CBI MARKET SURVEY

THE SLOVAKIAN 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 Slovakia. 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 Slovakian market for luggage and (leather) accessories is valued at € 45 million in terms of retail sales.
- Slovaks spent € 8.4 per capita per year, which was less than half the EU average of € 19.7 in 2005.
- Slovakia is the ninth smallest luggage and accessories market in the EU and this small market is similar to a cluster of other countries, including Bulgaria, Slovenia and Lithuania.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
34	36	39	42	45	8.1	5.4	8.4

Source: Trade Estimates (2006)

- Between 2001 and 2005 the Slovakian market for luggage and accessories increased by an annual average 8.1%, from € 34 to 45 million, which is high compared to the EU average of 2.9%.
- The market is predicted to continue to grow, but at levels slightly lower than recently. Prices in Slovakia are still lower than western EU member states, but they are catching up. Future demand will be underpinned by more genuine market growth, rather than growth in value based on price increases.
- When selecting luggage and accessories, the price is the most important decision-making criterion for 85% of Slovaks. Quality and range follow, and for almost half of the people the ability to return or change goods is very important as well. 50% of under 19s say the brand is important.
- Slovakia has the highest hypermarket sales per square metre of any East European country. The major retailers and luxury goods stores that are now part of the Slovak retailing scene have introduced the more fashionable, and younger sections of the population to more sophisticated bags and accessories.
- The business community in Slovakia has also embraced the use of laptops and other new technology, thus participating in the purchase of laptop and other cases seen elsewhere in the EU.
- The luggage sector has also increased in Slovakia as rising living standards have enabled more affluent Slovaks to travel more than they used to. Slovakia is well served by a number of low cost airlines, which makes the decision to travel easier.

Production

- Slovakia is a small producer of luggage and (leather) accessories compared to other EU countries.
- The value of production is estimated at € 1.4 million in 2005, well down from its 2001 levels, when production stood at € 2.4 million, as table 1.2 indicates.
- Production fell in 2003 and has recovered slightly, but it is still almost half the level of 2001. Most leather production in Slovakia is geared to footwear.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
2.4	2.6	1.1	1.6	1.4	na	na

Source: Eurostat, National Statistics (2006)

- Separate figures from the Slovak trade association suggest the figures may be up to double this, but we use Eurostat figures for consistency. Nevertheless, it is not disputed that the leather industry is less than 20% of the size it was in 1989.
- There has been investment by international companies in the Slovak leather industry, due to its low costs and skilled workforce, but it received a blow when Samsonite closed its luggage production plant in Samorin in 2006 and relocated to China.
- The value of production is divided as follows: small (leather) accessories 45%, cases 36% and other bags 21%. The main change is the reduction in the share of production of handbags, which fell from 49% in 2001 to zero in 2005. Slovakian producers are now more focussed on small (leather) accessories and cases.
- Leading producers include Ligarex, who produce bags and cases (http://www.ligarex.sk) and Kozena who produce travel and school bags (http://www.kozena.sk).

A number of Slovak producers can be found in the appropriate section of the Kompass Business pages (http://www.kompass.com) under "textiles, clothing, leather, footwear". There is a sub-section called "travel goods, handbags and similar articles".

Opportunities and threats

+ There is a developing middle class that are looking for more sophisticated and fashionable bags and accessories but this sector is still relatively small.
+ The process of disengagement from the Soviet past has been longer for Slovakia than other Eastern European countries as it also had to deal with the issues of starting a new republic. The country is catching up quickly and is now one of the most dynamic parts of the EU.
+ Although the industry has contracted in recent years, there are opportunities for exporters through partnerships with local producers and setting up joint production units.
+ However, opportunities do exist for exporters from developing countries who can demonstrate that they can supply products that are currently not available on the Slovak market.
+ At the moment most opportunities appear to be in the medium to lower priced parts of the market.

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

- According to the latest GfK Shopping Monitor 2006/07, people have recently started to leave market places and prefer smaller or larger specialised stores as well as department stores when buying bags and accessories. This change is a result of growing retail sales space and the increasing purchasing power of the population. It is most evident when looking at market places, where the purchases of clothes fell by 14% compared to last year. Currently 19 % of Slovaks buy at market places and stalls. Specialised self-service stores are getting into the forefront in this category of goods. They are most popular among under 29 year olds in the Bratislava and Trenčín regions.

