CBI MARKET SURVEY

THE ITALIAN MARKET FOR LUGGAGE AND (LEATHER) ACCESSORIES

Publication date: June 2007

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

- Italian consumption of luggage and (leather) accessories was € 1,650 million in 2005, up 3.8% per annum on average, while production fell slightly to € 2,134 million.
- In 2005, Italy imported luggage and (leather) accessories valued at € 1,139 million, or 140 thousand tonnes. Since 2001 values increased by 12.3% and volumes were up by 19.8% per annum.
- Around 56% of imports by value came from developing countries (85% by volume). The share of imports by developing countries is down from 58% in 2001 in value and up from 81% in volume.

This survey provides exporters of leather goods with sector-specific market information related to gaining access to Italy. 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 market for luggage and (leather) accessories was valued at € 1,650 million in 2005. Italy is the second largest EU market, after Germany. It is equally positioned in market value between Germany and France.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
1,432	1,499	1,535	1,583	1,650	3.8	58.5	28.2

Source: Euromonitor, Trade Estimates (2006)

The per capita consumption of € 28.2 was above the EU average of € 19.7. In the period under review, between 2001 and 2005, the Italian market increased by an average 3.8%, a figure well above the EU average of 2.9%. This market is very important to the Italian economy and the market has still been able to grow through the period of the recession which affected much of mainland Europe. Part of this may be explained by the "Euro effect". Price inflation due to the introduction of the Euro over this period has been greater in Italy than elsewhere.

The Italian market is more influenced by fashion than other major EU markets. Hence bags and accessories are relatively more important in this market than other sectors. Although there was a downturn in international travel in the early part of the decade, which has affected luggage sales, other bags and accessories have enjoyed a relatively buoyant market. In addition, despite various security threats, the boom in low-cost travel and short breaks has stimulated demand for different types of more flexible hand luggage.

The market has grown more rapidly since 2003, but much of this growth has been in volume. Pressure on Italian leather goods producers to outsource or reduce costs must be seen in the context of a lively consumer market with falling prices at the lower end of the market and a move to discount retailing.

Handbags have been the exception to this. Italian consumers have seen higher than inflation price rises for handbags as many consumers still prefer to buy premium-priced value-added products rather than choosing the cheapest available.

Brands are becoming more important in the market. Consumers are also starting to become more critical of ecological and environmental issues, not to mention improvements in product refinements.

The market is expected to grow further in the new few years. The main drivers of future growth are predicted to be as a result of:

- More senior citizens with higher disposable incomes, which will provide a boost to the luggage sector as they enjoy more travel.
- More developments in home and office work materials. Laptop cases and similar items will boom enormously in the coming years. As well as being a relatively new sector, the growing numbers of working women will further stimulate this sector.
- Luxury fashion and travel, already important on the Italian market, will grow further. This will further strengthen the handbags sector, especially for teens and babyboomers.
- New distribution channels will also help the market to grow. In particular online sales will increase enormously. Italian consumers have been slower than some other EU consumers to take to the Internet. Further developments in the availability of broadband technology will boost sales of travel goods through this channel.

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 Italy:
  - Handbags accounted for 47% of the market (€ 775 million),
  - Small (leather) accessories for 18% (€ 297 million),
  - Belts for 9% (€ 149 million),
  - Suitcases for 17% (€ 280 million),
  - Briefcases for 5% (€ 83 million),
  - Travel and other bags for 4% (€ 66 million).

  Handbags represented 47% of the total Italian luggage and accessories market. Handbags have always been a very important part of an Italian lady's outfit. This segment has grown steadily in value, assisted by the fact that handbags are regarded essential. Women often have more than one, co-ordinating them with outfits, as a fashion accessory or choosing different shapes and sizes to suit various occasions. For some women, designer names are of prime importance, and prestigious brands can command top prices. In contrast to fashion-conscious women, older people tend to be somewhat conservative, and they are likely to purchase leather bags made in traditional styles. In Italy, the premium end of the handbag market has maintained a strong position despite many lower-priced imports entering the market in recent years.

