CBI MARKET SURVEY

THE UNITED KINGDOM 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 the United Kingdom:

- UK consumption of luggage and (leather) accessories was € 1,321 million in 2005, up 4.9% per annum on average, while production fell slightly to € 180 million.
- In 2005, the UK imported luggage and (leather) accessories valued at € 1,344 million, or 166 thousand tonnes. Since 2001 values increased by 4.6%.
- Around 62% of imports by value came from developing countries (84% by volume). The share of imports by developing countries is down from 63% in 2001 in value.

This survey provides exporters of leather goods with sector-specific market information related to gaining access to the United Kingdom. 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 € 1,321 million in 2005. The UK is the fourth largest EU market, after Germany, Italy and France. However the market is 40% smaller than the size of the biggest EU market Germany.

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

2001	2002	2003	2004	2005	Average ann. % change	Population (million)	Consumption per capita €
1,102	1,160	1,202	1,250	1,321	4.9	60.0	22.0

Source: Mintel, Keynote (2006)

The per capita consumption of € 22.0 was above the EU average of € 19.7. In the period under review, between 2001 and 2005, the UK market increased by an average 4.9%, a figure well above the EU average of 2.9%. UK sales have been less affected than their counterparts in other major EU markets by recession. Although there was a downturn in international travel in the early part of the decade, which has affected luggage sales, other bags and accessories have enjoyed a relatively buoyant market. The explosion in demand for computer related items for work, such as laptop bags has kept this market healthy. In addition, despite various security threats, the boom in low-cost travel and short breaks has stimulated demand for different types of more flexible hand luggage.

Supermarkets and low cost clothing and footwear outlets have benefited from price conscious consumers by selling cheap imported luggage and bags from China, Vietnam and India, which have restrained value sales within parts of the sector.

Until recently, fashion has not been an important element in this market, with the exception of handbags. The market has traditionally been dominated by dark, sober colours with products being produced primarily for their functionality. Branding and styling are now playing a greater part in the market. This is generating a whole new range of different styles in this diverse market. Younger brands will not only increase value sales in the sector but also encourage more frequent replacement purchases as fashion trends change. The more conservative sector of briefcases will see the greatest changes, as more women and students now own laptops. Many laptop bags are now "fashionable, funky and functional".

When buying luggage or (leather) accessories, UK consumers tend to pay more attention to style and design, next to functionality. They are critical buyers, and they carefully consider price, quality and fashion before making a purchase. In the middle-higher segments, most consumers are prepared to pay more for well-known brands.

The market is expected to grow in volume in 2006 and beyond, but less in value as competition from non-specialist outlets intensifies. Nevertheless, the market will be mainly driven by:
- More travel, both domestic and international which will stimulate demand for more travel bags and accessories.
- Fashion-conscious women who want medium-priced, fashionable handbags and belts that look like products made by the top brand names. These consumers increasingly want to own a greater choice and number of bags and other accessories.
- New markets for men and teenagers. For example, multi-purpose bags for men that can accommodate work and personal items. This enables greater flexibility and easier travel, especially as many business trips also involve some leisure time. In addition, more variety in girls' purses in different fabrics is predicted.
- Rapid changes in technology will boost the small accessories segment, as consumers buy new mobile phones, portable audio systems (ipods), personal GPS systems, with or without holders.

On the other hand, luggage and accessories in the low-to-medium price ranges are gaining importance. The UK market will continue to be affected by cheap Chinese imports, especially counterfeit items such as handbags and belts.

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 the UK:
    - Handbags accounted for 38% of the market (€ 502 million),
    - Suitcases for 28% (€ 370 million),
    - Small (leather) accessories for 18% (€ 238 million),
    - Briefcases for 5% (€ 66 million),
    - Travel and other bags for 4% (€ 53 million),
    - Belts for 7% (€ 92 million).

  Handbags represented 38% of the total UK luggage and accessories market. This sector has grown steadily in value, assisted by the fact that women generally regard handbags as essential and often have more than one, co-ordinating them with outfits as a fashion accessory or choosing different shapes and sizes to suit various occasions. For some women, designer names are of prime importance, and prestigious brands can command top prices. In contrast to fashion-conscious women, older people tend to be somewhat conservative, and they are likely to purchase leather bags made in traditional styles.

