CBI MARKET SURVEY

THE SPANISH MARKET FOR LUGGAGE AND (LEATHER) ACCESSORIES

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Report summary
This CBI market survey discusses the following highlights for the luggage and (leather) accessories market in Spain:

- The Spanish consumption of luggage and (leather) accessories was € 1,000 million in 2005, up 4.6% per annum on average, while production slightly rose to € 380 million.
- In 2005, Spain imported luggage and (leather) accessories valued at € 645 million, or 109 thousand tonnes. Since 2001 values increased by 12.6%, and volumes were up by an average annual rate of 19.9%.
- Around 61% of imports by value came from developing countries (84% by volume). The share of imports by developing countries is up from 58.1% in 2001 in value, and up from 76.2% in volume terms.

This survey provides exporters of luggage and (leather) accessories with sector-specific market information related to gaining access to Spain. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The luggage and (leather) accessories market in the EU', which covers the EU market 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 market for luggage and (leather) accessories was valued at € 1,000 million in 2005. Spain is the fifth largest EU market, after Germany, Italy, France and the UK. Although it is just over half the size of Germany, the largest country, it is well over double the size of the next country, The Netherlands.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
844	881	921	948	1,000	4.6	43.0	23.2

Source: Euromonitor, Trade Estimates (2006)

The per capita consumption of € 23.2 was above the EU average of € 19.7. In the period under review, between 2001 and 2005, the Spanish market increased by an average 4.6%, a figure well above the EU average of 2.9%. The market has continued to grow through the period of recession in the early part of the decade, although sales slowed in the period between 2002 and 2004.

Sales are predicted to continue on an upward trend, although there is some contradictory opinion. Commentators in the industry claim that their sales are increasing, yet there is a noticeable increase in sales through discounters. This suggests that imports are claiming a larger share of the market. Overall, it is likely that the volume growth of the market will outstrip the value growth. Leather goods are very popular in Spain, and although the large leather industry is primarily directed to footwear, Spanish consumers are also very attached to Spanish-made handbags and wallets and purses.

The Spanish market is changing. According to AC Nielsen, the Spanish are one of the most optimistic nations in Europe. This confidence is also expressed in increased consumer spending. The new Spanish consumer, particularly in the major cities are looking for new designs and are abandoning the more traditional styles and models, particularly in the luggage sector. Greater affluence is also increasing the number of holidays and short breaks taken by the Spanish. This is stimulating interest in the luggage sector.

Spain is also a very fashion-conscious market. While it may not compare to the same extent with Italy, or even France, Spanish consumers, especially young men and women like to think they are stylish and keep up with the latest fashions. This provides a constant impetus to replace products, or purchase different products for different occasions. However, there is still a very traditional, conservative part of Spain in the countryside where purchases are driven by need rather than changing fashions.

The other significant factor in the Spanish market is the number of tourists, and the number of people from other (usually northern European countries such as Germany and the UK) places who now live in Spain. This has brought different tastes in leather goods products. It has also brought more affluent consumers into the market place. It has also started to internationalise the tastes and preferences of consumers.

Another key driver of this market, part of a global change, is the powerful influence of technology on the market. This does not just relate to how people do their shopping (more Internet purchasing), but also the sort of products that consumers are looking for. Laptop cases, protective covers for mobile phones, iPods and other devices has created an entirely new market in the last few years. The Spanish are amongst the heaviest users of mobile phones in the EU.

Market segmentation

- *Segmentation by product group*
  There are a number of ways that the market can be segmented. Most analysts use the traditional product based segmentation. This indicates that in 2005 in Spain:
  - Handbags accounted for 41% of the market (€ 410 million),
  - Small (leather) accessories for 19% (€ 190 million),
  - Belts for 8% (€ 80 million),
  - Suitcases for 19% (€ 190 million),
  - Travel and other bags for 10% (€ 100 million),
  - Briefcases for 3% (€ 30 million).

  Handbags represented 41% of the Spanish market. Volume sales have increased over the period at a faster rate than value sales, due to a move away from classic leather bags in the mid-priced segment, and an increase in fashion bags made of other materials. The luxury bag sector is also healthy. 20% of young people (both men and women) aged 18-30 have purchased at least one bag in the last two years – this would also include other types of bags. Manufacturers are complaining about the rising sales of Asian copies, which are similar in design but much cheaper. The average unit price of handbags has fallen considerably in the last few years.

  There is no clear leading brand of handbags in Spain. The market is crowded with many companies but no clear market leader. The luxury sector accounts for a large proportion of the market value, and the leading international brands are represented here as in other countries. Casual and fashion bags account for over 60% of the market for handbags, and this share is increasing, while the share of classic bags and, to a lesser extent, evening bags are in decline.

