

CBI MARKET SURVEY

The market for leather garments in Italy

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the leather garments market in Italy:

- Italy is the largest leather garments market in the EU, followed by Germany and the UK, and amounted to € 1.1 billion in 2008, which was 19% of total EU consumption. During the period 2004-2008, the leather garments market saw an annual growth of 1.8%, of total EU consumption. The consumption per capita of € 21.40 in Italy is far above the EU average of € 13.75.
- Italy is the dominant leather garments producer in the EU, accounting for 74% of total EU production in 2008. Stagnation of external demand and the increase in production costs caused a fall-back in total turnover in the Italian leather garments sector of, on average, 5.5% per annum during the review period.
- During the period 2004-2008, leather garments imports by Italy grew 1.6% per year in terms of value to € 192 million. Growth in value is built up by an increase of 8% in the period 2004-2007, followed by a fall in 2008 (-1.5%). Italy ranked third in imports of leather garments, behind Germany and France and above Spain.
- 73% of total imported value in 2008 came from DCs, against 69% in 2006 and 67% in 2004. India remained the leading supplier of leather garments to Italy with an import share of 27% in terms of value, followed by China (21%), Turkey (11%), France and Ukraine (each country 6%).
- Wholesalers, importing manufacturers, clothing multiples and department stores, are potential trade channels in Italy for exporters in DCs.

This survey provides exporters of leather garments with sector-specific market information related to gaining access to Italy. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The market for leather garments in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1. Market description: consumption and production**Consumption**

Italy is the largest leather garments market in the EU (followed by Germany and the UK) and amounted to € 1.1 billion in 2008, thus accounting for 19% of total EU consumption. During the period 2004-2008, the leather garments market saw an annual growth of 1.8%, against a spending growth of 2.4% for total outerwear. It should be noted that consumption of leather garments decreased by 3.4% in 2008 compared to the previous year.

Consumption per capita of leather garments (€ 21.40) in Italy is far above the EU average (€ 13.75) and reflects that the Italian consumer can be considered as stylish and has good taste, compared to many other EU consumers.

Table 1.1 Consumption of leather garments in Italy, 2004-2010, in € million

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	1,013	1,106	1,086	+1.8%	1,045
Total outerwear	43,589	46,228	47,791	+2.4%	46,400
Consumption of leather garments in % of total outerwear	2.3%	2.4%	2.3%		2.3%

* Average annual growth

Sources: Eurostat (2009) and Euromonitor (2009)

Like in all other major EU countries, spending on leather garments is expected to decrease in 2009. Experts forecast a fall of 4% in 2009 for Italy, while for 2010 a slight decrease of 1% is forecasted.

Market segmentation

Common ways to segment the leather garments market are by type of products, demographic factors, type of activity resulting in specific clothing behaviour; attitude of consumers towards fashion, by product/quality ratio; economic factors, such as income and spending power; brand awareness and preferences and geographic factors. Some of these segmentation criteria for Italy will be discussed below. For more detailed information about these and other criteria, and their consequences for the leather garments market, we refer to chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Type of products

A detailed breakdown of the different product types of leather garments is not available as, explained in appendix A of the CBI market survey 'The market for leather garments in the EU'.

Leather jackets and coats accounted for 83% of total consumption of leather garments. Variations on the traditional black or grey biker jackets are popular for men as well as for women.

Other products are mainly vests or waistcoats, skinny trousers, skirts and dresses. Fashion is an essential and predominant element in leather garments in Italy, even for functional products like motorcycling clothing.

Demographic segmentation

The size and age structure of the population is one of the basic determinants of which products will be bought and how much will be spent on clothing.

The Italian population is increasing at a slow pace (0.5% annually) from 57.9 million in 2004 to 59.0 million in 2008, and is projected to grow to 59.3 million by 2015.

The steady growth of Italy's population in recent years has partly been due to sustained immigration, made easier by the enlargement of the EU.

Following the trend in other European countries of an ageing population, in 2008 just over 20% of the Italian population was 65 or older, while in general among the western European countries the proportion of those aged 65 plus is around 14-18%. Furthermore, the retirement age in Italy tends to be lower than many other countries in Europe, meaning that Italy has one of the highest rates of dependents in Europe. In contrast, the proportion of the population aged under 14 years-old was 14%. Between 2004 and 2008, the proportion of those over 65 years-old grew by 6.6% versus growth of 0.7% for those under 14 years-old.