  Classic bags have been in decline although the boost in the market for fashion bags has compensated for this. Fashion bag sales have increased significantly, although this has been driven more by extra volume than extra value. Casual handbags, usually made of canvas, have also seen a fall in average prices. Evening bags have benefited from the fashion trend for tiny handbags. Classic evening bags are seasonal, often for Christmas parties, but fashion evening bags tend to be used by younger consumers to go clubbing. This market is not seasonal. The market for luxury bags has also been buoyant. The most recent handbags have become larger in size, again reflecting the demand for multi-functional items.

Suitcases represented 28% of the UK market. As airfares have become cheaper, the increasing frequency of short trips has seen a parallel increase in demand for smaller suitcases, particularly by business travellers. Smaller suitcases can be taken as a large piece of hand luggage. By having one piece of hand luggage, damage or theft can be avoided, as well as waiting time at the baggage carousels. Hard cases have declined while the improved durability of soft cases has helped this sub-sector expand. The bulkiness and weight of hard suitcases has made them less popular.

As there are a wider range of 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. However, because of intensified security at airports, there are restrictions to the size of hand luggage and its contents. So now manufacturers are designing lighter, more compact items of hand luggage. This also applies to other types of suitcases.

Small (leather) accessories includes wallets, purses, key pouches, passport holders and holders for personal organisers, ipods, personal GPS systems etc. This segment represented 18% of the total market. This sector had been in slow decline until it has been recently stimulated by technology-driven new products and the need for protective cases for them. Many of the traditional products are sold as gifts, but the sheer volume of low-priced items from China, Hong Kong and India makes this a difficult sector to pin down. Although this sector has gained some fashion appeal recently, this has also encouraged even more counterfeiting.

Briefcases represented 5% of the total market. Briefcases and computer cases now both include compartments for laptop computers. Computer cases are increasingly made of synthetic materials, are lightweight and less expensive than traditional leather briefcases. Traditional briefcases are less in demand now. As portable computer equipment becomes smaller, the nature of this market may also change. Small hand-held Blackberry devices are predicted to replace laptops to a degree. These do not require cases.

Other bags include travel bags, holdalls, backpacks, rucksacks, sports bags, shopping bags and all kinds of other bags. In 2005, this segment represented 4% of the total UK 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. Many travel bags are included in the luggage segment.

Demand for sports bags has been constant, but the interesting product groups here are backpacks, which are different to the traditional use made by backpackers. New smaller backpacks are used, mainly by younger people as an alternative to a holdall. Some young women are using them as alternatives to handbags.

Belts account for the remaining part of the market. For women, belts are important fashion accessories, and this part of the market has been extremely buoyant, fuelled by new materials as well as thin/thick designs. Men's belts are less susceptible to fashion.

- *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.

Market trends

- It is a global phenomenon that branding and quality design are playing an increasingly important part in driving the decisions behind our purchasing of consumer goods. This is especially the case in the luggage and accessories market. While the UK has not traditionally had the reputation for high fashion enjoyed by the Italians or the French, still UK consumers are equally influenced by quality brand names. Handbags, belts and small accessories are part of the fashion business; in fact handbags are now seen as having an effect on a woman's outfit, self-image, outlook and even work productivity.

- The recent success of handbags is not down to fashion and luxury alone. Improvements in merchandising have helped stimulate this sector at the low end of the market. Mass merchandisers have rapidly improved fashion design times, so there is little delay between their new styles, emulating similar ones from top names such as Gucci.
- Other trends that have specifically impacted on handbags include the development of bags that can carry multiple electronic devices, and larger bags for young mothers which can carry nappies and other things for young children. The rapid growth of stores catering specifically for young women has also further stimulated the bags and accessories market. Retailers such as Accessorize and Claire's Accessories have been particularly successful.
- The trend towards men's bags is not strong in the UK, although certain hybrid sack-type bags can be seen with young males, particularly in the bigger cities. It is forecast that this will become more popular in the future. Male cosmetics and jewellery have become accepted, and bags designed for men will follow.