  Small (leather) accessories includes wallets, purses, key pouches, passport holders and holders for personal organisers, ipods, personal GPS systems etc. This segment represented 19% of the total market, the largest share of the major EU markets. This sector has been relatively large due to the high proportion of high-value leather items involved. In recent years, this product group has been in slow value decline, but low-priced imports have expanded the volume sales. Now, however, this group has received a new stimulus from new products for mobile phones and iPods. Young people are the dominant consumers. They are also asking for fun designs and bright colours, as well as the more conservative designs that older consumers are requesting.

Belts account for 8% of the market. Like other small accessories, this is a large product group in Spain. For women, belts have always been important fashion accessories, and they are also very important here for men. Fashion is more important than functionality, unlike some other countries.

Suitcases represented 19% of the Spanish market. This product group is smaller than in other EU countries, with the exception of Italy, but it is forecast to increase rapidly in the future. Spain is a top tourist destination for visitors from other countries but the Spanish have not travelled as much as other European counterparts. As airfares have become cheaper, the increasing frequency of short trips has seen a parallel increase in demand for smaller suitcases. Smaller suitcases can be taken as a large piece of hand luggage. Hard cases have declined to 45% of the market, while the improved durability of soft cases has helped this sub-sector expand to 55%. These percentages have reversed from just three years ago. Luggage with a handle and wheels are performing particularly well. Samsonite is the market leader in luggage with a 60% share, followed by Delsey with 15%. Roncato ranks third.

As there are more reasons why people now travel and for varying lengths of times, this increases the demand for consumers to own a wider repertoire of luggage items. Manufacturers are designing lighter, more compact items of hand luggage to comply with new security regulations for air travel. This also applies to other types of suitcases.

Other bags include travel bags, holdalls, backpacks, rucksacks, sports bags, shopping bags and all kinds of other bags. In 2005, this segment represented 10% of the total Spanish market. The revival in overseas tourism has stimulated sales of travel bags, holdalls and backpacks. Designs of backpacks have become more fashionable, with products available in leather or in different fabrics. The majority of backpack sales in Spain are made for children to use as school bags.

Sports bags are still primarily purchased by people who practice sport, and their sales are directly linked to sporting activity, which has been increasing in Spain. Nike, Adidas and Reebok are the dominant brands, but the appearance of discounters has caused some of these brands' traditional customers to switch to lower-priced products.

Briefcases are the smallest part of this market. However, sales of laptop cases have increased substantially in the last couple of years, in lines with increases in sales of laptop computers. 80% of laptop users now use cases, for whom reusing their old briefcases is not an option. In addition, laptops can be replaced on a fairly frequent basis. In many instances, this will also require a replacement case as consumers often buy a different sized laptop. Computer cases are increasingly made of synthetic materials, are lightweight and less expensive than traditional leather briefcases. Traditional briefcases are less in demand now.

- *Other segmentation criteria*
  The other main ways that this market is segmented are along traditional demographic and economic lines, by age and sex, but also by income group. As many parts of this market sector are polarising between high and low cost products, the ability of manufacturers and retailers to accurately target high-earning individuals becomes very important. Geographic segmentation used to be a popular form of market segmentation in Spain but this is less popular know as more sophisticated forms of lifestyle segmentation are experimented with.

Market trends

- Handbags, belts and small accessories are part of the fashion business. This explains why these products account for such a high proportion of this market. The Spanish are very fashion conscious, and consider themselves to be leaders in fashion sense and style. In Spain, handbags for men now account for a significant minority share of the market.
- Spain, as a leading leather goods producer, has also been developing technologies for processing leather, and consumers have been supporting these efforts. The increased use of vegetable tanning is one such area. There has been increased demand from international luxury goods brands such as Prada and Gucci for labelling, which allows authentication and traceability of both tannery and manufacturer. This fits with consumers increasingly seeking assurances that their purchases have not involved unethical labour practices or hazards to the environment.
- Another trend is towards increased volume sales of lower-priced products, which is likely to continue. Many luggage and accessories can now be found in outlets such as Carrefour and Eroski, not previously known to sell these products. This is causing the market to polarise. Many consumers are loyal to the well-known brands, but a new group of consumers are less influenced by brand names. This is partly due to the amount of counterfeit products on the market. This has had the effect of devaluing the significance of brand names for many consumers, not just for handbags but other leather goods products as well. They are now happy to buy "look-a-like" products at a much lower cost.
- Marketing has always been an important part of the promotion of fashion and leather goods in Spain. The "made in Spain" campaign continues to enjoy support, so that local producers retain an important position in the market. However the internationalisation of retailing and of all branded products has also affected the Spanish market, particularly with its large expatriate population. The small independent retailers of leather goods are still important but no longer as influential on the marketplace. New retailing and merchandising concepts and imported products are looked at keenly by Spanish consumers now.
- For other trends - see previous section, market segmentation by product group.