Between 2008 and 2035, Europe's population is expected to grow by 5.1% while Italy's population is expected to decline by 2.9%.

Table 1.2 Consumption of leather garments by gender in Italy, 2004-2010, in € million

	2004	2006	2008	AAGR*	2010
Leather jackets and coats for					
- men	437	451	440	+0.2%	420
- for women	423	472	466	+2.5%	450
Other leather garments for					
- men	48	61	53	+2.6%	50
- for women	105	122	127	+5.2%	125
Total leather garments	1,013	1,106	1,086	+1.8%	1,045

*Average annual growth

Source: Trade estimates

Attitude of consumers towards fashion

More and more Italian consumers combine branded products with lower priced products, which can be illustrated as follows: the Italian fashion market consists of three categories:

- High fashion, which consists mainly of Italian clothes, comprises 10% of the market. This percentage is much higher than in countries like Germany, The Netherlands and the UK. However, recession has forced many consumers to consider the value-for-money option. Private labels have been the principal beneficiaries of this trend. The role of designer clothing is decreasing, but still important while another aspect is that influences of designers from abroad are increasing.
- Medium fashion comprises 55% of the market and, in this category, more than half of the clothes are Italian. In this category, influences from abroad are also valid especially from chains like Zara, H&M, Mango and Promod.
- Low end, which makes up the remaining 35%, gets supplemented from abroad.

Fashion is an essential and predominant element in leather garments. For some years domestic collections dominated the market but as mentioned above influences from abroad increased strongly.

Trends in fashion for leather garments are stronger in Italy than in other EU countries.

Consumers, both men and women, are more stylish and have a stronger preference for well-made garments than most of the other EU countries.

Economic developments

Growth in Italy's GDP showed a mild recovery in the period 2005-2007: +0.8% in 2005 and +1.5% in 2007. Just like in Spain, Italy experienced a lower growth amid the global economic downturn and fell into a technical recession in 2008 (-1.0%). GDP contracted by a further 4.9% in 2009 and experts expected a recovery of 0.2% in 2010. Private consumption fell by 0.9% in 2008 and 1.7% in 2009, reflecting declining employment and tight credit conditions. An important factor behind the country's economic slowdown is the division between a developed industrial north, dominated by private companies, and a less developed, welfare-dependent agricultural south, with high unemployment reaching almost 20%.

The performance of the leather garments market will continue to exhibit strong price-led competition among different players, as cheaper, imported products gain in importance. Uncertain economic conditions will also constrain value sales in the coming years. Due the economic slowdown, Italians increased their search for bargains in venues such as fashion outlets, which offer not only luxury brands such as Armani, Gucci and Prada, but also others at lower prices. Even mid-market retail brands such as Miss Sixty operate through (off-priced) outlets. Many more Italians will increasingly seek out sales on fashion items. In fact, many will buy less expensive subsidiary brands from major fashion companies, like Max Mara and Armani.

Geographic segmentation

Geographic segmentation is useful for understanding the Italian market and has a significant influence on the amount of outerwear purchased. For example, disposable income in the north of Italy is one third higher than disposable income in the south of Italy. This could suggest that

lower priced outerwear is more frequently purchased in the south of Italy. The geographic difference also extends to differences in demand for fashionable outerwear. There is higher interest in fashionable outerwear in the urban areas, particularly in the north, where Milan has a high reputation as the fashion capital of Italy, if not Europe. The south of Italy is more rural and, in these areas, fashion is less important.

Trends in consumption

- Leather played an important role on the Milan catwalk in the shows for autumn/winter 2010 and several fashion forecasts for women’s leather garments announced that collections will have a host of new looks, embellished with studs and fringes to satisfy girls with a rock spirit, or in pale sin’ de rigueur black. Leather jackets and coats are proposed, shiny and zipped, echoing the eighties.
- Fur is used as decorative detailing in combination with leather, especially in the luxury segments. Big zips are the latest form of decoration for jackets, dresses and skirts.
- Generally spoken, Italian companies pay particular attention, besides quality of materials, to design including accessories such as zips, buttons, buckles etc.
- Italian designers are very strong in developing trendy fashion with a global character; this will also influence collections in lower price ranges. Influences by designers and/or clothing chains from abroad increased.