- In the luggage sector, there will be further moves to more flexible types of luggage, especially detachable travel bags, and luggage that can be hand-held or carried, expandable travel bags, bags that can be converted or reversed (e.g. waterproof on one side and stylish on the other).
- The growth of international travel is also affecting the nature of how products in the luggage sector are promoted. Previously consumers were impressed by the glamour of international travel and were impressed by the top travel brands such as Louis Vuitton and Burberry that were associated with the jet-set lifestyle. Now consumers travel more, they are less impressed by the trappings of international travel.
- One trend in the handbags sector, which has come from the USA is the idea of renting a bag for a period of time, or for a special occasion. It is most used for luxury brand names and the business is driven by online rather than retail. The websites that have been driving this trend are http://www.be-a-fashionista.co.uk and http://www.bagstealandborrow.co.uk. It will be interesting to see if this trends spreads to other products.
- For other trends - see previous section, market segmentation by product group.

Production

Total production

The UK used to have a thriving leather industry, but changes in the industry world-wide and the need to comply with ever more strict environmental criteria has meant that the UK industry has significantly reduced its size and now concentrates its production on quality and design as it can no longer compete on price with cheap imports. As well as Italy and France, the leading EU producers, both Spain and Germany also have larger domestic production than the UK. In 2005, the value of luggage and accessories production was € 180 million. As table 1.2 indicates, this is down by 1.6% from € 192 million in 2001.

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

2001	2002	2003	2004	2005	Number of companies	Number of employees
					(2005)	(2005)
192	221	163	171	180	300	4,700

Source: Eurostat, UK National Statistics (2006)

The leather industry consists of around 300 companies, which can be sub-divided as follows:

- 40 companies with more than 20 employees – total 2,000 employees
- 30 companies with between 10 - 20 employees – total 500 employees

- 230 companies with between 1 - 10 employees – total 1,200 employees.

The most significant falls in production in recent years have been in the production of trunks, suitcases and vanity cases, as well as in school satchels and briefcases. The British Leather Industry has a longstanding reputation for quality, consistency and reliability. It is increasingly focussing on handmade, quality products with the appeal of fashion and style. However these figures also include the production of non-leather items and to a certain extent these products have compensated for leather-made products.

In 2005 the total luggage and accessories production can be subdivided as follows:
- Belts – 30% of total value, € 54 million
- Handbags – 23% of total value, € 41 million
- Small leather accessories (wallets, purses) – 22% of total value, € 41 million.
- Suitcases and briefcases – 14% of total value, € 25 million
- Other bags – 11% of total value, € 20 million.

The increase in luggage and accessories production is generally forecast to continue. Early signals of the EU anti-dumping measures for handbags are starting to reduce the increasing rates of imports. This is important in helping production to recover. Between 2004 and 2005, the UK production of handbags doubled. Production of belts is also increasing strongly. Decreases in suitcases and briefcases are being offset by increases in other bags including travel bags. Although it is a large sector, production of wallets and purses are in long-term decline.

Main players

The leading names and manufacturers in the UK are
- Antler is the UK brand leader in travel goods, selling its products to independent stores and department stores. They also have an online shop. Turnover is approximately € 60 million. Contact via http://www.antler.co.uk
- Carlton Travel Goods is one of the largest UK suppliers of luggage and travel goods. It is now owned by VIP Industries, a leading Asian Manufacturer of luggage, and itself the flagship company of DG Piramel Group of the US (http://www.carltontravelgoods.com)
- Jane Shilton is now internationally focussed, and produces and distributes handbags and accessories (http://janeshilton.co.uk)
- Mulberry originally sold belts to fashion boutiques in the early 1970s, but their range and reach has extended considerably since then (http://www.mulberry.com)
- Pelham Leather Goods also owns the leading luggage brand name Delsey, and also has a significant retail presence in the UK through Case Luggage Limited (tel +44 208731 3500; fax +44 208731 3501
- Richard Jardine produces handmade leather goods. In addition to UK manufacturing, they also have production facilities abroad (http://www.jardineleathergoods.co.uk).
- Tula is also an important supplier.

