CBI MARKET SURVEY

THE PORTUGUESE 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 Portugal. 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 Portuguese market for luggage and (leather) accessories is valued at € 220 million in terms of retail sales.
- The Portuguese spent € 20.9 per capita per year, which was close to the EU average of € 19.7 in 2005.
- Portugal is the ninth largest luggage and accessories market in the EU and this medium sized market is similar in size to Belgium and Austria and similar in its per capita consumption to Ireland.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
190	197	204	210	220	3.9	10.5	20.9

Source: Trade Estimates (2006)

- The Portuguese economy is progressing again after being affected by the recession that affected much of mainland Europe in the early part of this decade. Nevertheless this has affected the sales of luggage and (leather) accessories less than in other EU countries. Between 2001 and 2005 sales of luggage and (leather) accessories rose by an average annual rate of 3.9%, from € 190 to 220 million (see table 1.1), which is high compared to the EU average of 2.9%.
- Consumption of luggage and accessories is forecast to increase slowly over the coming years, but more of the increase will be experienced in the wealthier coastal parts of the country between Lisbon and Porto and in the Algarve, than in the inland regions, where the economy is still based on agriculture.
- Portuguese consumers appreciate quality leather goods, and they are also used to buying locally produced bags and accessories.
- Portugal is also sharing in the benefits of increased leisure time enjoyed elsewhere in Europe. This includes more travel, for both business and pleasure, which will stimulate further sales of luggage items.
- Portugal is above the EU average in terms of Internet and mobile phone usage. The demand for mobile phone cases is high, although much of the demand is taken by low cost imports.
- The Portuguese are very fashion conscious, and sales of handbags are expected to grow above the average of the sector.

Production

- Portugal is a medium-sized producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 24.3 million in 2005, down from its 2001 levels, when production stood at € 27.4 million, as table 1.2 indicates.
- Production has been in gradual decline as producers and manufacturers struggle to meet the growing threat of low cost imports.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
27	28	26	24	24	100	1,000

Source: Eurostat, National Statistics (2006)

- It is not clear how many companies are engaged specifically in the manufacture of luggage and accessories items. Portugal has a large leather-based industry, but the majority of manufacturing is dedicated to footwear and clothing. The above figures are derived from estimates made by the leather trade association APICCAPS. Most of the industry is based in the Santarem region.
- Production in Portugal is segmented (by value) in 2005 as follows:
  - Cases 28%
  - Handbags 25%
  - Other bags 18%
  - Belts 17%
  - Other small accessories 12%
- To remain internationally competitive, the Portuguese industry has invested in new technologies, and is focussed on quality and good design, with an eco-friendly impact.
- Leading producers include Dias Ruivo, who produces bags and accessories as well as footwear (http://www.diasruivo.com) and Peltea who produce handbags (http://www.peltea.com). Ferratti manufacture luggage and bags (mailto:ferratti@mail.telepac.pt).

A list of manufacturers can be found at the Portuguese Leather Goods Association (http://www.apiccaps.pt) and at the Portuguese Tanning Association (http://www.apic.pt).

Opportunities and threats

+ The Portuguese population is ageing and growth is driven by immigration, as the birth rate is declining. Much of the immigration is from former Portuguese colonies in Africa and Latin America, although a significant number of immigrants are now also coming from Eastern EU Member States. Exporters from developing countries can find opportunities by offering luggage and accessories to specialists in the lower end of the market.
+ A Portuguese retailer or distributor will expect some form of comparative price advantage when buying from a developing country. While price is very important, it is equally important that you should not be perceived purely as a source of low cost product.
+ There is a wide gap between high and low-priced products. In the higher end of the market, the Portuguese are now more outward looking and receptive to the latest fashions and designs.
+ Some Portuguese manufacturers are now looking to export to Asian countries, and they may require expertise or advice from you in order to approach your market. This could be a good reason to make partnerships with exporters.