Production

Total production

Spain is clearly the third largest producer of luggage and accessories in the EU, after Italy and France. The figures used from Spanish National Statistics are much lower than those quoted by the Spanish Association of Leather Goods Manufacturers, who quotes figures approximately four times higher. This would put Spain as the second largest EU producer. However for consistency in the use of figures, the lower figures are used. In 2005, the value of luggage and accessories production was € 380 million. As table 1.2 indicates, this is up by an annual average 1.9% from € 353 million in 2001.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
353	340	350	411	380	930	10,700

Source: Eurostat, National Statistics (2006)

Production fell in the early part of the decade but it has started to increase again, despite the fact that costs of production, driven by an inflation higher than that of the EU, have reduced the competitiveness of the Spanish industry. However there has been consolidation in recent years as the number of companies and employees engaged in the sector is gradually but consistently falling. Over 80% of the companies involved in production employ less than 10 people, so there is still a high degree of fragmentation in the industry. The strong value of the Euro in relation to the US dollar has also not helped. Nevertheless the industry is in a healthier position now than it was a few years ago.

In 2005 the total luggage and accessories production can be subdivided as follows:
- Handbags – 47% of total value, € 179 million
- Small leather accessories (wallets, purses) – 25% of total value, € 95 million
- Belts – 15% of total value, € 57 million
- Other bags – 6% of total value, € 11 million.
- Suitcases and briefcases – 6% of total value, € 11 million.

The most significant falls in production in recent years have been in the production of various types of luggage and suitcases. Handbag production is increasing as a proportion of all luggage and accessories production. Belts are also increasing their share of production, while other small accessories have declined.

The industry also classifies its production as follows: 3% low quality; 51% medium quality; 28% high quality; 18% luxury.

Within Spain, Andalucia is the largest leather goods producing region (30%), followed by Valencia (26%), Catalonia (18%), Madrid region (13%) and other regions (13%).

Main players
- There are many small producers in Spain, many of whom may be interested in forming a relationship with a developing country exporter:
  - Miguel Bellido is a reputed producer of belts and other small accessories (http://www.miguelbellido.es)
  - As well as shoes, Castell (based in the Alicante area) also manufacture handbags and belts (http://www.castell.es
  - Lederval also produce handbags (http://www.lederval.net)
  - Puntotres makes handbags and other small leather items. They are based near Barcelona (http://www.puntotres.com).
- The above manufacturers are mentioned because they have a website, so that you can see what major types/models of luggage and (leather) accessories are made in Spain according to which standards etc.. and possibly at what prices. It is very subjective to state specifically which manufacturers might be of interest to an exporter from developing countries. Therefore it is recommended that you find out interesting players from the directory of the Spanish Trade Association, which has a directory of manufacturers on their website (http://www.asefma.com).

Opportunities and threats
+ In the domestic market, consumers are always trying to find products that are distinctive. Travel goods and luggage is a sector that has seen reduced production in recent years. However the consumer segment is forecast to grow, as is the sector for laptop and mobile phone cases, so there may be opportunities here both in terms of supplying products, and working with Spanish companies. Although many Spanish companies have outsourced their production already, there will always be more companies interesting in hearing from outside parties.
+ There is also a growing demand for handbags and belts. Here buyers will particularly appreciate input from suppliers who can demonstrate design flair and innovation. Try to avoid competition on price, but offer something different that is unique to your country in terms of design, material or craftsmanship.
+ The ageing of the Spanish population offers opportunities for suitcases with ergonomic elements, especially with regard to comfort - easy to carry, easy to store - which is important for older people.
+ The issue of quotas on imports of e.g. handbags and belts from Asia has widespread implications for producers in other countries as well as for domestic producers in Spain. For developing country exporters, the positive side to this is that Spanish retailers and importers are looking to alternative sources for low cost manufacturing. Countries from North Africa or Latin America, with their special links to Spain, could benefit.

- Equally any of these trends can be an opportunity for one exporter, but a threat to another. The outcome of this analysis will depend on the specific situation of each exporter. Spanish buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country. However there are strong cultural links with Latin America and some Spanish companies may be predisposed to contacts from this part of the world, as an alternative to Asian producers that are dominant at present.

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

Useful sources

- There are a number of commercial research organisations that produce reports on the Spanish luggage and accessories market, but these can only be obtained at a cost. They include Euromonitor (http://www.euromonitor.com), as well as AC Nielsen (http://www.acnielsen.es) and Just Style (http://www.just-style.com).
- Production information can be obtained from Eurostat as well as Spanish National Statistics (see later in this report for contact details).