  Classic bags are still in demand although the market has been boosted by fashion bags. Fashion bags have seen falling prices, but unit volumes have compensated for this. Casual handbags, usually made of canvas, have also seen a fall in average prices. Evening bags have benefited from the fashion trend for tiny handbags. Classic evening bags are seasonal, often for Christmas parties, but fashion evening bags tend to be used by younger consumers for socialising. This market is not seasonal. The market for luxury bags has also been buoyant. Handbags have become larger in size, reflecting the trend to making handbags more multi-functional. Leading handbag brands in Italy are Gucci, Fendi, Roccobarocco, Polo Ralph Lauren, Barbato, Armani, Prada, Furli and many more.

Small (leather) accessories includes wallets, purses, key pouches, passport holders and holders for personal organisers, ipods, personal GPS systems etc. This segment represented 18% of the total market. This sector, unlike most other countries, is larger in Italy than luggage. It reflects the importance of high quality leather fashion accessories to Italian consumers. This sector has been further stimulated by technology-driven new products and the need for protective cases for them. Counterfeiting is an issue for the major brand names in this product group.

Belts account for 9% of the market. Like other small accessories, this is an especially large product group in Italy. For women, belts have always been important fashion accessories, and they are also very important for men. Fashion is more important than functionality, unlike some other countries. Belts was the best performing product group in 2005

Suitcases represented 17% of the Italian market. This product group is smaller than in other EU countries, but it is forecast to increase quite rapidly in the future. Italy has been a destination for visitors from other countries but Italians have not travelled as much as other European counterparts. This is forecast to change as Italian are predicted to travel more. As airfares have become cheaper, the increasing frequency of short trips has seen a parallel increase in demand for smaller suitcases. Smaller suitcases can be taken as a large piece of hand luggage. Hard cases have declined while the improved durability of soft cases has helped this sub-sector expand. The bulkiness and weight of hard suitcases has made them less popular. Samsonite is the market leader in luggage, followed by Roncato. Other brands include Delsey, Bottega Veneta, Bric’s and Kipling.

As there are more of reasons why people now travel and for varying lengths of times, this increases the demand for consumers to own a wider repertoire of luggage items. However, because of intensified security at airports, there are restrictions to the size of hand luggage and its contents. So now manufacturers are designing lighter, more compact items of hand luggage. This also applies to other types of suitcases.

Briefcases represented 5% of the total market. Briefcases and computer cases now both include compartments for laptop computers. Computer cases are increasingly made of synthetic materials, are lightweight and less expensive than traditional leather briefcases. Traditional briefcases are less in demand now. This was the third best performing product group in 2005 (after belts and handbags).

Other bags include travel bags, holdalls, backpacks, rucksacks, sports bags, shopping bags and all kinds of other bags. In 2005, this segment represented 4% of the total Italian market. The revival in overseas tourism has stimulated sales of travel bags, holdalls and backpacks. Designs of backpacks have become more fashionable, with products available in leather or in different fabrics. Many travel bags are included in the luggage segment.

Demand for sports bags has been constant and is not particularly strong, but the interesting product groups here are backpacks. New smaller backpacks are used, mainly by younger people as an alternative to a holdall, or even a handbag.

The other main ways that this market is segmented are along traditional demographic and economic lines, by age and sex, but also by income group. As many parts of this market sector are polarising between high and low cost products, the ability of manufacturers and retailers to accurately target high-earning individuals becomes very important.

Market trends

- Handbags, belts and small accessories are part of the fashion business, which is one of the main drivers of the Italian economy, especially after consumer confidence has returned since the recession of 2003. The Italians are very fashion conscious, and consider themselves to be the European leaders in fashion sense and style. Italy also continues to be the leading centre of design schools. Individual designers develop reputations and continue to seek publicity in the fashion press so that consumers will look for their named products.

