CBI MARKET SURVEY

The market for leather garments in Austria

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Introduction

This CBI market survey gives exporters in developing countries (DCs) information on some main developments on the market for leather garments in Austria. The information is complementary to the information 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

Total consumer spending on leather garments in Austria amounted to € 149 million in 2008, which was 2.3% of total Austrian outerwear expenditure. The leather garments market grew annually 0.8% during the period 2004-2008. Austria ranked 7th in EU consumption of leather garments below 6 major EU countries and above Belgium. Austria accounted for 2.6% of total EU consumption.

Clothing has traditionally been a strong performer in the Austrian retail sector. Austria is one of the highest-spending countries in clothing per capita in the EU; this also applies to leather garments. The Austrian clothing market is considered traditional, Austrian people being dressed more conservatively compared to consumers for example in Italy, France and the UK. Per capita expenditure in leather garments amounted to € 20.90 in 2008 against an average of € 13.75 in the EU.

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

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	**144.8**	**148.4**	**149.4**	**+0.8%**	**145.0**
Total outerwear	6,049	6,173	6,399	+1.4%	6,200
Leather in % of total outerwear	2.4%	2.4%	2.3%		2.3%

* Average annual growth

Sources: Derived from Eurostat (2009) and Euromonitor (2009)

The financial and economic crisis has influenced the demand for leather garments and led to a decline of 3% in expenditure in 2009, although expectations for 2010 are more positive.

Demand for leather garments is determined by several factors like type of products, demographics, economic developments and attitude of consumers towards fashion. Other more general factors are discussed in chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Type of products

A detailed breakdown of the different 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'.

It can be assumed that about 80% of leather garments consumption concerned jackets and coats. An increased popularity of skinny leather trousers and leggings was also valid in Austria. Other (less) important product groups were dresses, skirts and waistcoats or vests.

The strong traditional part of the clothing market in Austria includes leather trousers for men and children, the so-called Lederhosen. This product is also popular in Southern Germany and Switzerland; specific trade fairs are even organized in this sector.

Demographics

Despite a declining birth rate, a fairly high life expectancy and immigration have contributed to an increase in the population of Austria from 8.1 million in 2004 to 8.4 million in 2008. Much like the rest of Europe, Austria has an ageing population. In 2008, a quarter of the population was aged 45-64 and 17% was aged 65 or more; in comparison, only 15% was aged 0-14. This trend is likely to continue until 2025.
Women's consumption of leather garments (in value) was an estimated 1.2 times higher than men's consumption. The category women 25-45 years, with their strengthened spending power, is an important target group for the industry. In this age group, leather garments is regarded more as a symbol of status and personal taste, compared to older generations, where the functional aspects are more important.

Economic developments

After expanding by 3.3% in 2006, real GDP grew by 3.0% in 2007 and by 1.7% in 2008. During the second half of 2008 the economic climate in Austria deteriorated significantly, which had a direct effect on the retail trade. Some retail chains launched low-price strategies, clearly hoping that the cut in margins would be offset by a higher market share. There was a general downward trend in the leather garments segment in the second half of the year. Estimates for 2009 (-3.5%) and expectations for 2010 (+0.8%) are almost at the same level as EU developments, respectively -4.1% and + 0.9%.

Attitude of consumers towards fashion

Generally speaking, Austria is not a prominent location with regard to fashion nor is it a trendsetter like Italy, France, Spain or the UK. Fashions are becoming more short-lived and consumer buying habits are changing faster, as Austrian fashion trends are influenced by international fashion trends.

Trends

- To operate successfully in this market, it is necessary for retailers, producers and designers to react to new fashions as quickly as possible. To do so, key players like Zara or H&M today operate not only as retailers, but also as designers and producers. These clothing stores have been increasingly successful on the Austrian market by selling products of high quality for affordable prices, mainly attracting female consumers. Manufacturing brand names are in decline, in favour of these private (or retail brand names) label products.
- Tough competition has forced retailers to become more competitive and, to a certain extent, consumers have become more price-sensitive (discounters such as Kik and Takko won ground in the period under review, although the role of leather garments in these and other discounters is limited.).
- However, it is important to recognise that the Austrian clothing market is not the same as the German market – consumers look for low prices, although not to the same extent as consumers in Germany.

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

The Austrian clothing trade association FBO reported that production of the domestic clothing industry continued to decline slightly throughout 2008, while the turnover was stagnating in the same year.