2 Trade channels for market entry

Trade channels

- The indirect channel is still the most important channel to enter the luggage and accessories sector in the Spain. Small specialists still dominate the market, in fact they represent a higher proportion in Spain than any of the major EU markets, with the possible exception of Italy, but the trend is moving to non-specialists. Unlike other parts of Europe, major chains are not so dominant in Spain, as the market is dominated by the department store El Corte Ingles.
- The role of agents continues to be important, although their influence will decrease as the power of large retailers starts to increase.
- Independent retailers are still very important in Spain, as the Spanish continue to be loyal to their local retailers, despite growing competition from international brands with expertise and large advertising budgets. This ensures that wholesalers continue to play a very important role in the market.
- Some retailers, such as the Majorcan footwear and leather accessories company Farrutx, are also manufacturers (http://www.farrutx.com). This organisation would do its own importing, although most of their products will be produced in Spain.
- Other large retailers would tend to import direct from manufacturers overseas. This is more likely to be a manufacturer with whom they have an ongoing relationship, or even have some closer part-ownership.

Table 2.1 Retail distribution in Spain

Outlet type	**Luggage** (suitcases and briefcases)	**Bags and (leather) accessories**
Specialists	**54**	**57**
Chain stores (incl. franchise stores)	9	10
Independent stores	45	47
Non-specialists	**46**	**43**
Department stores	20	16
Discounters/Supermarkets	7	5
Variety & Clothing stores	13	12
Sports retailers (sports and travel bags)	x	2
Home Shopping	2	2
Market stalls	4	6

Source: Trade Estimates (2006)

Trends in the retail sector

- The two key distribution trends in luggage and accessories retailing both impact directly on how a developing country exporter should approach this market.
- Firstly, the reduction of specialists in favour of non-specialist channels. This is seeing luggage and accessories being sold in a wider number of types of outlets. Many hypermarkets, such as Carrefour sell luggage and accessories ranges. This growth is driven by convenience for the consumer, and by lower prices. However, the luggage and accessories market is still very fragmented and specialists retain a strong hold on the market. In Spain, distribution through other channels is increasing faster than increases in distribution through chain stores.
- The second key trend is the move towards branded items being sold in fashion retail chains. Independent retailers are also embracing the concept of branding to try to retain their market position.
- The Internet is also becoming an important trade channel in Spain for luggage and accessories.
- Market stalls continue to be an important outlet for wholesalers. This market acts as direct competition to retailers. Many products that look similar to leading brand names can be found in this channel. The value of goods through this channel is falling, but volumes are not.

Interesting players

- For smaller exporters from developing countries, the wholesale sector that serves smaller outlets, or the use of an agent, who would also work for other manufacturers, would be the most appropriate channels. They often do not require large quantities and if the working relationship is successful, usually more business will follow. Important wholesalers and importers of interest in Spain are Truchi (http://www.truchiextendnow.com) and Out-Stock (mailto:outstock2000@hotmail.com).
- Some disadvantages in working with a wholesaler are that their margins are high and they may require the exclusivity for your item in Spain.
- The Website of Spanish Commercial Agents can be reached at http://www.cgac.es.
- The website http://www.spanishmoda.com is a business-to-business market place for the fashion industry.

- El Corte Ingles is the leading retailer and department store in Spain for luggage and accessories, despite competition from low cost discounters and international chains (http://elcorteingles.es). Inditex (http://www.inditex.es), which includes Zara and Cortefiel (http://grupocortifiel.com) are the other two leading fashion and clothing retailers that dominate the Spanish retail market. Cortefiel also manufacture accessories under the Pedro del Hierro brand.
- There are many online retailers now in this sector. Companies like Bolsos y Accesorios have built up an impressive business in a short period of time (http://www.bolsosyaccesorios.com). They act as distributors of well known brands. Other online retailers such as Equipaje BCN sell products which they themselves manufacture (http://www.equipajebcn.com).
- One advantage of working directly with large retailers is that you can get a better price than through an importer or agent. However, it will be more difficult to establish a relationship as they often change suppliers. Another disadvantage is they require special conditions in terms of fast delivery, labelling, packaging (special promotions) or after sales service.

Price structure

- Due to the intensified competition, margins have been falling in the Spanish market in recent years.
- In each trade channel different margins and prices apply, with multiples of 3 up to 4.5 times 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. Department stores or clothing, footwear chains ask for large-volume discounts, which are then passed on to their affiliated stores.
- More information can be found in chapter 3.2 of the CBI market survey 'The EU market for luggage and (leather) accessories'.

Selecting a suitable trading partner
This is a very important part of the export process. As important as finding a contact that is suitable for you in terms of the range of products that you can supply is the relationship and empathy you can establish between yourself and your partner. The essential element of any trading relationship is trust. You must satisfy yourself that you will be happy to deal with the organisation in question over a long period. Your own judgement and instincts are most important in this respect.