More general trends and fashion trends about leather garments can be found in chapter 1 of the CBI market survey ‘The market for leather garments in the EU’.

Production

Italy is the dominant outerwear producer in the EU, which is also valid for leather garments. The Italian clothing industry is highly export-oriented and plays an important role in the economic situation of the country.

According to Eurostat/Prodcom, production of leather garments in Italy amounted to € 1.4 billion, which would be 4% of total Italian clothing production in 2008. Stagnation of external demand and the increase in production costs caused a fall-back in total turnover in the Italian leather garments sector of, on average, 5.5% per annum during the review period.

Production of leather garments accounted for 74% of total EU production in 2008, followed by Spain (10%) and France (7%).

Table 1.3 Production of leather garments in Italy, 2004-2008 (€ million and tonnes)

	2004		2006		2008		AAGR*	
	value	volume	value	volume	value	volume	value	volume
Total	1770.1	29.1	1,508.6	24.7	1,377.5	22.9	-5.5%	-5.2%

* Average annual growth

Source: Eurostat/Prodcom (2009)

A more detailed breakdown of Italian production of leather garments is not available, as explained in appendix A of the CBI market survey ‘The market for leather garments in the EU’.

Major players

Some leading manufacturers of leather garments in Italy are Diego M. (<http://www.diegom.it>); Christia (<http://www.christia.com>); Fashionmatica (<http://www.fashionmatica.com>); Confezione Marco (<http://www.marcoconf.com>); SEM (<http://www.semcreazioni.it>); Olivieri & Co (<http://www.olivierifashion.it>); Linea Fontani (<http://www.lineafontani.it>); Galotti (<http://www.gallotti.it>) and Orfatti Confezione (<http://www.victorybl.com>).

Many leading manufacturers and/or brand distributors of outerwear have leather garments in their assortment, like in the sectors:

- luxury goods: Giorgio Armani (<http://www.giorgioarmani.com>), Prada (<http://www.prada.com>), Max Mara Fashion Group, Gruppo Versace, Dolce & Gabbana
- women's fashion: Burani (<http://www.mariellaburani.it>) and Aeffe (<http://www.aeffe.com>)
- jeanswear: Diesel (<http://www.diesel.com>) and Sixty (<http://www.missixty.com>).

Trends in production

- A further decrease in the number of manufacturing companies as a result of growing imports from low-cost countries.
- A growth in the delocalisation of the production of leather garments to CEECs (Romania, Ukraine and Albania). This strategy, started by the large vertically-organised companies, has spread to medium-sized companies, which, faced with the pressure of imports, have transferred part of their production to countries offering cheap labour.
- The efforts of Italian companies are focused on increasing their competitiveness in a context of globalisation. This requires greater flexibility and innovation in products, as well as a significant commitment to quality, design and creativity.

More trends related to production of leather garments can be found in chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Opportunities and threats

- + The decline in domestic manufacturing of leather garments led to a more internationally oriented trade. The keen competition on the EU market will steadily increase and this leads to further possibilities for exporters in low-cost countries.
- + Besides the traditional lower range market segment, the largest middle range market segment may also offer good opportunities for exporters in DCs.
- ± Advantages of CEECs, especially Romania and to a lesser degree Ukraine in the trade relations with Italy in terms of lower wages and shorter routes, will significantly decrease within a decade. This is due to the alignment of the wage structure and the fact that the clothing industry will no longer be competitive there.
- ± To satisfy the requirements of importing companies in Italy (and other EU countries), exporters in DCs will be faced with increased demands for higher quality.
- ± Italian consumer spending on leather garments grew by an annual 1.8% during the period 2004-2008. For 2009, a fall of 4.9% and for 2010, a slight decrease of 1.2% is forecasted. However, Italy remains by far the largest country on consumption and production in the EU.
- There are particular difficulties for DC exporters trying to enter the Italian market at the top or middle segments of the market. Design is so highly regarded in Italy, that any potential new supplier must be able to satisfy their new customer that they have access to a quality design team which understands the rapidly changes trends and styles. This is as important as the production skills and capacity. In this market segment, exporters in DCs will be competing with Italian producers, who know the market intimately, as well as other EU producers.

