and 77% (129 thousand tonnes) by volume. China is the largest supplier (48.3% of total value imports and 69.1% of total volume imports), with supplies valued at € 614 million or 116 thousand tonnes. The next largest supplier is Italy (7.8% of total value imports and 2.7% of total volume imports), with supplies valued at € 99 million or 5 thousand tonnes). The next two largest suppliers to Germany are The Netherlands and Belgium. The Netherlands has supplies valued at € 95 million, or 15 thousand tonnes (7.5% of value and 8.7% of volume). Belgium has supplies valued at € 84 million, or 6 thousand tonnes (6.6% of value and 3.4% of volume).

- The share of supplies by developing countries is unchanged in 2001 in value, but up from 73.4% in volume terms (*Note share of "made of leather" supplies from developing countries increased from 50% to 52.3% by value and increased from 61.9% to 73.7% by volume*). Imports from China have increased by an annual average of 3.3% (11.4% by volume) over the period, while India's supplies have decreased by an average of 3.6% per annum by value, but are unchanged by volume. Meanwhile, volumes of supplies from Vietnam are down, while values from France are up.

Imports by product group

Bags

- This is the largest luggage and accessories product group. Valued at € 798 million in 2005, this represented 62.8% of all luggage and accessories imports to Germany (60.7% by volume). This compares with a share of 59.7% in 2001 (56.4% by volume). Hence this product group is increasing in significance in both its value and volume contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 153 million or 6 thousand tonnes. These imports fell by 3.1% in value but increased by 3% in* *volume over the period*). Intra-EU trade accounts for 29.7% by value and 15.6% by volume, but this has changed from 24.9% by value and 14.5% by volume in 2001. Italy's share of supplies is down from 9.9% in 2001. The share of supplies from Belgium, The Netherlands and France has all increased.

Table 3.1 Imports by and leading suppliers to Germany, 2001 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total luggage and accessories	350	375	413	Intra EU: Italy (7.8%), The Netherlands (7.5%), Belgium (6.6%), France (5.2%), UK (1.3%)	32.5
	134	108	81	Extra EU ex. DC*: Hong Kong (2.9%), Switzerland (1.7%), USA (0.8%), Taiwan (0.4%), Romania (0.2%)	6.4
	760	613	776	DC*: China (48.3%), India (5.2%), Vietnam (2.7%), Turkey (1.5%), Thailand (1.4%), Tunisia (0.5%), Pakistan (0.3%), Bangladesh (0.2%), Moldova (0.2%), Indonesia (0.2%)	61.1
Of which Bags	185	215	237	Intra EU: Belgium (6.7%), Italy (6.6%), The Netherlands (6.4%), France (5.0%), UK (1.4%)	29.7
	80	61	54	Extra EU ex. DC*: Hong Kong (3.0%), Switzerland (2.0%), USA (0.7%), Taiwan (0.3%), Romania (0.3%)	6.8
	479	383	507	DC*: China (52.5%), India (3.9%), Vietnam (3.7%), Thailand (1.0%), Turkey (0.8%), Pakistan (0.4%), Bangladesh (0.3%), Indonesia (0.2%), Tunisia (0.2%), Philippines (0.2%)	63.5
Of which Small accessories	76	85	98	Intra EU: Italy (14.5%), France (8.8%), The Netherlands (7.1%), Belgium (1.7%), UK (1.2%)	39.7
	22	16	15	Extra EU ex. DC*: Hong Kong (2.7%), Switzerland (1.2%), USA (0.9%), Taiwan (0.4%), Romania (0.2%)	6.1
	134	106	134	DC*: China (30.2%), India (13.2%), Turkey (4.9%), Thailand (3.4%), Tunisia (1.8%), Vietnam (0.2%), Pakistan (0.2%), Bangladesh (0.1%), Serbia (0.1%), Morocco (0.1%)	54.2
Of which Cases	89	75	78	Intra EU: The Netherlands (11.6%), Belgium (11.5%), Italy (4.5%), France (1.9%), UK (1.2%)	34.5
	33	30	14	Extra EU ex. DC*: Hong Kong (2.4%), USA (1.3%), Switzerland (0.9%), Taiwan (0.8%), Japan (0.1%)	6.2
	147	124	134	DC*: China (53.2%), Vietnam (2.2%), Moldova (1.2%), India (0.8%), Thailand (0.8%), Turkey (0.6%), Bangladesh (0.2%), Sri Lanka (0.2%), Colombia (0.1%), Indonesia (0.1%)	59.3

Source: Eurostat (2006)
*Developing Countries

- As far as developing country suppliers are concerned, they represent 63.5% of all imports by value (79% by volume, or 81 thousand tonnes), down from 64.5% in 2001 (76.9% by volume). (*Note share of "made of leather" imports from developing countries increased from 42.7% to 51.6% by value and from 57.9% to 77.7% by volume*). China (€ 419 million) and India (€ 31 million) are the two largest developing country suppliers of bags. However, whereas the value of China's supplies has increased by 20%, those of India have decreased. Of the other major developing country suppliers, values from Vietnam, Turkey and Thailand have also decreased.