- Italy, as a leading leather goods producer, has also been at the forefront of new technologies for processing leather, and Italian consumers have been supporting these efforts. One area has been in the increased use of vegetable tanning. There has been increased demand from luxury goods companies such as Prada, Gucci and Ferragamo for labelling, which allows authentication and traceability of both tannery and manufacturer. This fits with consumers increasingly seeking assurances that their purchases have not involved unethical labour practices or hazards to the environment.
- Another trend is towards increased volume sales of lower-priced products, which is likely to continue. Many luggage and accessories can now be found in outlets such as Coin and Coop, not previously known to sell these products. This is causing the market to polarise. Many consumers are loyal to the luxury brands, but a new group of consumers are less influenced by the luxury brand names. This is partly due to the amount of counterfeit products on the market. This has had the effect of devaluing the significance of brand names for many consumers. They are now happy to buy "look-a-like" products at a much lower cost. However, the industry has responded by introducing an anti-counterfeit Cube (a symbol against counterfeits and illegal trade) raising the awareness of the issue with Italian consumers, urging them to avoid any type of purchase through illegal or unlawful channels.

- Marketing has always been an important part of the promotion of leather goods in Italy. The "made in Italy" campaign continues to enjoy support, so that local producers retain an important position in the market. However the internationalisation of retailing and of all branded products has also affected the Italian market. The small independent retailers of leather goods are still important but no longer as influential on the marketplace. New retailing and merchandising concepts and imported products are looked at keenly by Italian consumers now.
- For other trends - see previous section, market segmentation by product group.

Production

Total production

Italy is clearly the largest producer of luggage and accessories in the EU, accounting for half the value of all EU production. Although it has fallen slightly in recent years, it still holds a commanding position. France is the next largest producer, but even that is half the value of Italian production. In 2005, the value of luggage and accessories production was € 2,134 million. As table 1.2 indicates, this is down by an annual average 1% from € 2,222 million in 2001.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
2,222	2,302	1,910	2,021	2,134	6,500	26,700

Source: Eurostat, National Statistics (2006)

Early indications are that production is continuing to increase into 2006. The leading fashion houses and brands of Italian leather goods are behind this increase. Their success is based on their creativity and ability to innovate. Products at the top end of the market have also generated a knock-on effect for supplier companies, and for those in the middle-market, known as the "accessible luxury" sector. Increasing importance is being given to exclusive materials such as reptile skin. However manufacturers are keen to distance themselves from using any hides from endangered species.

In 2005 the total luggage and accessories production can be subdivided as follows:
- Handbags – 60% of total value, € 1,280 million
- Small leather accessories (wallets, purses) – 16% of total value, € 341 million
- Other bags – 11% of total value, € 235 million
- Belts – 10% of total value, € 213 million
- Suitcases and briefcases – 3% of total value, € 64 million.

The most significant falls in production in recent years have been in the production of various types of luggage and suitcases. Handbag production is increasing as a proportion of all luggage and accessories production. Other sectors are broadly unchanged.

The district of Santa Croce sull'Arno in Tuscany is one of the leading areas in Italy, and internationally, for leather goods production. The other leading area is Vigevano in Lombardy.

Main players
There are many leading leather producers in Italy. Many of them already outsource production. The key to being able to engage in a business relationship with any Italian manufacturer is a commitment to quality.
- Bric's is one of the country's leading luggage and accessories producers (http://www.brics.it)
- As well as being one of Italy's leading producers, Gucci is an international brand which also has a retail presence throughout the world (http://www.gucci.com)
- Ellegi Pellami is an important producer of belts (http://www.ellegipellami.it)
- Tuscan's Creations is a leading producer in Tuscany (http://www.tuscans.it).
- A good portal for viewing leather products produced in this region is http://www.tuscanyleather.it

Many manufacturers are family owned businesses and do not have the option of transferring production overseas, but some of the larger companies may be interested in contacts from developing country exporters to form partnerships. Most Italian production is in leather products, particularly at the top end of the market. The Italian leather portal has a list of producers in this sector (http://www.pelleitalianet.it). More manufacturers can be found at the Italian Leather and Leather Directory website (http://www.leathernet.it).