The same development or trend can be an opportunity for one exporter and a threat to another. Exporters should therefore analyse if the developments and trends discussed in this survey provide opportunities or threats. The outcome of this analysis depends on each exporter's specific circumstances.

See chapter 7 of the EU survey 'The market for leather garments in the EU' for more information on opportunities and threats.

Useful sources

- Information about the Italian clothing market can be found on the website of the Italian trade association Sistema Moda Italia: <http://www.smi-ati.it>.
- Euratex Bulletins - <http://www.euratex.org>
- Lineapelle magazine - <http://www.lineapelle-magazine.com>
- Lineapelle trade fair - <http://www.lineapelle-fair.it>

2. Trade channels for market entry

The most suitable trade channels on the Italian leather garments market for exporters in DCs, are domestic manufacturers either or not vertically organized; importers/wholesalers and clothing multiples and non-specialised chains, like department stores and hypermarkets, of which the larger players are themselves importers.

Which channel will be chosen, depends on factors like (among others):

- Which type of leather garments producer (CMT, FOB, private label or own brand producer) tends to export to Italy. These types of producer are described in chapter 1 and 2 of the CBI survey 'Guidelines for exporting leather garments to the EU'.
- The resources available and the priority given to the Italian market.

Domestic manufacturers

Production has been discussed in chapter 1 of this survey and more general information can be found in chapter 2 of the CBI market survey 'The market for leather garments in the EU'. A short list has been given of manufacturers (see: 'Major players' in the previous chapter) which might possibly be interested in any form of co-operation with exporters in DCs. An increasing number of Italian manufacturers has production activities abroad. Opportunities exist for exporters who are interested in forming relationships or partnerships with Italian producers.

The Italian Institute for Foreign Trade (<http://www.italtrade.com>) gathers offers and requests coming from foreign companies interested in developing business with Italian partners. All requests and offers submitted are stored in a database which can be accessed by sector and market, enabling Italian companies to consider the various proposals. Foreign companies can also find details of trade fairs and exhibitions held in Italy throughout the year.

Wholesale trade

Wholesalers play an important role in distribution, accounting for an estimated 50% of the purchases of retailers. Wholesalers are generally used by manufacturers of cheaper mass market and standardised products. Manufacturers of classic and exclusive higher-priced clothing mainly sell directly to retailers or through own outlets - either fully owned or franchised.

The Italian importers operate nation-wide and often demand the 'exclusive distribution rights' for the whole of Italy. Importers/wholesalers in the classical sense are faced with fierce competition within the distribution system and the strong position of the clothing brands, which have their own efficient outlets. The importers can often only position themselves by 'a low price strategy' e.g. by sourcing in DCs.

Foreign manufacturers will often set up their own sales organisations or work through an exclusive importer for the market. The latter company may in turn sell through a network of regional wholesalers or agents. Foreign manufacturers can also set up an agency for Italy, the contact addresses of which can be found through the USARCI (<http://www.usarci.it>).

Thousands of wholesalers operate in Italy. A selection of Italian wholesalers can be made by searching through the several (free) available trade directories, for example a selection of wholesalers in leather garments for men and women at the website:

<http://www.italianmoda.com> resulted in respectively 27 and 61 companies.

Many wholesalers active in the general outerwear sector also have leather garments in their assortment, such as Rinascimento (<http://en.rinascimento.info>)

Retail trade

The Italian clothing market is highly fragmented in comparison to many of its European neighbours, and remains dominated by small, independent players, and domestic/regional chains. Two thirds of spending on clothing went through the specialist channel in 2008 and for leather garments this share was 72%, reflecting both the strong profile of independent retailers in the market, and the growing profile of the multiples.

Major developments in the Italian clothing retail trade in the period under review were growth in sales by hypermarkets and by clothing chains, to the detriment of independent retailers. Because of the entrance of foreign chains and their rapid expansion, it is expected that this development will be continued in the coming years.

Table 2.1 Market shares of retail distribution of leather garments in Italy, 2004-2008 (in % of value)

	2004	2006	2008
Specialists	73	72	72
- Independent retailers	53	51	50
- Clothing multiples	20	21	22
Non-specialists	27	28	28
- Department/variety stores	11	11	11
- Hypermarkets and discounters	8	9	9
- Home shopping companies	0	1	1
- Street markets and other	8	7	7
Total	100	100	100

Source: Trade estimates (2009)

The decreasing, but still important, market share of independent retailers was realised by around 85,000 companies. Independents are likely to retain a strong presence in the less developed South of the country, as this will represent a less attractive option for leading players until the infrastructure and economic climate there is significantly improved.