The British Travelgoods, Handbags and Accessories association publishes a list of UK manufacturers on its website (http://www.btaa.org.uk)

Opportunities and threats

+ There are many international linkages in the luggage and accessories production industry. Although many of the UK's leading companies have outsourced their production already, there is still a reasonable local production. Some of these manufacturers will be looking to form partnerships with producers from low-cost economies to help maintain their competitive position.
+ In the domestic market, consumers are always trying to find products that are distinctive. Particularly for travel goods, a manufacturer from a developing country can provide designs specific to their own country, which will enhance the "travelling appeal" or kudos of the product. UK consumers would be interested in this type of product. Any links with travel destinations that will make an item of luggage appear to be more exotic will be of interest.

+ The ageing of the UK 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.
+ Outsourcing also provides opportunities. UK manufacturers have had to adapt their systems to remain competitive. They have forged partnerships with domestic and overseas suppliers. They 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.

- There is also a growing demand for handbags and belts. However there is a danger in becoming too reliant on this sector of the market. If you are not able to supply quickly and change production at the short-term whim of the fashion market, you could find yourself exposed to the dangers of overtrading.
- It will be difficult to find opportunities in the top end or luxury part of this market, as leading luxury brands defend their position strongly. Many of the leading companies show no sympathy to those producers who try to gain advantage by producing counterfeit products. Even those products that "look like" top brand names will find no interest with respectable retailers. There is always demand at the lower end of the market for unbranded product if the quality is good.
- 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. UK buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country.

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 regularly produce reports on the UK luggage and accessories market, but these can only be obtained at a cost. They include Euromonitor (http://www.euromonitor.com) well as Mintel (http://www.mintel.co.uk) and Keynote (http://www.keynote.co.uk).
- Production information can be obtained from Eurostat as well as UK National Statistics (see later in this report for contact details).
- Details of other leading trade associations can be found later in this report.

2 Trade channels for market entry

Trade channels
- The distribution of luggage and accessories in the UK varies depending on the product. Non-specialists dominate the sales of luggage, whereas specialists still have a strong position in the distribution of bags and accessories. The role of department stores is very important for all products, although less so for men's accessories. Sales through supermarkets and discounters are increasing. Clothing and footwear retailers are also expanding their ranges of accessories and bags. (see table 2.1 below).
- 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 when the working relationship is successful, usually more business will follow.
- For the wholesale sector, a list of suppliers can be found in the Wholesaler UK Directory (http://www.thewholesaler.co.uk). Here you can find bags and handbags wholesalers, leather goods wholesalers and travel goods wholesalers.
- There are two main associations of commercial agents in the UK, the British Agents Register (http://www.agentsregister.com) and the Manufacturers' Agents Association (http://www.themaa.co.uk).
- Some disadvantages in working with an importer/wholesaler are that their margins are high and they may require the exclusivity for your item in the UK.

- The role of importers, wholesalers and agents continues to be important, although their influence is decreasing as the power of large retailers has increased.

Table 2.1 Retail distribution in the UK

Outlet type	Luggage (suitcases and briefcases)	Bags and (leather) accessories
Specialists	**25**	**44**
Chain stores (incl. franchise stores)	12	28
Independent stores	10	15
Internet specialists	3	1
Non-specialists	**75**	**56**
Department stores	26	25
Discounters/Supermarkets	10	8
Variety & Clothing stores	31	17
Sports retailers (sports and travel bags)	x	2
Home Shopping	5	2
Others (airport retail, shoe shops, etc)	3	2

Source: Mintel (2006)

- Many retailers, such as Antler, are also manufacturers. These organisations would do their own importing.
- 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. Other retailers use a buying agent or they have their own international buyers who are constantly looking for new or interesting products in Asian or in other developing countries.

Trends and main players in the retail sector

- From a distribution perspective, it is helpful to separate the distribution of luggage from the distribution of bags and accessories. Although in many sectors there is a great deal of overlap between the various channels, changes in distribution are driven by different factors.
- Luggage has primarily benefited from the expansion of distribution outlets, with brands sold through supermarkets and discounters enjoying particularly strong growth.
- Large grocery companies expanding into non-foods are adding luggage to ranges and selling low priced products in high volumes. Hence the market has expanded at the expense of value.
- Suppliers to the market are responding by either opening their own chains of stores (Landor & Hawa (http://www.landor-hawa.co.uk), Bags Etc (http://www.bagsetc.co.uk), Samsonite (http://www.samsonite.com), Antler (http://www.antler.co.uk) are just to name a few), or adding value by incorporating features that can add value, as well as providing more stylish and fashion-oriented products.