Opportunities and threats
+ There are many international linkages in the luggage and accessories production industry. Although many Italian companies have outsourced their production already, local production is still thriving. Some of these manufacturers will be looking to form partnerships with producers from low-cost economies to help maintain their competitive position.
+ In the domestic market, consumers are always trying to find products that are distinctive. Travel goods and luggage is a sector that has seen reduced production in recent years. However the consumer segment is forecast to grow, so there may be opportunities here both in terms of supplying products, and working with Italian companies.
+ There is also a growing demand for handbags and belts. 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.
+ It will be difficult to find opportunities in the top end or luxury part of this market, as leading luxury brands defend their position strongly. Many of the leading companies show no sympathy to those producers who try to gain advantage by producing counterfeit products. Even those products that "look like" top brand names will find no interest with respectable retailers. There is always demand at the lower end of the market for unbranded product if the quality is good.

+ The ageing of the Italian 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. Italian 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.
- Equally any of these trends can be an opportunity for one exporter, but a threat to another. Italian buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country.

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 regularly produce reports on the Italian luggage and accessories market, but these can only be obtained at a cost. They include Pambianco (http://www.pambianco.com), who specialise in the fashion sectors, as well as Mintel (http://www.mintel.co.uk) and Euromonitor (http://www.euromonitor.com).
- Production information can be obtained from Eurostat as well as Italian National Statistics (see later in this report for contact details).

2 Trade channels for market entry

Trade channels

- Independent specialists are still the main distribution channel for ladies handbags and other products in this sector, accounting for almost half of all sales. Market stalls are another important channel, with approximately 25% of all volume but only 10% of value sales going through this channel.
- For luggage sales, although independents are strong, 20% of volume sales go through supermarkets and convenience stores, but these accounts for just 10% of market value.
- Many of the leading luxury brands of Italian leather goods manufacturing are also retailers. This is in part to protect their brand names in the face of threats from counterfeiting, but also to strengthen and extend their international presence. Although many of these leading brands can also be found in department stores, this is not a particularly strong channel in Italy.
- The indirect channel is still the most important channel to enter the luggage and accessories sector in the Italy. Specialists still dominate the market, as is still the case in many EU markets, but the trend is moving to non-specialists. Unlike other parts of Europe, major specialist chains are not so dominant in Italy, although their influence is increasing.
- 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.

Table 2.1 Retail distribution in Italy

Outlet type	Luggage (suitcases and briefcases)	Bags and (leather) accessories
Specialists	**55**	**58**
Chain stores (incl. franchise stores)	9	8
Independent stores (incl. buying groups)	46	50
Non-specialists	**45**	**42**
Department stores	4	4
Discounters/Supermarkets	10	8
Variety & Clothing stores	21	16
Sports retailers (sports and travel bags)	x	2
Home Shopping	2	2
Market stalls	8	10

Source: IDC, Trade Estimates (2006)

- Buying groups and independent retailers are still very important in Italy, as Italians continue to be loyal to their local retailers, despite growing competition from international brands with expertise and large advertising budgets. This ensures that wholesalers continue to play a very important role in the market.
- Other large retailers would tend to import direct from manufacturers overseas. This is more likely to be a manufacturer with whom they have an ongoing relationship, or even have some closer part-ownership. Large retailers use a buying agent or they have their own international buyers who are constantly looking for new or interesting products in Asian or in other developing countries.
- 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.

Trends in the retail sector
- The two key distribution trends in luggage and accessories retailing both impact directly on how a developing country exporter should approach this market.
- Firstly, the growing sales by non-specialist channels. This is seeing luggage and especially bags and accessories being sold in a wider number of types of outlets, even if this development is slower than in other EU countries. In addition, hypermarkets and Coops in Italy increasingly sell ranges of bags and accessories. This growth is driven by convenience for the consumer, and by lower prices. However, the market is still very fragmented and specialists retail a strong hold on the market.
- The second key trend is the move towards branded accessories being sold in fashion retail chains. Independent retailers are also embracing the concept of branding to try to retain their market position.
- Home shopping is becoming more important in Italy, both generally and also for the purchase of products from this sector.

