

CBI MARKET SURVEY

THE SLOVENIAN 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 Slovenia. 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 Slovenian market for luggage and (leather) accessories is valued at € 33 million in terms of retail sales.
- Slovenes spent € 16.5 per capita per year, which was just below the EU average of € 19.7 in 2005. This is the highest per capita consumption of the new Eastern European members.
- Slovenia is the seventh smallest luggage and accessories market in the EU and this small market is similar to a cluster of other countries, including Bulgaria and Lithuania.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
26	27	29	31	33	6.7	2.0	16.5

Source: Trade Estimates (2006)

- Between 2001 and 2005 the Slovenian market for luggage and accessories increased by an annual average 6.7%, from € 26 to 33 million, which is high compared to the EU average of 2.9%.
- The Slovenian economy is closer to the EU15 economies than the other new Member States. In particular, it is influenced by styles and trends from its neighbours of Italy and Austria.
- The market for handbags has grown more quickly than other products in this sector, and is particularly influenced by Italian fashion trends.
- Older consumers form an important and increasing market segment in Slovenia. This group is also increasingly affluent. They will be spending more leisure time travelling and this will stimulate the market for luggage. The sort of luggage requirements will be products which are easy to transport, perhaps with wheels, but are also of high quality.
- Slovenia adopted the Euro as its national currency in January 2007, and this will be an important factor underlying future market growth in this sector. Future increases in the short term will be more value than volume driven, although volumes will also increase.
- Slovenes are receptive to products from other countries and they have welcomed new retailers, particularly in Ljubljana.

Production

- Slovenia is a small producer of luggage and (leather) accessories compared to other EU countries.

- The value of production is estimated at € 1.7 million in 2005, well down from its 2001 levels, when production stood at € 8.3 million, as table 1.2 indicates.
- Production fell after 2001 and it is now at 20% of production levels at the start of the period.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
8	0	1.7	1	2	na	na

Source: Eurostat, National Statistics (2006)

- The remaining declared production in Slovenia is all handbags.
- In 2005, all Slovenian production was handbags, in which the country has been specialising. In 2001 the production was more diversified with 48% of the total production being handbags, followed by other bags (27%) and small (leather) accessories (25%), but this appears to have ceased.
- There is a long tradition of quality leather production in Slovenia but much of the lower skilled work has been outsourced to other countries.
- Producers in Slovenia include Industrija Usnja Vrhnika (IUV) who produce bags and other small accessories (<http://www.iuv.si>) and Lerota who also have a number of retail outlets (<http://www.lerota.si>).

Other manufacturers can be found at the e-catalogue of the Textile, Clothing and Leather Industry (<http://www.gzs.si>), the Slovenian Chamber of Commerce website.

Opportunities and threats

- + Slovenia is a relatively affluent country, so foreign retailers will continue to be attracted there. Imports will become more important in the Slovenian market. Consumers already have relatively sophisticated tastes. Exporters from developing countries can find opportunities if they can produce high quality products at reasonable value. Slovenia is also seen as a strategic location to access the Croatian market.
- + Most manufacturing companies are quite small. The trend has been for them to look abroad to make partnerships with low priced suppliers e.g. from developing countries, and other forms of co-operation.

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

- Large retailers are taking an increasing share of the market as Slovenia integrates further into the EU. Traditional specialist retailers still form the largest share of the market, but this is changing. According to Mintel, there were 185 footwear and leather goods retailers in Slovenia in 2004, active in approximately 500 outlets. This figure is in decline.
- Wholesalers would be the best channel for market entry, but increasingly making a direct approach to retailers is effective.
- The domestic groups Mercator, Engrotoš and Merkur are among the leading non-specialist retailers in the country, selling bags and accessories through their super/hypermarkets. Despite its affluence, there is not the same number of international retailers operating in Slovenia as in other countries. This thought to be due to the fact that it is such a small country.
- Internet usage in Slovenia is higher than other new Member States. This channel will become increasing important in this sector. Mail order is already quite important as leading

mail order companies such as Quelle and La Redoute sell bags and accessories through their on and off line catalogues.