- In the accessories market, the market has been booming. However, men's accessories have been stagnant while the female market has enjoyed particularly strong growth.
- Shorter winters are changing the length of the fashion seasons in major retailers.
- Celebrities still exert a major influence in the bags and accessories market, but other media influences such as magazines also strongly affect what sells. In fact women in particular have driven the growth of "own label" fashion. Most consumers are now less influenced by designer labels. Own label, or retailer brands fit perfectly with the concept of "disposable" fashion. Clothing multiples in particular have significantly increased their sales of bags and accessories.
- Men however still appear to be influenced by brands. This is because they purchase less frequently than women, and prefer to buy a brand they trust.
- Multiple purchasing is a retail trend that is also helping to drive the market. Marks and Spencer (http://www.marksandspencer.com) is the most popular destination for purchasing bags and accessories. Under 24s are the most important group of consumers.

- Retailers have been allocating more trading space to these products. Larger store formats enable dual siting of accessories in an area with clothing so that displays can be coordinated.
- Retailers have been reducing lead times and improving procedures in buying and merchandising to bring products earlier to market. A particularly innovative initiative has come from the retailer Topshop (http://www.topshop.com) is a new texting service whereby consumers can see a product in a magazine, text the product code to the retailer and they will hold it in stock for the consumer.
- The online sector is increasing rapidly. Online luggage retailers have been followed by online bags accessories retailers such as Bag Heaven (http://www.bag-heaven.co.uk). In addition, the office supplies sector sells laptop cases are other leather accessories.
- 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
- Margins have been falling in the UK market in recent years. This has tended to result in producer prices being squeezed. However, it is not just producers who have been hit. Many retailers have also had to reduce their margins, sometimes to levels they are unable to afford, in order to remain competitive. The ultimate beneficiary of these falling margins is the consumer.
- 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 and variety 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 British Travelgoods and Accessories Association and the UK Leather Federation 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 Moda Accessories Fair 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'.

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.

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. In this regard, you could also contact Business Support Organisations in the UK 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 British Chamber of Commerce could be a good source of general advice (http://www.chamberonline.co.uk). In addition, UK Trade & Investment is a government organisation, which in addition to helping companies exporting from the UK also helps overseas companies do business in the UK (http://www.uktradeinvest.gov.uk).

3 Trade: imports and exports

Imports

Total imports

- In 2005, the United Kingdom imported luggage and accessories valued at € 1,344 million, or 166 thousand tonnes. This accounted for 16.6% of all EU imports by value, or 15% by volume. This represented an average annual increase in value of 4.6% since 2001 (1.8*% in volume). The UK is the largest importer of luggage and accessories by value and second largest by volume after Germany. It has similar levels of imports to Germany and Italy. (*Note imports of "made of leather" items in this group were valued at € 425 million or 20 thousand tonnes. These imports increased by 15% in value over the period between 2001 and 2005*).

- This growth in imports contrasts with a 6.3% growth in exports, which are a quarter the value of imports. In addition, import volumes are over five times as big as export volumes. Production has been falling in value in the UK and the consumer market has been showing a 5.6% annual increase over the period.

- Around 62% of UK imports by value (€ 836 million) came from developing countries and 83.6% (139 thousand tonnes) by volume. China is the largest supplier (49.6% of total value imports and 77.5% of total volume imports), with imports valued at € 666 million or 129 thousand tonnes. The next largest supplier is Italy (10.8% of total value imports and 1.3% of total volume imports), with supplies valued at € 145 million or 2 thousand tonnes). The next two largest suppliers to the UK are India and France. India has supplies valued at € 112 million, or 6 thousand tonnes (8.4% of value and 3.6% of volume). France has supplies valued at € 94 million, or 2 thousand tonnes (7% of value and 1.2% of volume).
- The share of imports by developing countries is down from 63.1% in value in 2001, and up from 62.6%* in volume terms (*Note share of "made of leather" imports from developing countries increased from 44.4% to 50.2% by value and to 81% by volume*). Supplies from China have increased by an annual average of 2.8% (10.6% by volume) over the period, while India's supplies have increased by an average of 21% per annum by value, and 21.9% by volume. Meanwhile, the value of supplies from Vietnam is down, while values from Turkey are up.

