CBI MARKET SURVEY

THE POLISH LUGGAGE AND (LEATHER) ACCESSORIES MARKET

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the luggage and (leather) accessories market in Poland. The information is complementary to the information provided in the CBI market survey 'The luggage and (leather) accessories market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo

1 Market description: consumption and production

Consumption
- The Polish market for luggage and (leather) accessories is valued at € 300 million in terms of retail sales.
- Poles spent € 7.9 per capita per year, which was less than half the EU average of € 19.7 in 2005.
- Poland is the seventh largest luggage and accessories market in the EU and this medium-large sized market is similar in size to The Netherlands, Belgium and Portugal and similar in its per capita consumption to many of the Baltic States and other Eastern European countries.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
238	252	260	278	300	6.5	38.1	7.9

Source: Trade Estimates (2006)

- Poland is the largest of the 10 new countries, both in terms of population and size of retail economy.
- Although there has been an exodus of Poles to other EU countries since 2004, Poland has a relatively young population with sophisticated tastes and there is a strong demand for foreign products, including bags and accessories, and a keen interest in brands and the latest fashion trends. Between 2001 and 2005 sales of luggage and (leather) accessories rose by an average annual rate of 6.5%, from € 238 to 300 million (see table 1.1), which is high compared to the EU average of 2.9%.
- The Polish market is forecast to continue to grow in coming years at rates higher than the EU average. This is primarily due to disposable incomes, which are continuing to rise. Consumers will have more money to spend on leisure items.
- The luggage and travel bags sectors are expected to rise at the highest rates, as Poles travel more, both for work and for holidays.
- Polish consumers are starting to widen their wardrobe and are spending more on clothes and accessories such as handbags and belts. This is stimulated by the presence of international fashion chains in the cities, and a flourishing fashion media, including women's magazines.

Production

- Poland is a medium-sized producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 25 million in 2005, up from its 2001 levels, when production stood at € 20 million, as table 1.2 indicates.
- Production fell in 2003, but it has recovered since then despite structural weaknesses in the Polish leather industry and domestic wholesalers and retailers who appear to show a preference for foreign-made products.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
20	21	17	20	25	60	3,000

Source: Eurostat, National Statistics (2006)

- Over half of Polish production was accounted for by handbags, 20% was luggage, and 16% was other small accessories such as wallets and purses. The remainder was other bags, with a small production also of leather belts. Production is expected to continue to increase, particularly as western EU countries outsource more to the east.
- Quality is high for leather goods production, as are levels of skills in the industry, but a shortage of supply is leading to an increasing production of non-leather items, particularly luggage. The other major issue is the high cost involved in introducing new environmental regulations.
- Leather goods producers in Poland include Marco, who produce small leather goods and some bags and briefcases (http://www.pwsmarco.pl), Nowacki produce similar products (http://www.nel.pl). Meanwhile Paters produce many of the products included in this sector (http://www.paters.pl).

A list of some other manufacturers can be found at the website of the Polish Shoe and Leather Industries (http://www.pips.pl).

Opportunities and threats

\+ Poland offers many opportunities in this sector for exporters from developing countries. Polish consumers are not especially loyal to their own locally produced products, and the Polish trade is aware of this, hence they will be receptive to professional approaches from well-run companies abroad.

\+ Between 2002 and 2006, single households have increased from 24.8% to 26.4% of all Polish households. New styles are more widely accepted on the Polish market, and broader demand may be influenced by a growing middle class. Nevertheless, strong economic growth in the wider economy will continue to drive the market.

\- In a competitive market with growing supplies from China, exporters should seek opportunities in the mid-high sectors of the market. As well as travel products, the growing business community will require more choice in laptop bags and protective cases for other personal communications equipment.

\- The importance of design (as opposed to production) is increasing. Copying of designs is an issue in Poland and manufacturers are not yet inclined to register new products. Branding is gaining in importance in Poland. The industry is trying to create a strong Polish identity that can be used in export and domestic markets.

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

2 Trade channels for market entry

- The Polish retail scene has been developing quickly in recent years as international retailers, particularly from Germany have rushed to gain a share of the growing Polish market.
- This sector is still dominated by small independent specialists who use importers and agents. In 2003, there were 8,997 footwear and leather goods outlets. Derri is one Turkish owned retail chain who sells leather goods and clothing (mailto:dsd@derri.com.pl). They are looking to expand through franchising.
- The market trader sector is important for low-priced products, many of which are either locally produced or counterfeit imports. A list of leather goods importers to Poland can be found at http://www.poland-importers.com.
- Buying groups also operate in the Polish market. Garant Schuh is the largest buying group for leather goods (http://www.garantobuwie.pl).
- Carrefour is the leading hypermarket group in Poland, along with Tesco. Lower-priced products of reasonable value are sold through these outlets. The development of out-of-town centres has greatly benefited the non-food sector. Fashion retailers, both domestic and international, generally favour them. The most recent example is the Arkadia shopping mall in Warsaw, which attracted a number of retailers including H&M, C&A, Cubus, Marks & Spencer and EMPiK. These retailers sell most products in this market sector.
- In each trade channel different margins and prices apply, with multiples of 2.6 up to 3.1 of the manufacturer's or importer's price. Generally wholesalers' margins range between 30 – 40% of the CIF price, while retailers' margins are between 55 – 75%. More information can be found in chapter 3.2 of the CBI market survey 'The EU market for luggage and (leather) accessories'.