The leading general clothing multiple, with its own production facilities, is Benetton (more than 6,200 stores in 120 countries), also operating with brands like Sisley, Playlife, Undercolors and Killerloop. UCB (United Colors of Benetton), mainly casual knitwear, targets the younger end of the middle mass market. Bright colours are the trademark. UCB reached 73% of total Benetton sales in 2008. Most Italian chains are owned by manufacturing companies, except for example Gruppo Coin (<http://www.gruppocoin.it>). The Teddy group is an internationally operating wholesaler and retailer, among other using the Terranova formula.

The number of foreign companies operating on the Italian market is limited, but growing rapidly. Examples are some formula of Inditex from Spain (in total 264 stores, of which 87 Zara and 36 Bershka), Hennes & Mauritz (64 stores), Jolidon from Romania (35 stores) and Etam from France (14 stores), while Pimkie from France (57 stores) closed some stores in Italy. Leading Italian chains are mentioned in table 2.2.

Table 2.2 Major specialised clothing chains of Italian origin in Italy 2009

Clothing retail chain for:	Parent company	Website	Number of outlets
Family			
Benetton/Sisley	Benetton Group	http://www.benetton.com	2,300/6,200*
OVS Industry	Gruppo Coin	http://www.oviesse.com	320/345*
Original Marines	Imap Export	http://www.originalmarines.it	534/600*
Bernardi	Bernardi	http://www.bernardi.net	170
Terranova	Terranova	http://www.terranova-on-line.com	225/549*
Sixty	Sixty Group	http://www.sixty.net	205
Women			
Stefanel	Stefanel Group	http://www.stefanel.it	277/579*
Miss Sixty	Sixty Group	http://misssixty.com	24/99*
Mariella	Burani Group	http://www.mariellaburani.it	126
Liola	Liola	http://www.liola.it	103/190*
Men and women			
Happening	Preca Brummel	http://www.precabrummel.com	20

* respectively shops in Italy and global

The major department stores in Italy are Coin with 80 stores (<http://www.coin.it>) and owned by the Coin Gruppo and La Rinascente with 14 stores (<http://www.rinascente.it>). The Coin Gruppo owns the family clothing chain OVS Industry (new name for Oviessa), too, while Rinascenta covers a mid-market variety store Upim (377 stores; <http://www.upim.it>).

The Italian home-shopping sector remains limited. The mail-order landscape is changing in Italy, with traditional methods now being replaced by e-commerce. However, the transition is slower in Italy than in many other European countries, because Internet penetration is low compared to other developed nations in Europe. La Redoute (<http://www.laredoute.it>) from France and Otto from Germany, trading through Bonprix (<http://www.bonprix.it>) catalogues are major companies.

The number of hypermarkets in Italy grew in number from 530 stores in 2004 to 740 in 2008. Just like the growth in number of hypermarkets, clothing sales by this channel increased, too. The sector remains fairly fragmented, consisting of many small and medium-sized enterprises. Voluntary groups dominate the Italian food market, despite the presence of some major European groups such as Carrefour (500 stores, of which 58 hypermarkets) and Auchan (316 stores, of which 46 Auchan/Finiper hypermarkets).

Coop Italia (<http://www.e-coop.it>) is the long-standing market leader. The group is dominated by nine large co-operative societies, which together manage almost 1,400 stores and is followed by Conad-Rewe (2,828 stores, of which 29 hypermarkets). Other important chains are Gruppo Pam (585 hyper- and supermarkets; <http://www.e-pam.it> and Il Gigante (<http://www.ilgigante.it>).

Increased sales in clothing are also achieved via foreign chains, like the German discounters Lidl (Schwartz, 460 stores), and also from Germany the wholesaler with retail activities Metro (48 cash & carry stores).

Price structure and margins

Nearly all of the above-mentioned retail organisations are active in the mid-market and/or lower-market segments. Chapter 1 of CBI's market survey 'The market for leather garments in the EU' gives an indication of differences in price levels, while an overview of margins valid for the various segments in the market can be found in chapter 3 of the same survey.