- In terms of individual products, travel bags is the largest sub-sector, valued at € 285 million in 2005, a decreasing share since 2001 (*"made of leather travel bags valued € 97 million)*. Handbags is the next largest sub-sector, valued at € 258 million in 2005, an increasing share since 2001 *("made of leather" handbags valued € 106 million)*. Other bags were valued at € 255 million in 2005, up since 2001 *("made of leather" other bags valued € 36 million*).

Small accessories

- This is the next largest luggage and accessories product group. Valued at € 247 million in 2005, this represented 19.4% of all luggage and accessories imports to Germany (8.3% by volume). This compares with a share of 18.6% in 2001 (8.7% by volume). Hence this product group is increasing in significance in its value contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 175 million or 6 thousand tonnes. These imports increased by 2.3% in value and by 7.4% in volume over the period*). Intra-EU trade accounts for 39.7% by value and 21.4% by volume, but this has changed from 32.7% by value and 24.9% by volume in 2001. Spain's share is unchanged from 2001. The share of supplies from Italy has decreased, while France and The Netherlands has increased.

- As far as developing country suppliers are concerned, they represent 54.2% of all imports by value (73.7% by volume, or 10 thousand tonnes), down from 58% in 2001 (69.6% by volume). (*Note share of "made of leather" imports from developing countries decreased from 56.3% to 52.6% by value and increased from 62.6% to 70.9% by volume*). China (€ 75 million) and India (€ 33 million) are the leading developing country suppliers of small accessories. However, whereas the value of China's supplies has increased, those of India have decreased. Of the other major developing country suppliers, values from Turkey and Tunisia have increased, while supplies from Thailand have decreased.

- In terms of individual products, other small accessories such as wallets and purses is the largest sub-sector, valued at € 169 million in 2005, a declining share since 2001 (*"made of leather other small accessories valued € 97 million)*. Belts were valued at € 77 million in 2005, an increasing share since 2001 *("made of leather" belts valued € 77 million)*.

Cases

- This is the smallest luggage and accessories product group. Valued at € 226 million in 2005, this represented 17.8% of all luggage and accessories imports to Germany (30.9% by volume). This compares with a share of 21.6% in 2001 (34.8% by volume). Hence this product group is decreasing in significance in its value and volume contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 26 million or 2 thousand tonnes. These imports fell by 6.7% in value and 5.4% in volume over the period*). Intra-EU trade accounts for 34.5% by value and 23% by volume, but this has changed from 33.1% by value and 23.4% by volume in 2001. The Netherlands share is up from 6.1% in 2001. The share of supplies from Belgium, Italy and France has all decreased.

- As far as developing country suppliers are concerned, they represent 59.5% of all imports by value (73.3% by volume or 38 thousand tonnes), up from 54.6% in 2001 (68.8% by volume). (*Note share of "made of leather" imports from developing countries decreased from 57% to 53% by value and from 71.2% to 69.2% by volume*). China (€ 120 million) and Vietnam (€ 5 million) dominate the developing country supply of cases. However, whereas the value of China's supplies has decreased slightly, those of Vietnam have increased by 40%. Of the other major developing country suppliers, values from Thailand and Moldova have both increased, while India's have decreased.

- In terms of individual products, suitcases is the largest sub-sector, valued at € 160 million in 2005, a decreasing share since 2001 (*"made of leather suitcases valued € 8 million)*. Briefcases were valued at € 66 million in 2005, an increasing share since 2001 *("made of leather" briefcases valued € 18 million)*.

Exports
- In 2005, Germany exported luggage and accessories valued at € 540 million, or 36 thousand tonnes. This represents an average annual increase in value of 6.3%, and an average annual increase of 16.7% in volume since 2001.
- In 2005, Germany was the fourth largest exporter by value after France, Italy and Belgium, and the third largest by volume after Belgium and Italy. Germany's volume figures are reasonably similar to those of France. Over 66% of German exports by value were intra-EU (84% by volume). Outside the EU, exports were primarily destined for Switzerland, Japan and the USA.
- In terms of product groups, bags accounted for 53.5% by value (€ 289 million), up from 51.6% in 2001. Handbags were the largest sub-group of exports. The main destinations were Switzerland, Japan and the USA.
- The next largest group of exports were small accessories, which accounted for 25.4% of all exports (€ 137 million), up from 31% in 2001. Wallets and purses dominated this group. Japan, Switzerland and Russia were the main destinations.
- Cases accounted for the remaining 21% share, valued at € 114 million, up since 2001. Suitcases dominated this group, valued at € 82 million. Switzerland, Japan and the USA were the main destinations.