According to Eurostat, the production of the Austrian leather garments industry fluctuated strongly during the period 2004-2008, increased to € 3.2 million (22.1 thousand tonnes) in

2006 and declined to € 2.2 million in 2008, of which 30-40% was exported. A detailed breakdown of the different types of leather garments is not available.
The main subcontracting partners of the Austrian clothing industry are located within the new EU-member states, as well as to a small degree in Croatia, Serbia and Macedonia.

Trends

- Prospects for the national industry are negative, because the number of independent retail shops, which are the main client of the Austrian clothing industry, is further diminishing and no increase in business is expected in Austria and other EU markets, due to consumer restrictions as a consequence of slow-down in the economy.

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

+ Consumer expenditure on leather garments is expected to grow again in 2010, but at a very slow level, caused by a recovery of the economic climate, as well as continuing interest in more fashionable leather clothing.
+ In many branches, including the leather clothing sector, Austria is considered as a springboard for market entrance to Central and East European countries.
± The Austrian clothing sector has been hit hard by the increasing imports from DCs as well as from re-exporting EU countries, like in many other EU countries. Many manufacturers in Austria have developed an outsourcing policy.
± The Austrian market for leather garments offers opportunities to those who are able to recognise and react to the fast-changing trends in the fashion industry.

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.

More information on opportunities and threats can be found in chapter 7 of the CBI market survey 'The market for leather garments in the EU'.

2. Trade channels for market entry

The Austrian market for leather garments can be entered in several ways, of which the most interesting for exporters in DCs are: exports to importing manufacturers and importers/wholesalers. It should be noted that the number of domestic retail organisations (specialised clothing chains and department stores) is limited.

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

- Which type of producer of leather garments (CMT, FOB, private label or own brand producer) tends to export to Austria. 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 Austrian market.

Manufacturers

Most of the Austrian clothing (including leather garments) suppliers can be found on http://www.fashion-industry.at; this website includes an online directory of the 200 members of the Austrian branch organisation Fachverband der Textilindustrie Österreichs (FBÖ). The number of manufacturers of leather garments is limited and covers among others: Walser GmbH (http://www.walser.net or http://lederwalser.at); Othmar Helmut Meisl; Samuel Kern & Co and Steinbock Mode Gmbh (http://www.steinbock.at – general fashion including leather).

Wholesalers

Wholesalers/importers of leather garments can be found on the site of the Austrian Chamber of Commerce http://www.wko.at. Search under 'Firmen A-Z' for information about Austrian companies for example under 'Lederbekleidung' (leather clothing).
Leather specialized Sportalm (http://www.sportalm.at) operates as exporting wholesaler and owns seven stores in Austria.

Retailers

Clothing specialists represented some 60% of the Austrian clothing market in 2008. The Austrian clothing sector is relatively fragmented compared to other West European countries. Only two operators boast a market share of over 6%, namely:

- C&A (http://www.c-and-a.com) from Germany, which has 85 C&A stores.
- H&M (http://www.hm.com) from Sweden, with 63 stores.

Most other clothing chains (including leather garments) hold a share of less than 5%, like:

- Vögele (from Switzerland with 150 stores; http://www.voegele-mode.com/corp/en/home_en).
- Schöps 93 general clothing stores (from Austria: http://www.schoeps.at)
- 235 KiK stores (Tengelman Group), 168 Esprit stores, of which 11 directly managed, 78 New Yorker stores, 250 TPS stores (NKD), 42 Orsay stores and 108 Takko stores. These chains came from Germany.
- 79 Benetton outlets from Italy.
- 8 Xanaka women's wear stores from France.
- 13 Mango stores and 11 Zara general clothing stores, both from Spain.

Important players in the home-shopping sector came from Germany such as: Universal Versand (http://www.universal.at; part of Otto), Neckermann (http://www.neckermann.at; part of Arcandor), Quelle (http://www.quelle.at; part of Arcandor) and Klingel (http://www.klingel.at). The French La Redoute (http://www.laredoute.at) is also active on the Austrian market.

Having only a handful of players, the relatively undeveloped department and variety store sector has lost share in the clothing market to new specialist retailers. Compared to other west European countries, the market share of department and variety stores is limited and only reached 4%. Leading chains are department store Kastner & Öhler (11 stores – http://www.kastner-oehler.at and also owner of 35 Gigasport stores in Austria, Slovenia, Slovakia and the Czech Republic - http://www.gigasport.com). The leading variety chain is Woolworth from Germany (12 stores).
Among the food retailers selling leather garments, hypermarkets and superstores have a smaller role in Austria than in countries, such as France and the UK. Fewer food retailers have developed a significant non-food offer. However, some hypermarkets, such as Interspar (60 hypermarkets; http://www.interspar.at) and Merkur (104 hypermarkets; http://www.merkurmarkt.at) have increased their apparel ranges, thus strengthening their presence in the clothing market.
Discount retailers in the food sector have also claimed a share of the lucrative market, with Germany's Lidl (147 stores), Aldi (374 stores) and Penny's (261 stores and part of Rewe) at the forefront.
Other chains include Cash & Carry wholesaler Metro/Makro, which operates through 12 outlets in Austria, and the coffee/mixed goods chain Tchibo (166 outlets). Both chains came from Germany.