3 Trade: imports and exports

Imports

- In 2005, Poland's imports of luggage and accessories were valued at € 114 million, or 22 thousand tonnes. Out of the 27 EU countries, Poland is ranked twelfth largest, and as such is regarded as a medium-sized country for luggage and accessories imports. (Note imports of "made of leather" items in this group were valued at € 18 million or 1 thousand tonnes.)
- Between 2001 and 2005, Polish imports grew by an average of 36.6% per annum in value and 37.8% in volume (21.9% and 12.5% respectively for "made of leather" items). Most of this growth occurred in the period after 2003.
- Imports exceeded exports by over three times in value and eight times in volume in 2005. Imports are increasing more quickly than exports. The same period has seen an increase in luggage and accessories production and an average annual decrease in consumption of 6.7%.
- Around 46% of Poland's imports come from developing countries in 2005 (36.3% for "made of leather" items). This proportion was 73.9% in 2001 (40.2% for "made of leather"). The reason for this fall was that Poland imported more from neighbouring countries such as Germany, Austria, Italy, France and other eastern EU countries.
- China accounted for 94% of all developing country supplies by value in 2005, followed by India (2.7%) and Vietnam (2.1%). Thailand and Pakistan were also important suppliers. While China's supplies increased over the period, supplies from India and Vietnam both decreased.
- By product group, Polish imports by value can be sub-divided as follows:
    - Around 70%, valued at € 79 million consisted of bags, of which just € 7 million were "made of leather". Within this group travel bags (€ 37 million) was the largest sub-group, of which over € 1 million were "made of leather".
    - Around 17%, valued at € 19 million, consisted of cases, of which just € 2 million were "made of leather". Suitcases was the largest sub-group, valued at € 12 million. Of these less than € 0.5 million were "made of leather".

- o Over 13%, valued at € 16 million consisted of small accessories such as belts, wallets, purses and pouches, of which € 9 million were "made of leather". Within this group, other small accessories (wallets, purses and pouches) valued at € 13 million was the largest sub-group, of which € 6 million were "made of leather". The remainder of this group is belts, valued at € 3 million, all of which was "made of leather".

Exports
- Luggage and accessories exports from Poland were valued at € 32 million in 2005, representing 3 thousand tonnes.
- Between 2001 and 2005, the average annual increase in exports was 32.3% by value and 19.6% by volume.
- There is some re-exporting, and this appears to be an increasing factor in the Polish market.

Opportunities and threats
+ Imports of leather-made products are increasing at a faster rate than products made of other materials, so this presents an opportunity on the Polish market. The main growth opportunities for developing country suppliers are bags and small accessories, particularly handbags, travel bags and belts. Developing country suppliers of cases are increasing in volume but value increases are less spectacular, whereas supplies of other small accessories to Poland have remained unchanged.

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

Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int
- Polish National Statistics – http://stat.gov.pl

4 Price developments
- Prices for luggage and accessories in Poland are below the EU average. There will be some convergence but prices will continue to remain below the EU average, due to the large market trade and issues with counterfeit products.
- The website of Polish National Statistics (http://www.stat.gov.pl) publishes harmonised indices of consumer prices. Prices increased by 3% in 2005 overall so price increases for this market sector will have increased at a lower rate. A useful website comparing luggage and accessories prices in Poland is http://www.nextag.com. The luggage manufacturer Samsonite has a link to Poland and prices can be accessed here (http://www.samsonite.com).

5 Market access requirements

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

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

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

6 Doing business

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

- The Polish Chamber of the Shoe and Leather Industry can be contacted at http://www.pips.pl.
- Swiat Skor (World of Leather) is Poland's leading magazine for leather products, published by http://www.unit.com.pl. There is also a publication called Textiles Review which covers the textiles and leather industry (http://www.sigma-not.pl).
- The main trade fair for leather goods takes place in Poznan each March and September. The fair covers shoes, leather and leather goods (http://shoes.mtp.pl).
- A good website to find out information on leather products in Poland is http://www.leather.pl.
- Garant Schuh, the German buying group is the largest association of independent retailers operating in the footwear and leather sectors in Poland (http://www.garantobuwie.pl).

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