Main players
- In the department store sector, La Rinascente (http://www.rinascente.it), through the La Rinascente and UPIM department and variety stores are the leading names in the sector, followed by Gruppo Coin (http://www.gruppocoin.it)
- In the clothing retail sector, global chains such as H&M, Mango and Zara have established themselves in the Italian market alongside the many small local retailers.
- There are many accessories agents in Italy. GruppoItalia agency specialises in all areas of the fashion industry (http://www.gruppoitalia.net). The Italian Union of Commercial Agents and Brokers can be reached at http://www.usarci.it.
- Postalmarket is one of the leading mail order companies operating in the broad sector (http://www.postalmarket.it), but many luggage and accessories retailers and manufacturers also offer an online presence.
- A list of manufacturers and distributors of bags, luggage and leather goods can be found at http://www.italtrade.com. Click on "Business Directory", then search the Leather sector.

Price structure
- Due to the intensified competition, margins have been falling in the Italian 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, 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 Luggage and Leather Goods Association is an important contact (see elsewhere in this report for contact details). The best place to meet potential trading partners is at a luggage and accessories trade fair. The MIPEL Bag Show and Lineapelle details are listed elsewhere in this report.

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'.

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. Personal communication is highly valued in Italy. In this regard, you could also contact Business Support Organisations in Italy 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 Italian Chamber of Commerce could be a good source of general advice (http://www.chamberofcommerce.it). The main business community for doing business with Italy can be reached at http://www.italbiz.com. The Institiute for Foreign Trade is a good source of information (http://www.ice.gov.it or http://www.italtrade.com).

3 Trade: imports and exports

Imports

Total imports

- In 2005, Italy imported luggage and accessories valued at € 1,139 million, or 140 thousand tonnes. This accounted for 14.1% of all EU imports by value, or 12.7% by volume. This represented an average annual increase in value of 12.3% since 2001 (19.8% in volume). Italy is the fourth largest importer of luggage and accessories by value after France, the UK and Germany, but the second largest by volume after Germany. All four countries have similar levels of imports. (*Note imports of "made of leather" items in this group were* *valued at € 360 million or 10 thousand tonnes. These imports increased by 23% in value by 22.6% in volume over the period between 2001 and 2005*).

- This growth in imports contrasts with a 4.8% growth in exports, which are approximately double the value of imports. However, import volumes are over three times as big as export volumes. Production has maintained its value but decreased in volume in Italy and the consumer market has been showing a 3.8% annual increase over the period.

- Around 56% of Italian imports by value (€ 641 million) came from developing countries and 85% (120 thousand tonnes) by volume. China is the largest supplier (50.9% of total value imports and 81.9% of total volume imports), with imports valued at € 579 million or 115 thousand tonnes. The next largest supplier is France (15.9% of total value imports and 2.8% of total volume imports), with imports valued at € 181 million or 4 thousand tonnes). The next two largest suppliers to Italy are Switzerland and Belgium. Switzerland has supplies valued at € 67 million, or well under 1 thousand tonnes (5.9% of value and 0.2% of volume). Belgium has supplies valued at € 50 million, or 4 thousand tonnes (4.4% of value and 2.5% of volume).

- The share of imports by developing countries is down from 58.1% in value in 2001, but up from 80.9% in volume terms (*Note share of "made of leather" imports from developing countries decreased from 31.9% to 30.7% by value and increased from 45.3% to 66.3% by volume*). Supplies from China have increased by an annual average of 11.8% (23.4% by volume) over the period, while India's supplies have increased by an average of 20.3% per annum by value, and 40.7% by volume. Meanwhile, volumes and values of supplies from Vietnam are down, while volumes and values from Tunisia are up.