Opportunities and threats
+ Germany should be viewed as a potentially interesting market for exporters from developing countries. It has a mature domestic retail market, combined with the fact that domestic production accounts for a low and diminishing proportion of the market. Hence Germany is becoming increasingly reliant on imports.
+ The fact that the value share of imports from developing countries is unchanged over the period but volume is up indicates a downward pressure on prices. Exporters should take care not to trade at a loss or with unsustainably low margins over a prolonged period. This may be justifiable for a limited period to gain market entry, but it is neither advisable nor feasible to trade in this way in the long run.
+ Leather-made products are increasing at a slower rate than products of other materials. Leather-made products have been traditionally popular in Germany, but the market is perhaps saturated. Consumers are loyal to local suppliers, and are also increasingly using products made of other materials. Although there is more value in leather, this material may not represent a good opportunity for exporters, compared to other materials.
+ In terms of opportunities with particular products, most growth has come from bags and small accessories, especially handbags and belts, rather than cases.
- It is also important to note that an opportunity for one developing country can also be a threat to another. Many EU countries switch country sources purely for competitive advantage, rather than moving supplier because of changes in demand for other reasons. Exporters should read carefully the trends and developments outlines on other parts of this survey before establishing whether Germany offers a genuine export opportunity.

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/ ➔ 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
  ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data'

- German National Statistics
  http://www.destatis.de ➔ if you require detailed information you need initially to register for their online statistical information system called "Genesis", thereafter it will depend on the nature of the information you require as to where you find it. Some information is in English, but more detailed statistics are only available in German. However there is a lot of information you can access without registering.

4 Price developments

- Luggage and accessories prices in Germany are close to the EU average. Leather-made goods are particularly popular in Germany, especially ladies handbags, belts, wallets and purses. These products maintain a price premium over non-leather products. Many German consumers prefer the higher quality products, but there is also a large demand for other materials. This factor will ensure that prices for bags and accessories will not fall too far. The luggage market is slightly different. In this sector, leather-made products are less significant. The growth in international travel has also stimulated the growth of this market, to the extent that prices have risen at a level that is lower than the average (see below).
- Germany is like most EU countries that have seen prices of most goods contained in recent years. This long-term trend is set to continue at least in the near future, despite the German economy recovering after a long period of recession, particularly as lower-priced imports are taking an increasing share of the market. Consumers have been demanding lower prices, but some retailers have struggled to remain in business as they are forced to reduce their margins to often unsustainable levels.
- The sales channel has an important bearing on price developments in this sector. Prices have remained strong at the top end of the market, but prices have come down in all other sectors. It has been particularly tough for retailers who operate in the mid-market. Their customers are often price sensitive and they see much lower prices in discounters, but this is often accompanied by noticeable increases in the quality of the products, hence an increase in their relative value.
- Consumer price indices are published on the German statistical website (see above). The German National Bank also provides detailed price indices (http://www.bundesbank.de), which can be viewed on a monthly basis to indicate changes. Consumer prices have increased by less than 2% in Germany in 2006.

Useful sources
- The luggage manufacturer Samsonite publishes prices on their German website (http://www.samsonite.com),
- Other sites of manufacturers are http://www.kofferprofi.de and http://www.kofferexpress.de. Most of the well-known fashion names in this sector are international brands and they tend not to publish prices.
- The mail order company Otto features prices of some accessories (http://www.otto.de).
- More prices can be found at http://www.lederwaren.com and http://www.rucksackversand.de.

5 Market access requirements

As a manufacturer in a developing country preparing to access Germany, 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. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select leather goods and Germany in the category search, click on the search button and click on market access requirements.

There are anti-dumping tariffs for handbags, of leather or in other materials coming from China, which can be as much as € 75 per item.

Additional 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
General 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) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

The Internet
The Internet has become the main form of business communication in Germany as in other EU countries. However this does not remove the importance of other important forms of communication and sales promotion. While there is a growing trend for direct communication with consumers from manufacturers or wholesalers, this is not a relevant channel yet in the luggage and accessories sector for exporters from developing countries.

Useful contacts
There is information on the luggage and accessories industry in Germany at the website of the German Leather Industry Association (http://www.vdl-web.de) and the Leather Goods and Luggage Association (http://www.lederwarenverband.de). Some manufacturers featured may be looking to develop relationships with developing country exporters. Another useful contact is the Leather Training, Testing and Research Centre (http://www.lgr-reutlingen.de).

Developing a relationship
The most important ways to develop a business relationship are to either exhibit at one of the main luggage and accessories fairs, or to make a direct approach to wholesalers or major retailers. In Germany, many business people still prefer a formal style of communication, both in the way a presentation is put together, and in the way contact is made. A very aggressive price driven approach will not be effective, although price is very important in the German market.

Trade Fairs
The main trade fair for the luggage and accessories industry in Germany is called the International Leather Goods Fair and takes place in Offenbach each year in March and September (http://www.messe-offenbach.de). The Leather and More Fair could also be of interest. Contact via http://www.messe-pirmasens.de.

Promotion
Advertising in trade magazines can sometimes be an effective means of reaching a small target group. The main trade publication for the leather industry is the monthly Leder & Häute (http://www.cor-communication.de). Another important publisher is Sternefeld, who issue a leatherwear report (http://www.sternefeld.de).

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