In relation to how you find a trading partner, the usual trade sources are an important point of contact. The Spanish Association of Manufacturers of Leather Goods, Travel and Related Items and the Organisation of Leather Companies of Madrid are important contacts (see elsewhere in this report for contact details). The best place to meet potential trading partners is at a luggage and accessories trade fair. The Iberpiel details are listed elsewhere in this report.

It would be better to first visit an exhibition a few times before participating yourself. During a visit you can extensively look around at the stands of the main players and get a better idea of the latest fashions. At trade shows you have an opportunity to talk to potential partners on a face-to-face basis and better judge whether you would like to work with them. You could also identify potential partners from the exhibition website beforehand or from a catalogue. When selecting them (e.g. importer or wholesaler) try to find out:
- What type of luggage or (leather) accessories they sell (focussed on comfort, material or fashion).
- To which target groups they sell.
- In which areas they are well represented in their country. If they are exporting, to which other EU countries they sell.
- To whom they sell e.g. small or large retailers, department stores, buying groups etc..

You could also find this out by looking at their website or try to find a company profile through other hosted sites e.g. of a local BSO or trading platform, or by finding their company brochure. You can contact interesting trade partners by mail or e-mail and follow up by phone a few weeks later. See also chapter 3.1.3 of the CBI Export manual 'Exporting to the EU'.

Although you may initiate a communication by post or email, it is recommended that there is some personal communication before a trading partner is selected. Personal communication is highly valued in Spain.

You should also do a credit check of your potential trade partner, especially when an investment from your side is involved. This credit check could be done by a specialist company such as Dun and Bradstreet (http://www.dnb.com). A bank usually does not give credit ratings of its customers.

In this regard, you could also contact Business Support Organisations in Spain or the commercial department of your own embassy to see if they have any useful contacts. They may even have some knowledge of contacts you may have made independently. The organisation that promotes investment in Spain can be reached at http://www.interes.org. In addition, the Spanish Institute for Foreign Trade (http://www.spainbusiness.com) is a good source of information.

3 Trade: imports and exports

Imports

Total imports

- In 2005, Spain imported luggage and accessories valued at € 645 million, or 109 thousand tonnes. This accounted for 8% of all EU imports by value, or 9.8% by volume. This represented an average annual increase in value of 12.6% since 2001 (19.9% in volume). Spain is the fifth largest importer of luggage and accessories by value and volume after France, the UK, Germany and Italy. Spain lags behind these countries. It has similar levels of imports to Belgium. (*Note imports of "made of leather" items in this group were valued at € 131 million or 5 thousand tonnes. These imports increased by 20.1% in value by 32.3% in volume over the period between 2001 and 2005*).

- This growth in imports contrasts with a 3.7% growth in exports, which are less than half the value of imports. In addition, import volumes are almost ten times as big as export volumes. Production has broadly maintained its value in Spain and the consumer market has been showing a 4.6% annual increase over the period.

- Around 61% of Spanish imports by value (€ 393 million) came from developing countries and 83.7% (91 thousand tonnes) by volume. China is the largest supplier (50.8% of total value imports and 78.9% of total volume imports), with supplies valued at € 327 million or 86 thousand tonnes. The next largest supplier is France (9.9% of total value imports and 3.1% of total volume imports), with supplies valued at € 64 million or 3 thousand tonnes). The next two largest suppliers to Spain are Italy and Belgium. Italy has supplies valued at € 59 million, or 3 thousand tonnes (9.1% of value and 2.7% of volume). Belgium has supplies valued at € 41 million, or 4 thousand tonnes (6.4% of value and 3.8% of volume).

- The share of imports by developing countries is up from 58.1% in value in 2001, and up from 76.2% in volume terms (*Note share of "made of leather" imports from developing countries increased from 27.7% to 42.1% by value and from 45.8% to 60% by volume*). Imports from China have increased by an annual average of 13.4% (25.2% by volume) over the period, while India's supplies have increased by an average of 44% per annum by value, and 48% by volume. Meanwhile, volumes of supplies from Vietnam are up, while volumes from Turkey are down.