Imports by product group

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

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total luggage and accessories	188	235	339	Intra EU: France (15.9%), Belgium (4.4%), Germany (2.4%), The Netherlands (1.5%), UK (1.5%)	29.8
	131	154	159	Extra EU ex. DC*: Switzerland (5.9%), Romania (3.9%), Bulgaria (2.0%), Hong Kong (1.0%), USA (0.4%)	13.9
	444	460	641	DC*: China (50.9%), India (2.1%), Vietnam (0.7%), Tunisia (0.6%), Indonesia (0.5%), Moldova (0.3%), Thailand (0.3%), Croatia (0.2%), Turkey (0.1%), Ukraine (0.1%))	56.3
Of which Bags	124	158	234	Intra EU: France (17.6%), Belgium (4.2%), Germany (1.8%), UK (1.6%), Hungary (1.3%)	30.5
	84	114	119	Extra EU ex. DC*: Switzerland (7.3%), Romania (3.6%), Bulgaria (2.9%), Hong Kong (1.0%), USA (0.3%)	15.6
	249	283	413	DC*: China (49.1%), India (2.1%), Vietnam (0.9%), Indonesia (0.3%), Thailand (0.3%), Moldova (0.2%), Ukraine (0.1%), Turkey (0.1%), Tunisia (0.1%), Nepal (0.1%)	53.9
Of which Small accessories	31	45	61	Intra EU: France (17.2%), Germany (3.9%), Belgium (2.9%), Hungary (1.6%), UK (1.5%),	32.4
	29	25	23	Extra EU ex. DC*: Switzerland (5.7%), Romania (3.3%), Hong Kong (1.2%), USA (0.8%), Bulgaria (0.3%)	12.3

	83	64	104	DC*: China (48.0%), India (3.5%), Tunisia (1.1%), Indonesia (0.5%), Moldova (0.4%), Croatia (0.3%), Thailand (0.3%), Turkey (0.3%), Vietnam (0.2%), Brazil (0.2%)	55.3
Of which Cases	33	33	44	Intra EU: France (7.4%), Belgium (6.8%), Germany (3.3%), The Netherlands (3.0%), UK (0.9%)	23.9
	18	15	16	Extra EU ex. DC*: Romania (5.4%), Hong Kong (1.0%), Taiwan (0.9%), USA (0.5%), Switzerland (0.4%)	8.7
	112	113	124	DC*: China (60.8%), Tunisia (2.4%), Indonesia (1.3%), Croatia (0.9%), India (0.7%), Moldova (0.4%), Vietnam (0.3%), Brazil (0.1%), Turkey (0.1%), Thailand (0.1%)	67.4

Source: Eurostat (2006)
*Developing Countries

Bags

- This is the largest luggage and accessories product group. Valued at € 767 million in 2005, this represented 67.3% of all luggage and accessories imports to Italy (59.1% by volume). This compares with a share of 59.8% in 2001 (51.4% 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 € 236 million or 5 thousand tonnes. These imports increased by 32.3% in value and by 3% in volume over the period*). Intra-EU trade accounts for 30.5% by value and 9.6% by volume, but this has changed from 27% by value and 10.2% by volume in 2001. France's share of supplies is up from 14.7% in 2001. The share of supplies from Belgium, Germany and the UK has all decreased.

- As far as developing country suppliers are concerned, they represent 53.9% of all imports by value (86% by volume, or 71 thousand tonnes), down from 54.5% in 2001 (79.4% by volume). (*Note share of "made of leather" imports from developing countries increased from 16.5% to 20.8% by value and from 28.6% to 53.4% by volume*). China (€ 376 million) and India (€ 16 million) are the two largest developing country suppliers of bags. However, whereas the value of China's supplies has increased by 70%, those of India have doubled. Of the other major developing country suppliers, values from Indonesia and Thailand have decreased, while Vietnam is unchanged.

- In terms of individual products, handbags is the largest sub-sector, valued at € 505 million in 2005, an increasing share since 2001 (*"made of leather handbags valued € 211 million)*. Travel bags is the next largest sub-sector, valued at € 165 million in 2005, a decreasing share since 2001 *("made of leather" travel bags valued € 3 million)*. Other bags were valued at € 97 million in 2005, a decreasing share since 2001 *("made of leather" other bags valued € 22 million*).