* There may be an error in Eurostat's recording of 2001 volume supplies from Italy to the UK. It is assumed to be 3,142 tonnes rather than the 268,142 tonnes that is featured. Many of the other volume comparisons cannot be made due to this error.

Imports by product group

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

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total luggage and accessories	288	307	398	Intra EU: Italy (10.8%), France (7.0%), Belgium (3.4%), The Netherlands (2.7%), Germany (2.7%)	29.6
	131	109	110	Extra EU ex. DC*: Hong Kong (4.2%), Switzerland (1.4%), USA (1.1%), Taiwan (0.6%), Japan (0.2%)	8.2
	717	654	836	DC*: China (49.6%), India (8.4%), Turkey (1.5%), Vietnam (0.9%), Thailand (0.7%), Indonesia (0.4%), Philippines (0.2%), Morocco (0.1%), Sri Lanka (0.1%), Pakistan (0.1%)	62.2
Of which Bags	173	196	244	Intra EU: Italy (10.2%), France (7.7%), Belgium (2.9%), The Netherlands (2.5%), Germany (1.9%)	28.3
	82	76	69	Extra EU ex. DC*: Hong Kong (4.1%), Switzerland (1.8%), USA (1.0%), Taiwan (0.5%), Japan (0.2%)	8.0
	463	441	549	DC*: China (50.7%), India (8.7%), Vietnam (2.5%), Turkey (1.0%), Indonesia (0.6%), Thailand (0.6%), Philippines (0.3%), Sri Lanka (0.1%), Pakistan (0.1%), Morocco	63.7
Of which Cases	55	52	63	Intra EU: Belgium (7.6%), Italy (6.2%), France (3.9%), Germany (3.6%), The Netherlands (1.5%)	26.0
	24	16	18	Extra EU ex. DC*: Hong Kong (3.4%), USA (1.4%), Switzerland (0.7%), Taiwan (0.7%), Japan (0.2%)	7.1
	148	121	162	DC*: China (58.7%), Turkey (3.3%), India (2.8%), Thailand (1.2%), Vietnam (0.5%), Malaysia (0.1%), Sri Lanka (0.1%), Philippines (0.1%), Pakistan (0.1%), Morocco	66.9
Of which Small accessories	61	59	92	Intra EU: Italy (17.5%), France (7.3%), Germany (4.6%), The Netherlands (4.5%), Spain (1.8%)	38.3
	25	17	23	Extra EU ex. DC*: Hong Kong (5.6%), USA (1.1%), Taiwan (0.9%), Switzerland (0.8%), Romania (0.5%)	9.6
	106	92	125	DC*: China (36.5%), India (12.9%), Turkey (1.1%), Thailand (0.5%), Morocco (0.5%), Argentina (0.2%), Pakistan (0.1%), Colombia, S Africa, Nepal	52.1

Source: Eurostat (2006)

Bags

- This is the largest luggage and accessories product group. Valued at € 862 million in 2005, this represented 64.1% of all luggage and accessories imports to the UK (55.4% by volume). This compares with a share of 63.1% in 2001. Hence this product group is increasing in significance in its contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 222 million or 8 thousand tonnes. These imports increased by an annual average 14.9% in value over the period*). Intra-EU trade accounts for 28.3% by value and 8.5% by volume, but this has changed from 24.1% by value in 2001. Italy's share of supplies has increased from 8.4% in 2001. The share of supplies from Belgium has decreased, but French and German shares have increased.

- As far as developing country suppliers are concerned, they represent 63.7% of all imports by value (84% by volume, or 77 thousand tonnes), down from 64.6% in 2001. (*Note share of "made of leather" imports from developing countries increased from 39% to 46.5% by value and to 83.3% by volume*). China (€ 437 million) and India (€ 75 million) are the two largest developing country suppliers of bags. However, whereas the value of China's supplies has increased by 15%, those of India have almost doubled. Of the other major developing country suppliers, values and volumes from Vietnam and Indonesia have decreased, while values and volumes from Turkey are up.