Price is an important selling factor, especially in the lower segments of the market (variety stores, hypermarkets and discounters), whereas in the higher segments (higher added value) factors like quality and fashion are more important than price. In the lower segments of the market, retailers have little room to manipulate prices, because competition is fierce and margins are low.

The Italian leather garments market has the highest average prices across Europe, caused by the dominance of independent retailers. Developments in the lower segments of the market will lead to more competition and prices will be under pressure.

Margins have been falling in Italy in recent years, as a result of competition in the supply chain and an intensification of competition between retailers. Different margins and prices apply in each trade channel, with a total mark-up (including VAT) of 2.5 up to 4.4 of the CIF-price.

Table 2.3 Overview of margins in outerwear in Italy

	Low	High
Importers/wholesalers' margins	30%	40%
Agents' margins	15%	25%
Retailers' margins	50%	140%
Ratio CIF/Consumer price	2.5	4.4

Finding a suitable trading partner

When trying to find a trading partner, the usual trade sources are an important point of contact. The best place to meet potential trading partners is at a trade fair, such as:

- Specialised trade fair in leather garments: Mifur (<http://www.mifur.it>)
- General outerwear (including leather garments) trade fairs such as Milano Moda Dona (fashion for women; <http://www.cameramoda.it/eng/eventi/eventi.php>) and Milano Moda Uomo (fashion for men; <http://www.cameramoda.it/mmu>). Pitti Imagine Uomo (fashion for men, <http://www.pittimmagine.com/en/fiere/uomo>) in Florence and Moda Prima (fashion for women, <http://www.pittimmagine.com/en/fiere/modaprima>) in Milan.

The lists of exhibitors at these trade fairs are often mentioned on their websites.

The Italian Association in the clothing industry is Sistema Moda Italia. Members of this organisation, active in the field of outerwear can be found at <http://www.sistemamodaitalia.it>

Another possibility for finding potential trading partners is an orientation on Internet and/or consulting the general trade directories. More information can be found in the CBI manuals 'EU marketing guidelines for leather garments' and 'Export Planner'.

3 Trade: imports and exports

3.1 Total imports

During the period 2004-2008, leather garments imports by Italy fell on average 0.1% per year in terms of volume to 3,991 tonnes, and grew 1.6% per year in terms of value to € 192 million. These developments indicate that average import prices in Italy increased 7% during the period 2004-2008.

Growth in value is built up by an increase of 8% in the period 2004-2007, followed by a fall in 2008 (-1.5%). This growth in imported value was higher than the annual 0.7% growth of total EU imports over the same period.

Italy ranked 3rd in imports of leather garments and accounted for 12% of total EU imports, behind Germany (22%) and France (15%) and above Spain (9%).

Important supplying countries

In 2008, India remained the leading supplier of leather garments to Italy with an import share of 27% in terms of value, followed by China (21%), Turkey (11%), France and Ukraine (each country 6%).

An increasing share of Italian imports came from DCs: 73% of total imported value in 2008, against 69% in 2006 and 67% in 2004.

Developments in area of origin for Italian imports of leather garments in 2008 compared to 2006:

- Total Italian leather garments imports grew 2.9% in the review period. Imports from DCs grew 10% and from countries outside the EU excluding DCs (+15%) to the detriment of imports from other EU countries (-15%);
- Imports from leading supplier India increased by 18% to a market share of 27% of total imports or 37% of total imports from DCs;
- Imports from Asian DCs stabilized at 53% of total imports, caused by higher imports, besides India also from Pakistan and Vietnam, while imports from China (-21%) decreased;
- Imports from European DCs increased 61% to € 37 million (19% of total imports), mostly caused by growing imports from Turkey (+136%) and Ukraine (+36%) and despite decreasing imports from Croatia (-36%) and Bosnia & Herzegovina (-23%).
- Imports from DCs in North Africa decreased 15% to an import share of 2% of total imports, mostly caused by decreased imports from Tunisia (-16%) and Morocco (-24%).
- Imports from DCs in other area were very limited and can be ignored.