Small accessories

- This is the next largest luggage and accessories product group. Valued at € 189 million in 2005, this represented 16.6% of all luggage and accessories imports to Italy (9.2% by volume). This compares with a share of 18.8% in 2001 (11.4% by volume). Hence this product group is decreasing in significance in its value contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 98 million or 3 thousand tonnes. These imports increased by an annual average of 11.1% in value and by 28.7% in volume over the period*). Intra-EU trade accounts for 32.4% by value and 12.3% by volume, but this has changed from 21.9% by value and 6.5% by volume in 2001. France's share is up from 14.2% 2001. The share of supplies from Belgium, Germany and the UK has also increased.

- As far as developing country suppliers are concerned, they represent 55.4% of all imports by value (80.6% by volume, or 10 thousand tonnes), down from 57.8% in 2001 (80.1% by volume). (*Note share of "made of leather" imports from developing countries decreased from 52.1% to 47.7% by value and increased from 68.4% to 83.6% by volume*). China (€ 91 million) and India (€ 7 million) are the leading developing country suppliers of small accessories. However, whereas the value of China's supplies has increased by a quarter, those of India have increased by 50%. Of the other major developing country suppliers, values from Tunisia and Moldova have increased, while supplies from Indonesia have decreased.

- In terms of individual products, other small accessories such as wallets and purses is the largest sub-sector, valued at € 156 million in 2005, a declining share since 2001 (*"made of leather other small accessories valued € 65 million)*. Belts were valued at € 33 million in 2005, a significantly increasing share since 2001 *("made of leather" belts valued € 33 million)*.

Cases

- This is the smallest luggage and accessories product group. Valued at € 184 million in 2005, this represented 16.2% of all luggage and accessories imports to Italy (31.7% by volume). This compares with a share of 21.4% in 2001 (37.2% 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 1 thousand tonnes. These imports increased by 14% in value and 13.5% in volume over the period*). Intra-EU trade accounts for 23.9% by value and 12.3% by volume, but this has changed from 20.4% by value and 11.4% by volume in 2001. France's share is up from 6.2% in 2001. The share of supplies from Belgium and The Netherlands has decreased, while Germany's share has increased.

- As far as developing country suppliers are concerned, they represent 67.3% of all imports by value (84.5% by volume or 37 thousand tonnes), down from 68.5% in 2001 (83.2% by volume). (*Note share of "made of leather" imports from developing countries increased from 43.4% to 57.7% by value and from 61.8% to 72.5% by volume*). China (€ 112 million) and Tunisia (€ 5 million) are the two leading developing country suppliers of cases. However, whereas the value of China's supplies has increased by approximately 10%, those of Tunisia have increased significantly. Of the other major developing country suppliers, values from India have increased, while Indonesia's and Croatia's have decreased.

- In terms of individual products, suitcases is the largest sub-sector, valued at € 138 million in 2005, a decreasing share since 2001 (*"made of leather suitcases valued € 14 million)*. Briefcases were valued at € 46 million in 2005, an increasing share since 2001 *("made of leather" briefcases valued € 12 million)*.

Exports

- In 2005, Italy exported luggage and accessories valued at € 2,353 million, or 39 thousand tonnes. This represents an average annual increase in value of 4.8% since 2001. Volume was unchanged over the period, although it dipped in 2003 to recover in 2005.
- In 2005, Italy was the largest exporter by value, and the third largest by volume after Belgium and The Netherlands. The majority of exports are produced in Italy. Italy's volume figures are reasonably similar to those of Germany and France. Over 36% of Italian exports by value were intra-EU (57% by volume). Outside the EU, exports were primarily destined for Switzerland, Japan and the USA.
- In terms of product groups, bags accounted for 71.9% by value (€ 1,693 million), up from 70% 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 21.9% of all exports (€ 515 million), up from 21.5% in 2001. Wallets and purses dominated this group. Japan, Switzerland and the USA were the main destinations.
- Cases accounted for the remaining 6.2% share, valued at € 145 million, down since 2001. Suitcases dominated this group, valued at € 105 million. USA, Germany and the UK were the main destinations.