Margins and prices

Margins will vary, depending on which market segment is being approached, and vary from multiples of 2.4 up to 4.0 of the manufacturer's price. Generally, wholesalers' margins range between 20–40% of the CIF price, while retailers' margins are between 50–80%.

Price is an important selling factor, especially in the lower segments of the clothing market (hypermarkets and discounters), whereas in the higher segments, factors like quality and fashion are more important than price. An indication of differences in price levels by types of outlets has been given in chapter 1 of the CBI market survey 'The market for leather garments in the EU' and an overview of margins valid for the levels distinguished in the clothing market can be found in chapter 3 of the same survey.

Useful sources:

- Fachverband der Bekleidungsindustrie Österreichs (FBÖ), the Austrian Clothing Organisation - http://www.fashion-industry.at
- http://www.austriantrade.org, website of the official Austrian Foreign Trade Promotion Organisation.
- Search under 'Firmen A-Z' on the site of the Austrian Chamber of Commerce – http://www.wko.at – for information about Austrian companies.
- Austrian National Statistics - http://www.statistik.at

3. Trade: imports and exports

Imports

In 2008, Austria imported 1,056 tonnes of leather garments, valued € 64.6 million and accounted for 4.0% of EU total imports. Out of the 27 EU countries, Austria was ranked eighth largest (behind The Netherlands and Belgium) and was regarded as a medium-sized country for leather garments imports.
Between 2004 and 2006, Austrian imports grew by 2.8% per annum in value to € 73.9 million and by 1.8% in volume to 1.4 thousand tonnes. Between 2006 and 2008, imports fell by 6.0% per annum in value and by 10.8% in volume.
Imports exceeded exports by 2.5 times in value and 2.2 times in volume in 2008. Imports continue to represent a high proportion of the domestic market. There appears to be re-exporting, mostly to neighbouring countries, as exports significantly outweighed the value of domestic production.

Germany remained by far the leading leather garments supplier to Austria in 2008, with an import share of 57% in terms of value, followed by Italy (16%), India (6%), Turkey (4%), France and Ukraine (each 3%) and China (2%).
Imports from Germany decreased by 3.7% per annum during the whole period 2004-2008 of which almost 12% in 2008 compared to 2007. Imports from Italy increased almost 15% per annum during 2004-2008 (11% in 2007-2008), India by 17% per annum (77% in 2007-2008) and from France by 21% (12% in 2007-2008). Imports from Ukraine boomed from € 0.1 million in 2004 to € 2.6 million in 2007 but fell by 20% in 2008 compared to 2007. Imports from China fell 9% per annum during 2004-2008, of which 30% in 2007-2008.
Other countries with strongly increasing exports to Austria were several EU countries, like Denmark the UK, Belgium, Hungary and Slovakia. Imports from other EU countries, especially from Germany, Denmark and Belgium, included re-exports.
Total Austrian imports from DCs increased in terms of value (+8%) per annum in the period 2004-2008, of which -5.3% in 2007 and +10.5% in 2008. This growth can mainly be ascribed to the growing imports from India and, to a lesser degree, Turkey. Other DCs with growing imports, others than those mentioned above, were not encountered.

Exports

Austria exported leather garments valued € 25.9 million (or 471 tonnes) in 2008, accounting for 2.4% of EU total exports. Austria is the 9th largest exporter of leather garments in the EU, below Belgium (7th) and the UK (8th) and above Sweden. This position has been reached by means of high re-exports.

Total leather garments exports grew by an annual 16% during the period 2004-2006, followed by a considerable decrease of 28% in 2007 and a fall of 6% in 2008. Destinations were mainly (84% in value) other EU countries, like Germany (39% of total exports), Italy (13%), Hungary

(6%), the Czech Republic (6%), Slovakia, Poland and Slovenia (each country 4%). The leading destination outside the EU was Russia (5% of total exports and 30% of exports to countries outside the EU), the USA (4%), Switzerland (3%) and Croatia (1%).