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 Portuguese market is very fragmented and dominated by small independent specialist outlets. However, this is starting to change as larger retailers take a greater share of distribution for luggage and accessories.
- Wholesalers and agents are the best ways to access the Portuguese market, however an increasing number of exporters from developing countries are approaching retailers direct. There is no national association of commercial agents in Portugal but agents are often associated with regional organisations such as the Lisbon or Porto Chamber of Commerce (http://www.port-chambers.com).
- A number of Portuguese wholesalers can be accessed via Europages, the European Business Directory (http://www.europages.pt).
- Between 2000 and 2003, the number of retail outlets selling footwear and leather goods fell from 5,325 to 5,050, a fall of 5%. Non-food retailing is relatively underdeveloped. There are relatively few multiple chains. The leading clothing retailers that also sell bags and accessories are Macmoda and Modalfa, as well as the Spanish clothing groups Inditex and Cortefiel. C&A and H&M are also present in the market.
- 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, Portugal's imports of luggage and accessories were valued at € 102 million, or 11 thousand tonnes. Out of the 27 EU countries, Portugal is ranked thirteenth 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 € 29 million or 2 thousand tonnes.)
- Between 2001 and 2005, Portuguese imports grew by an average of 4.3% per annum in value and 11% in volume (4.3% and 21.9% respectively for "made of leather" items). Most of this growth occurred in the period after 2003.
- Imports exceeded exports by almost ten times in value and twelve times in volume in 2005. Exports are increasing more quickly than imports. The same period has seen a small decrease in luggage and accessories production and an average annual increase in consumption of 4.3%.
- Around 15% of Portugal's imports come from developing countries in 2005 (9.2% for "made of leather" items). This proportion was 14.6% in 2001 (8% for "made of leather"). China accounted for 79% of all developing country supplies by value in 2005, followed by India (6.8%) and Pakistan (5.4%). Brazil and Turkey were also important suppliers. While China's supplies increased by 10% over the period, supplies from India and Pakistan both increased significantly.
- By product group, Portuguese imports by value can be sub-divided as follows:
  - Around 67%, valued at € 68 million consisted of bags, of which € 15 million were "made of leather". Within this group handbags (€ 31 million) was the largest sub-group, of which € 9 million were "made of leather".
  - Around 18%, valued at € 18 million, consisted of cases, of which just € 3 million were "made of leather". Suitcases was the largest sub-group, valued at € 14 million. Of these € 2 million were "made of leather".
  - More than 15%, valued at € 15 million consisted of small accessories such as belts, wallets, purses and pouches, of which € 10 million were "made of leather". Within this group, other small accessories (wallets, purses and pouches) valued at € 8 million was the largest sub-group, of which € 3 million were "made of leather". The remainder of this group is belts, valued at € 7 million, all of which was "made of leather".

Exports

- Luggage and accessories exports from Portugal were valued at € 11 million in 2005, representing 1 thousand tonnes.
- Between 2001 and 2005, the average annual increase in exports was 8.7% by value and 3.6% by volume.
- There may be a limited amount of re-exporting, but this does not appear to be a major factor in the Portuguese market.

Opportunities and threats

\+ Leather-made products do not appear to offer major opportunities. The main growth opportunities for developing country suppliers are bags and small accessories, particularly handbags and belts, and travel bags to a lesser extent. Developing country suppliers of cases are increasing in volume but not by value, whereas supplies of other small accessories to Portugal have declined in value.

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
- Portuguese National Statistics – http://www.ine.pt

4 Price developments

- Prices of luggage and accessories in Portugal are lower than the EU average, although handbag prices are relatively high due to their popularity and demand for quality, and despite the fact that there is considerable domestic production.
- The website of Portuguese National Statistics (http://www.ine.pt) publishes harmonised indices of consumer prices. The latest available data (2006) shows that all prices increased by 2.6% during the year. Price increases for luggage and accessories were lower than the average. A useful website comparing luggage and accessories prices in Portugal is http://www.nextag.com. The luggage manufacturer Samsonite has a link to Portugal and prices can be accessed here (http://www.samsonite.com). Prices can also be found on the mail order website http://www.laredoute.pt.

5 Market access requirements

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

- The Portuguese Leather Association can be reached at http://www.apic.pt/index2.html. Details of companies operating in the sector can be found at http://www.leatherfromportugal.com.
- The main trade association for Footwear, Components and Leather Goods Manufacturers is at http://www.apiccaps.pt. They produce their own journal, called Jornal Apiccaps.
- The principle Portuguese leather trade fair is called Expocouro/Fipele and is held in Porto each year. The organiser is Exponor (http://www.exponor.pt). Accessories are also featured at the Portugal Fashion Exhibition (http://www.smopmoda.com).
- Another trade body in the sector is the Technical Centre for Leather Industries (http://www.ctic-pt.eu). They produce a bulletin called Couro.
- Information about the footwear and leather sector in Portugal can also be found at http://www.portugaloffer.com

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