- Nevertheless, the small specialist sector is still the most important channel for exporters from developing countries. To access this channel, you will primarily require to find a wholesaler or an agent.
- Although Internet access increased from 10% in 2004 to 23% in 2006, this is still low compared to neighbouring countries, and it is taking longer to become an important trade channel. Only a third of internet users use it for shopping.
- The increasing number of shopping centres in Bratislava is having an impact on the market for luggage and accessories. In particular, younger consumers prefer to shop in them and many Slovaks would like to see more shopping malls.
- 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, Slovakia's imports of luggage and accessories were valued at € 24 million, or 19* thousand tonnes. Out of the 27 EU countries, Slovakia is ranked ninth smallest, 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 € 4 million or 11* thousand tonnes.)
- Between 2001 and 2005, Slovakian imports grew by an average of 16.7% per annum in value and 30.6% in volume (3.2% and 25% respectively for "made of leather" items). Most of this growth occurred in the period after 2003.
- Imports exceeded exports by 40% in value and almost three times in volume in 2005. Imports are increasing while exports are decreasing. The same period has seen a small decrease in luggage and accessories production and an average annual increase in consumption of 8%.
- Around 20% of Slovakia's imports come from developing countries in 2005 (18.2% for "made of leather" items). This proportion was 46.1% in 2001 (23.1% for "made of leather"). The reason for this fall was that Slovakia imported more from neighbouring countries such as Germany, Austria, Italy and other eastern EU countries. China accounted for 87% of all developing country supplies by value in 2005, followed by India (6.1%) and Turkey (3.8%). Thailand and Philippines were also important suppliers. While China's supplies decreased by a third over the period, supplies from India also decreased.
- By product group, Slovak imports by value can be sub-divided as follows:
    - Around 64%, valued at € 15 million consisted of bags, of which under € 2 million were "made of leather". Within this group travel bags (€ 7 million) was the largest sub-group, of which less than € 0.5 million were "made of leather".
    - Around 24%, valued at over € 5 million, consisted of cases, of which just € 1 million were "made of leather". Suitcases was the largest sub-group, valued at € 4 million. Of these, less than € 0.5 million were "made of leather".
    - Around 13%, valued at under € 4 million consisted of small accessories such as belts, wallets, purses and pouches, of which € 2 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 less than € 1 million, all of which was "made of leather".

* Note 16 thousand tonnes were from Germany. This may be an error in Eurostat figures, in which case volume imports would be closer to 4 thousand tonnes. Volume growth calculations have assumed the lower figure.

Exports

- Luggage and accessories exports from Slovakia were valued at € 17 million in 2005, representing 2 thousand tonnes.
- Between 2001 and 2005, the average annual decrease in exports was 2.1% by value and 5.3% by volume.
- There appears to be a significant amount of re-exporting from Slovakia, as exports exceed domestic production.

Opportunities and threats

+ There has not been much growth in imports of leather-made products. The main growth opportunities for developing country suppliers are bags and cases, particularly travel bags and suitcases. Developing country suppliers of small accessories such as wallets and purses are increasing in volume but value increases are less spectacular, whereas supplies of belts to Slovakia appear to offer opportunities for lower priced items.

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
- Slovak National Statistics – http://www.statistics.sk

4 Price developments

- Prices of luggage and accessories in Slovakia are amongst the lowest in the EU. 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 Slovak National Statistics (http://www.statistics.sk) publishes harmonised indices of consumer prices. Prices in 2006 were 3% higher than 2005. Luggage and accessories prices increased by less than this. More information on price trends can be found at the National Bank of Slovakia (http://www.nbs.sk). A useful website comparing luggage and accessories prices in Slovakia is http://www.nextag.com. Prices of some luggage and accessories can be found at http://www.quelle.sk. The luggage manufacturer Samsonite has a link to Slovakia and prices can be accessed here (http://www.samsonite.com).

5 Market access requirements

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

- The main trade association for leather goods is the Association of Leather and Shoe Industries of Slovakia (http://www.zkop.sk).
- Leder Mode (the International Footwear & Leatherware Fair) takes place in Bratislava in February and September and is organised by http://www.incheba.sk.
- The Czech trade publication Kozarstvi is also distributed in Slovakia (http://www.kozarstvi.cz).
- The Slovak Chamber of Commerce may be a useful point of contact and can be reached at http://www.sopk.sk.
- Another useful website is http://www.doingbusiness.sk. The market research consultancy Incoma has some information on the Slovak market (http://www.incoma.sk - this is a sister company to the larger Czech company). Market information on Slovakia can be found at GfK's Slovak website (http://www.gfk.sk).

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