

CBI MARKET SURVEY

**THE ROMANIAN 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 Romania. 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 Romanian market for luggage and (leather) accessories is valued at € 105 million in terms of retail sales.
- Romanians spent € 4.9 per capita per year, which was well below the EU average of € 19.7 in 2005.
- Romania is the thirteenth largest luggage and accessories market in the EU and this small-medium sized market is similar to a cluster of other countries, including the Czech Republic, Denmark and Finland.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
70	78	86	95	105	12.5	21.6	4.9

Source: Trade Estimates (2006)

- There is a strong demand for foreign products, including bags and accessories, and a growing interest in the latest trends in other EU countries. Between 2001 and 2005 sales of luggage and (leather) accessories rose by an average annual rate of 12.5%, from € 70 to 105 million (see table 1.1).
- Further increases in consumption are expected in Romania in the coming years, as the economy starts to integrate with the rest of the EU. Disposable incomes are rising well above the EU average and this will feed into increases in expenditure on luggage and accessories, and a demand for higher quality products.
- Romanians have traditionally not been known to do much foreign travelling, but joining the EU together with the arrival of low cost airlines will change this. This will result in increases in the purchases of various types of luggage items.
- There are close links between Romania and Italy. Wealthier Romanians and the growing middle-class are starting to show an interest in fashion. In particular they will be interested in the styles of handbags and other leather accessories that are Italian in style. Note many Italian leather products are produced in Romania, so consumers are already aware of them.
- There is still a large demand for low-priced luggage and accessories products in Romania. Many products are purchased at markets. These tend to be low-priced imports from Asia, and some lower quality locally produced items, many of which are counterfeit products.

Production

- Romania is a medium producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 26.1 million in 2005. This is up since 2001, but lower than values in 2002 and 2004, as table 1.2 indicates.
- Most leather production in Romania is geared towards footwear, but the luggage and accessories sector accounts for up to 15% of the value of the total leather industry.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
23	32	22	28	26	175	4,000

Source: Eurostat, CTC (2006)

- The majority of Romanian production is handbags (over 90%), an increasing figure since 2001.
- In 2005, 92% of the Romanian production value was handbags, in which the country has been specialising. The remaining 8% was cases. There used to be some production of other small accessories, but this had ceased by 2005 according to Eurostat.
- Significant restructuring in the leather industry in recent years has transformed the industry to the extent that it can now compete effectively on the international stage, and many western EU countries have outsourced some of their own domestic production to Romania. Production may increase in coming years as other EU countries outsource even further.
- One of the leading producers of handbags and briefcases in Romania is Rapel (<http://www.rapel.biz>). Another handbag manufacturer is Rogenti (tel/fax +40 259 416416).

More Romanian producers can be found at the website of the Romanian Fashion and Textile Industry (<http://www.romtextiles.com>).

Opportunities and threats

- + Opportunities exist to supply direct to the domestic market as Romanian consumers, especially women, look for more interesting styles of handbags. In addition, the Romanian market is also receptive to new products from other countries, as they have not been used to a lot of choice in the past.
- + Romanian producers will be interested in partnerships with outside suppliers who can provide new styles and designs as well as additional production capacity.

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

- Most luggage and accessories sales go through traditional trade channels and is highly fragmented with a large number of small producers, importers and small outlets. In 2005, small outlets accounted for the majority of luggage and accessories sales. However, large retail chains and discounters are becoming increasingly important.
- Wholesalers and agents are the best channels for exporters from developing countries to access the Romanian market. Some wholesalers can be reached via <http://www.romtextiles.com>.
- There are few statistics available with only a limited presence by large international retailers. They have only recently started to develop in Romania. Non-store retail often

comprises market stalls, with the number of businesses falling sharply due to competition from the new multiples. According to Mintel, there were 5,819 small retail outlets/stalls for clothing, footwear and textiles in Romania in 2002.