Opportunities and threats

+ Italy should be viewed as a potentially interesting market for exporters from developing countries. It has a mature domestic retail market, together with significant levels of domestic production. It appears that Italian production is focussing on the high-value top end of the market as production values are holding while volumes are falling. This would indicate that there are opportunities in the middle or lower ends of the market. Increasing import values would seem to support this.
+ The fact that the value share of imports from developing countries has increased less than volume shares over the period 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 faster rate than products of other materials. Leather-made products have been traditionally popular in Italy, but the market appears to be accepting increasing amounts of imported leather-made products. Consumers are loyal to local suppliers up to a point, but are now increasingly buying imported leather-made products. There is more value in leather, so this material may 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 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 Italy offers a genuine export opportunity. The outcome of this analysis will depend on the specific situation of each exporter.

See also chapter 7 of the EU survey "The EU market for luggage and (leather) accessories" for a more general analysis.

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'
- Italian National Statistics
  http://www.istat.it ➔ there is more information on the Italian pages than the English pages but the English site is currently being upgraded and will soon offer more information

4 Price developments

- Luggage and accessories prices in Italy are higher than the EU average. Leather-made goods are particularly popular in Italy, especially ladies handbags, belts, wallets and purses. These products maintain a price premium over non-leather products. Italy is the leading EU producer of handbags and small accessories and their high fashion sense is reflected in higher prices here. Many consumers prefer the higher quality products, but there is also a large demand for other materials. This factor, together with increasing levels of leather-made imports will ensure that prices for bags and accessories will not increase by too much. 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).
- Italy 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, 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 hypermarkets, 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 Italian statistical website (see above). The Italian National Bank also provides detailed price indices (http://www.bancaditalia.it), which can be viewed on a monthly basis to indicate changes. Consumer prices have increased by 1.7% in Italy in 2006.

Useful sources
- The luggage manufacturer Samsonite publishes prices on their Italian website (http://www.samsonite.com).
- Most of the well-known fashion names in this sector are international brands and they tend not to publish prices.
- Prices of Italian leather products can also be found at http://www.pierotucci.com.
- The mail order company Postalmarket (http://www.postalmarket.it) features prices of some accessories (login required to access prices).
- Wholesale prices can be found for bags and accessories made in Italy via http://www.italianmoda.com.
- Forzieri is a good website to find a wide range of prices in this sector (http://www.forzieri.com).

5 Market access requirements

As a manufacturer in a developing country preparing to access Italy, you should be aware of the market access requirements of your trading partners and the Italian 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 Italy 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 Italy 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 sources
There is information on the luggage and leather accessories industry in Italy at the website of the Leather Goods and Luggage Association (http://www.aimpes.it). Manufacturers can be found via a link to http://www.assoconciatori.com. Some manufacturers featured may be looking to develop relationships with developing country exporters. Another useful contact is http://www.unic.it. They are the Italian representatives of Cotance, the European Leather Association.

Developing a relationship
The most important ways to develop a business relationship are to either exhibit at one of the main luggage and accessories trade fairs, or to make a direct approach to wholesalers or major retailers. In Italy, 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 personal touch is highly valued in Italy. A very aggressive price driven approach will not be effective, although price is very important in the Italian market.

Trade Fairs
The main trade fair for the leather goods industry in Italy is called MIPEL (The Bag Show) and takes place in Milan each year in March and September (http://www.mipel.com). There are also other important trade fairs, including Lineapelle (http://www.lineapelle-fair.it) held each year in Bologne.

Promotion
Advertising in trade magazines can sometimes be an effective means of reaching a small target group. There are many footwear trade publications. The Ars Arpel Group is a leading publisher of leather goods magazines (http://www.arsarpel.it) who publish Arpel four times a year, and Ars and Arpel News eight times a year. Another important publisher is the FotoShoe Group, who issues a number of different publications (http://www.fotoshoe.com) including Mipel magazine, published four times a year. Modapelle is a magazine mainly directed at consumers, but there is much information on bags ands accessories (http://www.modapelle.com).

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