Imports by product group

Table 3.1 Imports by and leading suppliers to Spain 2001 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total luggage and accessories	160	188	230	Intra EU: France (9.9%), Italy (9.1%), Belgium (6.4%), Germany (3.7%), The Netherlands (.0%)	35.7
	21	19	22	Extra EU ex. DC*: USA (1.2%), Hong Kong (1.1%), Switzerland (0.3%), Taiwan (0.3%), Romania (0.3%)	3.4
	249	304	393	DC*: China (50.8%), India (5.7%), Vietnam (1.7%), Turkey (0.8%), Thailand (0.6%), Morocco (0.4%), Indonesia (0.2%), Argentina (0.1%), Pakistan (0.1%), Philippines (0.1%)	60.9
Of which Bags	90	114	140	Intra EU: France (10.5%), Italy (7.7%), Belgium (5.4%), Germany (3.0%), The Netherlands (2.2%)	32.0
	12	11	11	Extra EU ex. DC*: Hong Kong (1.1%), Romania (0.4%), Taiwan (0.3%),	2.5

	174	223	287	Switzerland (0.3%), USA (0.2%) DC*: China (54.6%), India (5.5%), Vietnam (2.3%), Turkey (0.8%), Thailand (0.6%), Morocco (0.5%), Pakistan (0.1%), Philippines (0.1%), Argentina (0.1%), Brazil (0.1%)	65.5
Of which Cases	40 5 46	45 7 46	48 7 61	Intra EU: Belgium (13.4%), Italy (8.7%), France (8.2%), Germany (4.6%), The Netherlands (3.9%) Extra EU ex. DC*: USA (5.9%), Hong Kong, Switzerland, Taiwan, Israel DC*: China (49.9%), India (1.0%), Vietnam (0.5%), Thailand (0.1%), Turkey (0.1%), Philippines (0.1%), Argentina (0.1%), El Salvador (0.1%), Morocco, Colombia	41.4 6.0 52.6
Of which Small accessories	30 4 29	29 2 35	42 3 46	Intra EU: Italy (16.5%), France (8.9%), Germany (5.9%), The Netherlands (5.8%), UK (3.9%) Extra EU ex. DC*: Hong Kong (1.7%), Switzerland (0.8%), Taiwan (0.3%), Romania (0.2%), USA (0.2%) DC*: China (33.3%), India (12.7%), Turkey (1.9%), Thailand (0.9%), Argentina (0.5%), Vietnam (0.5%), Indonesia (0.2%), Brazil (0.2%), Morocco (0.2%), Nepal (0.2%)	46.2 3.3 50.5

Source: Eurostat (2006)
*Developing Countries

Bags

- This is the largest luggage and accessories product group. Valued at € 438 million in 2005, this represented 67.9% of all luggage and accessories imports to Spain (61.3% by volume). This compares with a share of 64.2% in 2001 (58.9% by volume). Hence this product group is increasing in significance in both its value and volume contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 68 million or 3 thousand tonnes. These imports increased by an annual average 24.1% in value and by 29.9% in volume over the period*). Intra-EU trade accounts for 32% by value and 12.2% by volume, but this has changed from 32.6% by value and 18.6% by volume in 2001. France's share of supplies is unchanged from 2001. The share of supplies from Italy and Belgium has decreased, but Germany's share has increased.

- As far as developing country suppliers are concerned, they represent 65.4% of all imports by value (86.2% by volume, or 57 thousand tonnes), up from 63.1% in 2001 (77.4% by volume). (*Note share of "made of leather" imports from developing countries increased from 29.2% to 44.9% by value and from 45.2% to 59.7% by volume*). China (€ 239 million) and India (€ 24 million) are the two largest developing country suppliers of bags. However, whereas the value of China's supplies has increased by 60%, those of India have almost trebled. Of the other major developing country suppliers, values from Vietnam and Thailand have decreased, while values from Turkey are up but their volumes are down.

- In terms of individual products, handbags is the largest sub-sector, valued at € 235 million in 2005, an increasing share since 2001 (*"made of leather handbags valued € 59 million)*. Travel bags is the next largest sub-sector, valued at € 144 million in 2005, a decreasing share since 2001 *("made of leather" travel bags valued € 3 million)*. Other bags were valued at € 59 million in 2005, a decreasing share since 2001 *("made of leather" other bags valued € 6 million*).

Cases

- This is the next largest luggage and accessories product group. Valued at € 116 million in 2005, this represented 18% of all luggage and accessories imports to Spain (31% by volume). This compares with a share of 27% in 2001 (55.6% by volume). Hence this product group is decreasing in significance in its value and volume contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 10 million or less than 1 thousand tonnes. These imports increased by an annual average of 6.2% in value and 9.3% in volume over the period*). Intra-EU trade accounts for 41.4% by value and 17.6% by volume, but this has changed from 43.6% by value and 23.8% by volume in 2001. Belgium's share is down from 15.5% in 2001. The share of supplies from Italy has decreased, while France and Germany's shares have increased.