- In terms of individual products, handbags is the largest sub-sector, valued at € 457 million in 2005, an increasing share since 2001 (*"made of leather handbags valued € 193 million)*. Travel bags is the next largest sub-sector, valued at € 243 million in 2005, a decreasing share since 2001 *("made of leather" travel bags valued € 8 million)*. Other bags were valued at € 162 million in 2005, a decreasing share since 2001 *("made of leather" other bags valued € 21 million*).

Cases

- This is the next largest luggage and accessories product group. Valued at € 242 million in 2005, this represented 18% of all luggage and accessories imports to the UK (34.3% by volume). This compares with a share of 20% in 2001. Hence this product group is decreasing in significance in its contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 57 million or 6 thousand tonnes. These imports increased by an annual average of 9.8% in value and 25% in volume over the period*). Intra-EU trade accounts for 26% by value and 13.2% by volume, but this has changed from 24.1% by value and 10.2% in volume in 2001. Belgium's share is up from 7.1% in 2001. The share of supplies from France has decreased, while Italy and Germany's shares have increased.

- As far as developing country suppliers are concerned, they represent 66.9% of all imports by value (86% by volume or 49 thousand tonnes), up from 65.2% in 2001 (82.5% by volume). (*Note share of "made of leather" imports from developing countries increased from 47.7% to 63.4% by value and from 76.4% to 85.5% by volume*). China (€ 142 million) and Turkey (€ 8 million) are the two leading developing country suppliers of cases. However, whereas the value of China's supplies has increased by approximately 4% over the period, those of Turkey have increased very significantly. Of the other major developing country suppliers, values from India and Thailand have increased, while Vietnam's have decreased.

- In terms of individual products, suitcases is the largest sub-sector, valued at € 182 million in 2005, a decreasing share since 2001 (*"made of leather suitcases valued € 28 million)*. Briefcases were valued at € 60 million in 2005, an increasing share since 2001 *("made of leather" briefcases valued € 29 million)*.

Small accessories

- This is the smallest luggage and accessories product group. Valued at € 240 million in 2005, this represented 17.8% of all luggage and accessories imports to the UK (10% by volume). This compares with a share of 16.9% in 2001. Hence this product group is increasing in significance in its contribution to imports. (*Note imports of "made of leather" items in this group were valued at € 145 million or 6 thousand tonnes. These imports increased by an annual average of 18.2% in value over the period*). Intra-EU trade accounts for 38.3% by value and 15.7% by volume, but this has changed from 31.7% by value in 2001. Italy's share is up from 13.6% 2001. The share of supplies from France and The Netherlands has increased, but The Germany's share has decreased.

- As far as developing country suppliers are concerned, they represent 52.1% of all imports by value (71.4% by volume, or 12 thousand tonnes), down from 55% in 2001. (*Note share of "made of leather" imports from developing countries increased from 44% to 50% by value and to 75.3% by volume*). China (€ 88 million) and India (€ 31 million) are the leading developing country suppliers of small accessories. However, whereas the value of China's imports has increased by less than 5% over the period, those of India have almost doubled. Of the other major developing country suppliers, values from Turkey, Thailand and Morocco have all increased.

- In terms of individual products, other small accessories such as wallets and purses is the largest sub-sector, valued at € 158 million in 2005, a declining share since 2001 (*"made of leather other small accessories valued € 64 million)*. Belts were valued at € 81 million in 2005, a significantly increasing share since 2001 *("made of leather" belts valued € 81 million)*.