Re-exports

Exports by Austria include the so-called re-exports: imported products, which are exported to other (mainly other EU) countries. Decreasing Austrian production and increasing imports and exports indicates a growth in re-exports. Based on Eurostat statistics, it can be assumed that 35-40% of Austrian leather garments imports was re-exported.

Opportunities and threats

+ An increasing share of Austrian imports came from DCs, however, this share accounted for only 16% in 2008 (against 11% in 2004), which was very low compared to other EU countries. It can be assumed that an important share of German exports to Austria includes re-exports.
+ During the period January-November 2009, imports of leather garments by Austria decreased 5.0% in terms of value (compared to the same period in 2008), which is much lower than the EU average (-11.2%).
+ The increased imports from DCs and German re-exports will put further pressure on Austrian producers and force them to source abroad.
+ Import prices grew 14.6% during the whole period 2004-2008. Import prices from DCs increased 16.0% in the same period.
+ Austria will continue to depend on cheap imports from other countries to meet demand at the lower end of the market.
- Large exporters in India and Turkey are a threat to DC exporters in other countries, due to their scale and access to capital and the latest technology.

More information on opportunities and threats can be found in chapter 7 of the CBI market survey 'The market for leather garments in the EU'.

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

Inflation in Austria was 2.1% in 2004, 1.4% in 2006 and 3.2% in 2008. In 2009, the preliminary rate of inflation is 0.8% and 1.3% is forecasted for 2010.

Tough competition on the Austrian clothing market resulted in decreases in consumer prices of leather garments during the period 2004-2006. However, partly caused by increased import prices, consumer prices grew 2.2% in 2007 and 4.8% in 2008. According to a price level study by Eurostat, clothing prices in Austria were 8% above the EU average in 2008. The price level of clothing is similar to Germany and Estonia.
The VAT rate in Austria for leather garments is 20%.

Import prices

Prices of imports into Austria fluctuated during the period 2006-2008, as table 4.1 indicates. The share of Asian suppliers is lower than in major EU countries, which indicates the price movements from DCs. Import prices from DCs are 54% of the level of intra-EU import prices.

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

	2006	2007	2008	AAGR*
Total imports	54.32	51.79	61.09	+6,2%
Intra-EU	61.88	57.60	69.01	+5.8%
DCs	29.85	31.04	37.12	+12.2%

* Average annual growth
Sources: Eurostat (2009)

Useful sources:
An impression of average prices can be formed by browsing through the catalogues of home-shopping companies on Internet, such as http://www.ottoversand.at. Comparisons can also be found in the prices given in catalogues from retail channels. For example, prices including product information can be found at http://shop.hm.com/at or at http://www.schoeps.at. For other websites, we refer to chapter 2.

5. Market access requirements

As a manufacturer in a DC preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select the market for leather garments and Austria in the category search, click on the search button and click on market access requirements.

Packaging
Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm. Specific aspects for packaging of leather garments can be found in the CBI survey 'The market for leather garments in the EU'.

Labelling
According to a 1986 decree of the Austrian Ministry of Commerce, leather garments have to be labelled (clearly visible and in the German language by means of stamps, labels, information leaflets). Mandatory labelling requirements for leather garments in Austria concern:
- Animal species: such as Rind (bovine), Kalb (calf), Ziege (goat), Schaf (sheep), Lamm (lamb), Pferd (horse), Hirsch (male deer), Reh (deer), Antilope (antelope) and Schwein (pig);
- Material description: such as Volleder (grain leather), Narbenspaltleder (split leather – grain spalt) and Fleischspaltleder (split leather – underpart);
- Type of leather: such as Velours (suede), Nappa (nappa), Nubbuk (nubbuck), Anilin (aniline) and Sämisch (shammy);

Information about the professional cleaning method can be applied. The care instructions must be durably attached to the leather garment.
More information about labelling can be found in chapter 6 of the CBI survey 'The market for leather garments in the EU'.

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

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

For more information on doing business in Austria, visit the following websites:

- http://www.fashion-industry.at, the website of the trade association of Austria/ Fachverband der Bekleidungsindustrie Österreichs, including a list of members.
- http://www.austriantrade.org, website of the official Austrian Foreign Trade Promotion Organisation.
- No clothing trade fairs have been encountered in Austria; buyers visit foreign trade fairs, especially German and French ones.
- Leading magazine is clothing and textiles trade journal Österreichische Textil Zeitung http://www.textilzeitung.at
- Search under 'Firmen A-Z' on the site of the Austrian Chamber of Commerce – http://www.wko.at – for information about Austrian companies.

This survey was compiled for CBI by ***Fashion Research & Trends***.