- As far as developing country suppliers are concerned, they represent 52% of all imports by value (79.5% by volume or 27 thousand tonnes), down from 50.5% in 2001 (73.1% by volume). (*Note share of "made of leather" supplies from developing countries increased from 23.2% to 32.3% by value and from 35.4% to 54.4% by volume*). China (€ 58 million) and India (€ 1 million) are the two leading developing country suppliers of cases. However, whereas the value of China's supplies has increased by approximately 30%, those of India have increased significantly. Of the other major developing country suppliers, values from Vietnam have increased, while Thailand's and Turkey's have decreased.

- In terms of individual products, suitcases is the largest sub-sector, valued at € 92 million in 2005, a decreasing share since 2001 (*"made of leather suitcases valued € 3 million)*. Briefcases were valued at € 24 million in 2005, an increasing share since 2001 *("made of leather" briefcases valued € 6 million)*.

Small accessories

- This is the smallest luggage and accessories product group. Valued at € 91 million in 2005, this represented 14.1% of all luggage and accessories imports to Spain (7.6% by volume). This compares with a share of 14.6% in 2001 (8.4% by volume). Hence this product group is decreasing in significance in its value contribution to imports, but increasing in volume contribution. (*Note imports of "made of leather" items in this group were valued at € 53 million or 2 thousand tonnes. These imports increased by an annual average of 19.2% in value and by 39.8% in volume over the period*). Intra-EU trade accounts for 46.2% by value and 17.2% by volume, but this has changed from 48.2% by value and 19.7% by volume in 2001. Italy's share is up from 14% 2001. The share of supplies from France and Germany has declined, but The Netherlands' share has increased.

- As far as developing country suppliers are concerned, they represent 50.5% of all imports by value (80% by volume, or 7 thousand tonnes), up from 46.2% in 2001 (77.6% by volume). (*Note share of "made of leather" imports from developing countries increased from 27.3% to 40% by value and from 60% to 62.9% by volume*). China (€ 30 million) and India (€ 12 million) are the leading developing country suppliers of small accessories. However, whereas the value of China's supplies has increased by over a quarter, those of India have increased almost threefold. Of the other major developing country suppliers, values from Turkey, Thailand and Argentina have all increased.

- In terms of individual products, other small accessories such as wallets and purses is the largest sub-sector, valued at € 64 million in 2005, a declining share since 2001 (*"made of leather other small accessories valued € 26 million)*. Belts were valued at € 28 million in 2005, an increasing share since 2001 *("made of leather" belts valued € 28 million)*.

Exports

- In 2005, Spain exported luggage and accessories valued at € 284 million, or 12 thousand tonnes. This represents an average annual increase in value of 3.7% and 12.7% in volume since 2001.

- In 2005, Spain was the seventh largest exporter by value and volume after Italy, France, Belgium, Germany, The Netherlands and UK. Spain's value figures are reasonably similar to those of The Netherlands and UK, but volumes are far behind. Over 75% of Spanish exports by value were intra-EU (83% by volume). Outside the EU, exports were primarily destined for Japan, Hong Kong and the USA.
- In terms of product groups, bags accounted for 47.9% by value (€ 136 million), down from 50.6% in 2001. Handbags were the largest sub-group of exports. The main destinations were France, Portugal and the UK.
- The next largest group of exports were small accessories, which accounted for 43.7% of all exports (€ 124 million), down from 50.6% in 2001. Wallets and purses dominated this group. France, Hong Kong and Japan were the main destinations.
- Cases accounted for the remaining 8.1% share, valued at € 23 million, up proportionally since 2001. Suitcases dominated this group, valued at € 16 million. Portugal, France and the UK were the main destinations.

Opportunities and threats

+ Spain should be viewed as a potentially interesting market for exporters from developing countries. It has a mature domestic retail market, together with significant levels of domestic production. It appears that Spanish production is focussing on the mid end of the market as production values are falling while volumes are holding. This would indicate that there are opportunities in the higher or lower ends of the market. Increasing import values would seem to support this.
+ The fact that the value share of imports from developing countries has increased less than volume shares over the period indicates a downward pressure on prices. Exporters should take care not to trade at a loss or with unsustainably low margins over a prolonged period. This may be justifiable for a limited period to gain market entry, but it is neither advisable nor feasible to trade in this way in the long run.
+ Leather-made products are increasing at a faster rate than products of other materials. Leather-made products have been traditionally popular in Spain, but the market appears to be accepting increasing amounts of imported leather-made products. Consumers are loyal to local suppliers up to a point, but are now increasingly buying imported leather-made products. There is more value in leather, so this material may represent a good opportunity for exporters, compared to other materials. Spain has good links with many Latin American countries that have significant leather goods production.
+ In terms of opportunities with particular products, most growth has come from bags and small accessories, especially handbags and belts, rather than cases.

- It is also important to note that an opportunity for one developing country can also be a threat to another. Many EU countries switch country sources purely for competitive advantage, rather than moving supplier because of changes in demand for other reasons. Exporters should read carefully the trends and developments outlines on other parts of this survey before establishing whether Spain offers a genuine export opportunity.