- A number of large shopping centres have opened in recent years, mainly in the capital Bucharest. Romania currently has amongst the lowest retail sales of any EU country, but with a population of over 21 million, there is great potential here. Larger, broader range discounters are currently faring best in Romania.
- In each trade channel different margins and prices apply, with multiples of 3 up to 4.5 of 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.
- 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, Romania's imports of luggage and accessories were valued at € 26 million, or 7 thousand tonnes. Out of the 27 EU countries, Romania is ranked twentieth largest, and as such is regarded as a small-sized country for luggage and accessories imports. (Note imports of "made of leather" items in this group were valued at € 8 million or 1 million tonnes.)
- Between 2001 and 2005, Romanian imports grew by an average of 63% per annum in value and 29.7% in volume (53.1% and 87.5% respectively for "made of leather" items). Most of this growth occurred in the period after 2003.
- Exports exceeded imports by almost four times in value, but imports exceeded exports by three 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 increase in consumption of 17%.
- Around 64% of Romania's imports come from developing countries in 2005 (38.7% for "made of leather" items). This proportion was 50.7% in 2001 (12.5% for "made of leather"). China accounted for 89% of all developing country supplies by value in 2005, followed by Turkey (7.5%) and India (2.9%). Thailand and Indonesia were also important suppliers. While China's supplies increased over fourfold over the period, supplies from Turkey and India both increased by even more.
- By product group, Romanian imports by value can be sub-divided as follows:
 - Around 57%, valued at € 15 million consisted of bags, of which € 2 million were "made of leather". Within this group handbags (€ 8 million) was the largest sub-group, of which under € 2 million were "made of leather".
 - More than 22%, valued at € 6 million consisted of small accessories such as belts wallets, purses and pouches, of which € 4 million were "made of leather". Within this group, other small accessories (wallets, purses and pouches) valued at € 3 million was the largest sub-group, of which € 1 million were "made of leather". The remainder of this group is belts, valued at € 3 million, all of which was "made of leather".
 - Around 20%, valued at almost € 6 million, consisted of cases, of which just € 1 million were "made of leather". Comtrade figures make no distinction between suitcases and briefcases.

Exports

- Luggage and accessories exports from Romania were valued at € 96 million in 2005, representing 5 thousand tonnes.
- Between 2001 and 2005, the average annual increase in exports was 38.6% by value and 6.9% by volume.
- There appears to be quite a lot of re-exporting on the Romanian market, much of which is trade with Italy.

Opportunities and threats

- + The main growth opportunities for developing country suppliers are bags and small accessories, particularly handbags and belts. Developing country suppliers of cases are increasing in volume but value increases are less spectacular, whereas supplies of other small accessories to Romania have also increased.

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>
- Romanian National Statistics – <http://www.insse.ro>

4 Price developments

- Prices of luggage and accessories in Romania (with the exception of Bulgaria) were lower than any other EU country. However, as Romania integrates into the EU over the next few years, it is expected that prices will increase. There will be some convergence but prices will continue to remain below the EU average. There is still a lot of this product group sold through markets at very low prices, but higher priced products of well-known brand names are appearing on the market as the retail trade develops.
- The website of Romanian National Statistics (<http://www.insse.ro>) publishes harmonised indices of consumer prices. Non-food prices in Romania increased by 15% in 2004, but prices in this market sector increased by less than this. The luggage manufacturer Samsonite has a link to Romania and prices can be accessed here (<http://www.samsonite.com>).

5 Market access requirements

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

- The main trade association for leather goods is the Association of Romanian Leather & Footwear Manufacturers. They can be contacted via the manufacturer Oxalaga (http://www.factbook.net/oxalaga_index.htm).
- The National Institute for Textile and Leather Research can be found at <http://www.certex.ro>.

- The main trade fair for leather goods is Modexpo, occurring twice a year (March and September) in Bucharest (<http://modexpo.ro>). BITME takes place also in Bucharest. It is organised by <http://www.romexpo.org> (see also <http://www.bitme.ro>). There are also other smaller fairs around the country.
- Dialog Textil is a trade publication that covers the fashion industry but makes reference to accessories (<http://www.dialogtextil.ro>).
- The website of the Romanian Fashion & Textile Industry has a link to accessories companies (<http://www.romtextiles.com>). The Romanian Trade promotion Centre may also be a useful contact (<http://www.traderom.ro>), as is the Romanian Business Digest (<http://rbd.doingbusiness.ro>).

This survey was compiled for CBI by *Searce*

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