Table 3.1 Imports of leather garments by and leading suppliers to Italy 2004-2008, share in % of value

	2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 (share of total imports in %)	Share (%)
Total	180.6	186.7	192.1		100
Intra-EU:	53.6	51.8	43.9	France (6), Romania (3), Germany (3), UK (2), Poland (2), Spain (1), Hungary (1), Portugal (1), Netherlands (1).	23
Extra-EU ex. DCs:	6.4	6.1	7.0	Switzerland (2), USA (1), Japan (<1), Hong Kong (<1), South Korea (<1).	4
DCs:	120.6	128.8	141.2	India (27), China (21), Turkey (11), Ukraine (6), Pakistan (3), Croatia (1), Tunisia (1), Vietnam (1), Bosnia & Herzegovina (1), Morocco (1).	73

Source: Eurostat (2009)

Exports

Italy is the leading EU exporter of leather garments accounting for 36% of total EU exported value in 2008. Italy exported 2,107 tonnes of leather garments valued € 383 million in 2008, representing an annual increase in value of 5.1% in 2004-2008. Exported value in 2008 was almost 2% lower than in 2007.

A share of 52% went to countries outside the EU, which was much higher than exports by other EU countries (EU average was 33% in 2008). Italian producers find it increasingly difficult to match low import prices. Furthermore, exporters suffered from the appreciation of the euro against the US dollar.

Leading destinations for Italian exports were Switzerland (13% of total exports) and France (12%). The main destinations outside the EU, besides Switzerland, were Russia and the USA (each country 9%), Japan (5%), Hong Kong (3%) and Ukraine (2%). Exports to other EU countries were: UK (8%), Germany (7%), Spain (6%), Austria (4%), Greece (2%), The Netherlands (2%) and Belgium (2%).

Re-exports

Exports by Italy, as described above, include so-called re-exports: imported products, which are exported to other (mainly other EU) countries. Production figures in Italy include production abroad by manufacturers. For that reason, re-exports by Italy cannot be determined, however, it can be assumed that re-exports by Italy were limited, but growing.

Opportunities and threats

- ± An increasing part of Italian leather garments imports came from DCs: 73% of total imported value in 2008, against 69% in 2006 and 67% in 2004.
- + Import prices will be under pressure and will force Italian producers to take measures as described above in chapter 2 (trends in production).
- ± The 3 biggest suppliers of leather garments to Italy are India, China and Turkey. These three countries account for almost 60% of the market, which indicates that the supplying countries are not scattered, but that there is a concentration of a few big players.
- During the period January-November 2009, imports of leather garments by Italy decreased 16.2% in terms of value (compared to the same period in 2008), which is a higher decrease than the EU average of 11.2%.

The same development or trend can be an opportunity for one exporter and a threat to another. Exporters should therefore analyse if the developments and trends discussed in this survey provide opportunities or threats. The outcome of this analysis depends on each exporter's specific circumstances.

Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu> → go to: trade statistics

- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu> → 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'
- Understanding Eurostat: Quick guide to easy Comext → http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf
- Euratex bulletins - <http://www.euratex.org>

4 Price developments

Consumer prices

Price inflation in Italy grew from 2.2% in 2004, to 2.7% in 2006 and to 3.3% in 2008. In 2009, price inflation reached 0.8%, which was lower than the EU average of 1.0%. Considering that Italy is a country well-known for succumbing to inflationary pressures, its recent history has been one of relatively low inflation – low enough, in fact, to adhere to the EU guidelines.

The Italian leather garments market showed a slight increase in consumption during the review period plus a relatively low increase in consumer prices, while imported products registered an increase far below the EU average. Competition on the Italian leather garments market, despite increased import prices, resulted in the following changes in consumer prices: +1.2% in 2006, +0.7% in 2007 and -0.4% in 2008.

According to a price level study by Eurostat, clothing prices in Italy were far above (+10%) the EU average in 2008. Prices were similar to Denmark, Luxembourg, Slovenia and Slovakia. The VAT tariff for leather garments in Italy is 20%.

Import prices

Prices of leather garments imports into Italy increased slightly during 2006-2008, as table 4.1 indicates. Lower prices of imports from Germany, Spain and Austria indicate higher re-exports by these countries, to the detriment of CMT trade. Higher prices of imports from DCs came from China and Turkey, while import prices from Ukraine and Pakistan decreased during this period.

Import prices from DCs reached 44% of the level of intra-EU import prices in 2008.