Exports
- In 2005, the United Kingdom exported luggage and accessories valued at € 338 million, or 29 thousand tonnes. This represents an average annual increase in value of 6.3% and 15.1% in volume since 2001.
- In 2005, the UK was the sixth largest exporter by value and volume after Italy, France, Belgium, Germany and The Netherlands. The UK's value figures are reasonably similar to those of The Netherlands and Spain, but volumes are closer to Germany and France. Over 61% of UK exports by value were intra-EU (76.5% by volume). Outside the EU, exports were primarily destined for Japan, Hong Kong and the USA.
- In terms of product groups, bags accounted for 57.4% by value (€ 194 million), up from 56.6% in 2001. Handbags were the largest sub-group of exports. The main destinations were Ireland, Italy and France.
- The next largest group of exports were small accessories, which accounted for 24.6% of all exports (€ 83 million), up from 16.1% in 2001. Wallets and purses dominated this group. USA, Hong Kong and Japan were the main destinations.
- Cases accounted for the remaining 18% share, valued at € 61 million, down proportionally since 2001. Suitcases dominated this group, valued at € 35 million. Ireland, Hong Kong and Japan were the main destinations.

Opportunities and threats

\+ The UK should be viewed as a potentially interesting market for exporters from developing countries. It has a mature domestic retail market, together with reasonable levels of domestic production. Increasing import values would seem to support this opportunity. However opportunities are more likely to be in the middle or lower segments of the market.

\+ 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, particularly handbags and briefcases, have been traditionally popular in the UK, but the market appears to be accepting increasing amounts of imported leather-made products. There is more value in leather, so this material may represent a good opportunity for exporters, compared to other materials. The UK has good links with many Asian countries, including the Indian sub-continent that has 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 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 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/ ➔ 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'
- UK National Statistics
  http://www.statistics.gov.uk ➔ a wide range of information is available on trade, production, retail and consumer spending.

4 Price developments

- Leather-made goods are popular in the UK, especially ladies handbags, belts, wallets and briefcases. These products maintain a price premium over non-leather products. Many consumers prefer the higher quality products, but there is also a large and increasing 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).
- Although the UK escaped much of the recession that affected much of mainland Europe earlier this decade, the UK 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 or even gone bankrupt as they been forced to cut their prices unrealistically.

- 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 department stores and supermarkets. 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 UK statistical website (see above). The Bank of England also provides detailed price indices (http://www.bankofengland.co.uk), which can be viewed on a monthly basis to indicate changes. Consumer prices have increased by just 1.6% in the UK in 2006, and increases in this market sector have been similar to this.

Useful sources

- The luggage manufacturer Antler publishes prices on their UK online shop (http://www.travellersworld.co.uk).
- Most of the well-known fashion names in this sector are international brands and they tend not to publish prices.
- Prices for bags and accessories can be found at http://www.modainpella.com and http://www.leathershop.co.uk.
- Prices for all items can be found at the department store site of John Lewis (http://www.johnlewis.com).
- Luggage prices can also be found at the site of the mail order company Argos (http://www.argos.co.uk).

- Wholesale prices can be found via the Bags and handbags UK suppliers' directory (http://thewholesaler.co.uk/trade/distributor/Bags_and_Handbags_wholesale_suppliers_in_the_UK/).

5 Market access requirements

As a manufacturer in a developing country preparing to access the United Kingdom, you should be aware of the market access requirements of your trading partners and the United Kingdom 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 United Kingdom 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 the UK as in other EU countries. However this does not remove the importance of other important forms of communication and sales promotion. 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 the UK at the website of the British Travelgoods and Accessories Association (http://www.btaa.org.uk). Some manufacturers featured may be looking to develop relationships with developing country exporters. Other useful contacts are Leatherwise (http://www.leatherwise.co.uk) and the UK Leather Federation (http://www.blcleathertech.com).

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 the UK, 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. A very

aggressive price driven approach will not be effective, although price is very important in the UK market.

Trade fairs
The main trade fairs for the luggage and accessories industry in the UK are the Spring Fairs in February (http://www.springfair.com) and September (http://www.autumnfair.com) in Birmingham and the International Gift Fair in Harrogate in July (http://www.homeandgift.co.uk), as well as the Moda Accessories Fairs in February and August (http://www.moda-uk.co.uk).

Promotion
Advertising in trade magazines can sometimes be an effective means of reaching a small target group. The main trade publication is the "official BTAA Industry magazine called Fashion Extras, which can be reached via http://www.ras-publishing.com. Another publication is Leather International (http://www.leathermag.com).

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