- 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, Slovenia's imports of luggage and accessories were valued at € 22 million, or 3 thousand tonnes. Out of the 27 EU countries, Slovenia 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 € 4 million or less than 0.5 thousand tonnes.)
- Between 2001 and 2005, Slovenia's imports grew by an average of 6.3% per annum in value and 14.1% in volume (down 2.2% and 2.2% respectively for "made of leather" items). Most of this growth occurred in the period after 2003.
- Imports exceeded exports by more than double in value and three times in volume in 2005. Imports are increasing while exports are decreasing. The same period has seen a decrease in luggage and accessories production and an average annual increase in consumption of 7%.
- Around 22% of Slovenia's imports come from developing countries in 2005 (14.3% for "made of leather" items). This proportion was 41.4% in 2001 (17.4% for "made of leather"). The reason for this fall was that Slovenia imported more from neighbouring countries such as Italy, Austria, Germany, France and other eastern EU countries.
- China accounted for 78% of all developing country supplies by value in 2005, followed by Croatia (7.9%) and Vietnam (4.8%). Bosnia Herzegovina and India were also important suppliers. While China's supplies decreased by 60% over the period, supplies from Croatia and Vietnam both increased.
- By product group, Slovene imports by value can be sub-divided as follows:
 - Around 61%, valued at € 13 million consisted of bags, of which € 2 million were "made of leather". Within this group travel bags (€ 6 million) was the largest sub-group, of which less than € 0.5 million were "made of leather".
 - Around 20%, valued at over € 4 million, consisted of cases, of which less than € 0.5 million were "made of leather". Suitcases was the largest sub-group, valued at € 3 million. Of these less than € 0.5 million were "made of leather".
 - More than 18%, valued at € 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 € 1 million, all of which was "made of leather".

Exports

- Luggage and accessories exports from Slovenia were valued at € 10 million in 2005, representing 1 thousand tonnes.
- Between 2001 and 2005, the average annual decrease in exports was 5.5% by value, but an increase of 3.6% by volume.
- There appears to be considerable re-exporting from Slovenia, as exports considerably exceed domestic production.

Opportunities and threats

- + Imports of leather-made products are down in both value and volume, so opportunities do not appear to exist in this category. The main growth opportunities for developing country

suppliers are bags and cases, particularly travel and other bags, and suitcases. Developing country suppliers of small accessories are decreasing in value, with the exception of belts where small increases have been registered.

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>
- Slovene National Statistics – <http://www.stat.si>

4 Price developments

- Prices of luggage and accessories in Slovenia were below the EU average. However, prices are expected to rise in Slovenia in future due to the impact of their joining the Euro currency at the beginning of 2007. There will be some convergence but prices will continue to remain below the EU average. In 2005 purchasing power in Slovenia was 82% of the EU average, according to a Eurostat study released at the end of 2006.
- The website of Slovenian National Statistics (<http://www.stat.si>) publishes harmonised indices of consumer prices. Prices increased by over 2% in 2005 but luggage and accessories prices increased by less than this. Not many Slovenian luggage and accessories retailers feature prices on their website. You can find prices of bags and other accessories by downloading the mail order catalogue from <http://www.laredoute.si>. The leading luggage manufacturer Samsonite has a link to Slovenia and prices can be accessed (<http://www.samsonite.com>).

5 Market access requirements

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

- The Chamber of Commerce is the principle point of contact for doing business in Slovenia (<http://www.gzs.si>). Within this are members of the Textiles, Clothing and Leather Processing Association. You can also search for companies engaged in the leather trade.
- Tekstilec is the journal most closely linked to this association (<http://www.tekstilec.itt-drustvo.si>). You can also find relevant articles that have been published in Slovenia Business Week. The other general business title is Slovenia News (<http://slonews.sta.si>).

- There is no dedicated trade fair for leather products in Slovenia, but the main fair organiser is worth contacting as new fairs are being introduced (<http://www.ljubljanafair.com>). There are relevant fairs in neighbouring countries such as Italy and Austria.
- The Business Opportunities Exchange System is designed to help foreign enterprises find business opportunities and it is designed primarily for small and medium-sized enterprises (<http://www.borza.org>)

This survey was compiled for CBI by *Searce*

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