Table 4.1 Average import prices of leather garments in Italy (in € per kg.), 2006-2008

	2006	2007	2008	AAGR*
Total imports	46.69	45.95	48.14	+1.6%
Intra-EU	75.33	55.43	53.31	-14.6%
DCs	39.32	41.73	45.00	+7.2%

* Average annual growth

Sources: Eurostat (2009)

Useful sources:

Shopping in the prospective market place at several retail shops is a good way of obtaining information about prices at retail or consumer level, but also about fashion colours and qualities.

Alternatively, an impression of average prices can be formed by browsing through the catalogues of home shopping companies on Internet such as <http://www.bonprixsecure.com/it/home.htm>. Comparisons can also be found in the prices given in catalogues from large multiples <http://www.oviesse.it> or from other company websites. For websites, we refer to chapter 1 and 2 of this survey.

A good link to wholesalers and wholesale prices in Italy is the directory <http://www.italianmoda.com>.

5 Market access requirements

As a manufacturer in a DC preparing to access Italy, you should be aware of the market access requirements of your trading partners and the Italian 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 garments and Italy in the category search, click on the search button and click on market access requirements.

Labelling

Main aspects to the labelling of leather garments, besides basic information like brand name and sizing are:

- Legislation in Italy refers especially to products made of tanned leather (with or without hair) consisting for more than 20% of the surface or total weight of the article. In the case of leather garments, labels of 'genuine leather' are found on most products.
- Outer material, lining and other parts must be mentioned separately.
- Labelling has to be formulated in the Italian language.
- The label shall be attached to the inside or lining of the garment
- Optional labelling includes care labelling, i.e. the inclusion of cleaning instructions is not mandatory in Italy. However, it is strongly encouraged. It is recommended to use Ginetex symbols, the system used throughout Europe (see: <http://www.ginetex.net>). Leather garment care can give information like storage, drying, cleaning, advice to prevent damage.
- Country of origin labelling is, generally speaking, not compulsory. However, it is necessary to have an origin label if, without such a label, the consumer would be misled as to the true origin of the garment.

Packaging

Italians are very particular about presentation of products, including exact dimension of the carton, covering the product with plastic material and use of anti-fungus chemicals on the finished product.

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Tariffs and quota

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>.

6 Doing business

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.

Trade fairs

Italian trade fairs can be classified in the following categories:

- Leather oriented (tanners and suppliers) fair, like Lineapelle in Bologna (<http://www.lineapelle-fair.it>) showing a collection of leathers, ranging from the basic sole leather through all exotic leathers available. This fair gives information on leather trends

for fashion (and other destinations) and is a source of inspiration for, among other categories, apparel and many other manufacturers (footwear, handbags, luggage, belts etc.), traders and designers.

- Leather garments (specialised) trade fair is Mifur (<http://www.mifur.it>) and organised at the same time as Mipel (<http://www.mipel.it>) in Milan, a trade fair for leather goods (bags, suitcases and accessories).
- Leather garments as part of general outerwear trade fair, like Milano Moda Donna (fashion for women; <http://www.cameramoda.it/eng/eventi/eventi.php>) and Milano Moda Uomo (fashion for men; <http://www.cameramoda.it/mmu>). Pitti Imagine Uomo (fashion for men, <http://www.pittimmagine.com/en/fiere/uomo>) in Florence and Moda Prima (fashion for women, <http://www.pittimmagine.com/en/fiere/modaprima>) in Milan.

Trade association

The trade association in Italy, Sistema Moda Italia (SMI) can be reached at <http://www.smi-ati.it>.

Trade magazines

The Ars Arpel Group (<http://www.arsarpel.it>) publishes, among others, the magazines Arpel and Fur (including leather garments).

There are several trend, fashion and clothing magazines (including leather clothing) in Italy such as Donna Collezioni, Uomo Collezioni and Uomo Collezioni (<http://www.logos.info>), Online fashion news can be found at <http://www.fashionmagazine.it>.

Other forms of communication

The most important ways to develop a business relationship are either to exhibit at the only trade fair covering outerwear, or to make a direct approach to wholesalers or major retailers. In Italy, 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 personal touch is highly valued in Italy. A very aggressive price-driven approach will not be effective, although price is very important in the Italian market.

This survey was compiled for CBI by *Fasion Research & Trends*

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