See also chapter 7 of the EU survey "The EU market for luggage and (leather) accessories" for a more general analysis.

Useful sources

- EU Expanding Exports Helpdesk
  http://export-help.cec.eu.int/ ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  http://epp.eurostat.cec.eu.int ➔ go to 'themes' on the left side of the home page
  ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data'
- Spanish National Statistics
  http://www.ine.es ➔ go to the English section and then select the section you require. There is much information that can be accessed directly in English.

4 Price developments

- Luggage and accessories prices in Spain are below the EU average. Leather-made goods are particularly popular in Spain, especially ladies handbags, belts, wallets and purses. These products maintain a price premium over non-leather products. Many consumers prefer the higher quality products, but there is also a large demand for other materials. This factor, together with increasing levels of leather-made imports will ensure that prices for bags and accessories will not increase by too much. The luggage market is slightly different. In this sector, leather-made products are less significant. The growth in international travel has also stimulated the growth of this market, to the extent that prices have risen at a level that is lower than the average (see below).
- Spain is like most EU countries that have seen prices of most goods contained in recent years. This long-term trend is set to continue at least in the near future, particularly as lower-priced imports are taking an increasing share of the market. Consumers have been demanding lower prices, but some retailers have struggled to remain in business as they are forced to reduce their margins to often unsustainable levels.
- The sales channel has an important bearing on price developments in this sector. Prices have remained strong at the top end of the market, but prices have come down in all other sectors. It has been particularly tough for retailers who operate in the mid-market. Their customers are often price sensitive and they see much lower prices in hypermarkets and even in market stalls, which is an important channel for these products. These lower prices are often accompanied by noticeable increases in the quality of the products, hence an increase in their relative value.
- Consumer price indices are published on the Spanish statistical website (see above). The Spanish National Bank also provides detailed price indices (http://www.bde.es), which can be viewed on a monthly basis to indicate changes. Consumer prices have increased by 3.5% in Spain in 2006, but increases in this market sector have been less than this.

Useful sources
- The luggage manufacturer Samsonite publishes prices on their Spanish website (http://www.samsonite.com).
- Most of the well-known fashion names in this sector are international brands and they tend not to publish prices.
- The leading department store, El Corte Ingles, features prices of handbags and other travel goods on its website (http://www.elcorteingles.es).
- Prices can also be found at the site of the mail order company Quelle (http://www.quelle.es).

5 Market access requirements

As a manufacturer in a developing country preparing to access Spain, you should be aware of the market access requirements of your trading partners and the Spanish government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select leather goods and Spain in the category search, click on the search button and click on market access requirements.

There are anti-dumping tariffs for handbags, of leather or in other materials coming from China, which can be as much as € 75 per item.

Additional 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
General 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) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

The Internet
The Internet has become the main form of business communication in Spain as in other EU countries. However this does not remove the importance of other important forms of communication and sales promotion. In fact the telephone and personal contact are still preferred in many parts of Spain. While there is a growing trend for direct communication with consumers from manufacturers or wholesalers, this is not a relevant channel yet in the luggage and accessories sector for exporters from developing countries.

Useful sources
There is information on the luggage and accessories industry in Spain at the website of the Spanish Association of Manufacturers of Leather Goods, Travel and Related Items (http://www.asefma.com). Some manufacturers featured may be looking to develop relationships with developing country exporters. Other useful contacts are:
- The Spanish Tanners Confederation (http://www.leather-spain.com)
- Moda Espana, the Spanish Fashion Portal (http://www.fashionfromspain.com).
- A number of members have recently broken away from the Organisation of Leather Companies of Madrid (http://www.paso-paso.com) to form the Association of Leather and Creators of Fashion.

Developing a relationship
The most important ways to develop a business relationship are to either exhibit at one of the main luggage and accessories trade fairs, or to make a direct approach to wholesalers or major retailers. In Spain, many business people still prefer a formal style of communication, both in the way a presentation is put together, and in the way contact is made. However, once contact has been made, a more personal communication is preferred. A very aggressive price driven approach will not be effective, although price is very important in the Spanish market.

Trade Fairs
The main trade fair for the luggage and accessories industry in Spain is called Iberpiel and takes place in Madrid each year in March and September, part of the SIPIEL International Leather Week (http://www.semanapiel.ifema.es). The main trade fair organiser in Spain is http://www.afe.es.

Promotion
Advertising in trade magazines can sometimes be an effective means of reaching a small target group. The main trade publication for the leather sector is the monthly Prensapiel (http://www.prensapiel.com) and Prensapiel Marroquineria, published five times a year. Other publications include Curtipiel and Propiel (tel +34 96 3652881).

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