CBI MARKET SURVEY

The market for leather garments in Ireland

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Introduction

This CBI market survey gives exporters in developing countries (DCs) information on some main developments on the leather garments market in Ireland. 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 fell slightly during 2004-2008 and reached € 47.4 million. The review period can be divided into a growth of 1% during 2004-2006 and a fall of 3% during 2006-2008. The relatively small size of the Irish population limits the clothing market size, but note that the per capita expenditure on leather garments was € 13.70, which was almost equal to the EU average of € 13.75. The Irish leather garments market increased more strongly in volume than in value, due to market saturation, competition from chains at the lower end of the market (Dunnes Stores and Penneys) with their clothing ranges and, last but not least, economic developments.

Ireland ranked 17th in EU leather garments consumption in 2008, below the Czech Republic (15th) and Romania (16th) and above Slovakia, and accounted for 0.8% of total EU consumption. Expansion by domestic, and especially foreign, clothing multiples will increase competition in the clothing sector.

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

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	**48.5**	**49.0**	**47.4**	**-0.6%**	**43.0**
Total outerwear	2,564	2,696	2,678	+1.1%	2,393
Consumption of leather garments in % of total outerwear	1.9%	1.8%	1.8%		1.8%

* Average annual growth
Sources: Derived from Eurostat (2009) and Euromonitor (2009)

An estimated fall of 9% in leather garments spending is expected for the period 2008-2010, mainly due to the recession in Ireland, as will be described below under economic developments.

Demand for leather garments is determined by several factors like type of product, demographics and economic developments. These factors are discussed below. 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 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'. However, it can be assumed that:

- Men's leather outdoor jackets (bomber and biker jackets) and coats are mainly sold in autumn/winter. Suede indoor and outdoor jackets are also sold in spring/summer. Favourite colours remained black, brown and cream.
- Leather coats were most popular by women older than 35. Favourite colours, besides the traditional leading black, remained the other basics brown and beige but also bright colours became popular. Short tailed jackets for indoor and outdoor use were also popular in this segment. Other popular items for women and girls were leather trousers, treggings and leggings.
- Younger women (under the age of 20) but also an increasing share of older women prefer leather-look (mainly) polyester in jackets, trousers, dresses and skirts, but this is often a matter of price.

Demographics

Ireland's population is increasing strongly, from 4.0 million in 2004 to 4.4 million in 2008. In 2010 the population will have grown to a projected 4.5 million. A fifth of the population consists of children aged below 15, and just over a third of the population is under the age of 25. These are relatively high levels in comparison to the rest of Europe. Conversely, adults aged over 65 accounted for 11% of the population, one of the lowest percentages in Europe.

Economic developments

Following a slowdown in real GDP growth in the early part of the new millennium, 2003 saw the economy pick up again, with growth at 4.3%. Growth increased in 2005 (+5.9%) and remained robust in 2006 (+5.4%) and 2007 (+6.0%). The Irish economy is currently experiencing a depression: GDP in 2009 is forecast to have been more than 10% below its 2007 level, the standard definition of a depression. After a decline in GDP of 3% in 2008, a further contraction is estimated at 7.0% and forecasted for 2010 (-2.3%). This is attributable to contracting domestic demand, led by (among others) shrinking consumer spending.

Trends

- A continuing interest in fashionable leather garments, especially among younger people, is consumer behaviour similar to the UK.
- Older consumers in Ireland are less conservative and more casually dressed than in the UK.
- Consumers opt for quantity over quality as 'fast fashion' makes its mark in the Irish clothing sector. This was evident by increases in sales by H&M and TK Maxx in recent years.
- Demand for clothes for the full-figured woman is increasing in Ireland. Many companies started new collections for bigger sized clothing, which is a growing sector in Ireland.

Production

The clothing sector in Ireland continued to decline in terms of production volume and numbers employed, reflecting the increasing importance of outsourcing. The apparel sector has declined for the past two decades.
Information, for 2008, about production in Ireland has not been published by the usual sources like Eurostat's Prodcom and Euratex. In the period 2004-2008, leather garments output declined and can be estimated at € 1.8 million in 2008.

Trends

- Clothing companies continue to operate the outsource model, while focusing on building brand and marketing capability.
- CSI (corporate sustainable issues) are becoming more important, because consumers become more aware of these issues.

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'.

Opportunities and threats

+ Consumer expenditure is expected to have fallen considerably during 2009 and to fall in 2010. Caused by economic developments, Irish consumers are, and will be, more price-conscious than in the past.
± Many Irish consumers are fashion-conscious, but want to find new fashionable products which are also competitively priced.
+ Manufacturers (and retailers) are increasingly looking abroad in terms of supply and production. Cheaper overseas sourcing is a major factor contributing to continued price deflation in the leather garments market; however, products with high design content are also sourced abroad.

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

Most interesting trade channels in Ireland for exporters in DCs are wholesalers, clothing multiples and, to a lesser degree, department stores and manufacturing companies.
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 Ireland. 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 Irish market.

Manufacturers

ICATA, the Irish Clothing and Textile Alliance published a member's directory on http://www.ibec.ie/icata including links. However, this directory does not include manufacturers of leather clothing. Another source is the exhibitors directory of the leading Irish trade fair Futura Fair: http://www.futurafair.com.

Wholesalers

There is no association of clothing wholesalers in Ireland. The usual trade directories, as mentioned in CBI's 'The market for leather garments in the EU' should be used. Just like manufacturers, wholesalers in Ireland can be found at the website of the leading Irish trade fair: http://www.futurafair.com.

Retailers

Ireland is the most concentrated clothing retail market in Europe. Specialist clothing retailers account for the bulk of the leather garments market: 69% in 2008, of which 12% independent retailers and 57% clothing multiples.

Dunnes Stores (http://www.dunnesstores.com) and Penneys (http://www.primark.co.uk) lead the specialist sector; together they captured a significant 45% market share. Dunnes (161 stores, of which 122 in Ireland) is by far the largest retailer of clothing in the country and is often classified as a clothing specialist, because its clothing offer represents an important part of its sales mix, although strictly spoken Dunnes Stores is a mixed goods store. Penneys (189 stores, of which 38 in Ireland, 136 (Primark) in the UK and 12 in Spain and 3 in other European countries), owned by Associated British Foods (ABF) which operates Primark in the UK, is similar to Dunnes Stores in that it operates at the value end of the market. After Dunnes Stores and Penneys, the clothing retail market becomes more fragmented; domestic chains are, among others:

- A-Wear (29 stores, of which 25 in Ireland; owned by Brown Thomas - http://wwww.awear.ie);
- Barry & Sons Fashion Stores (13 Japan stores, mainly franchising, http://www.barryandsons.com).

Chains from the UK are: all brands accounting for 106 stores of the Arcadia Group (UK); Next (24 stores, UK) and New Look (24 stores, UK). Oasis (33 stores in Ireland) Karen Millen (9 stores in Ireland) and Warehouse (17 stores in Ireland) are three of the four brands of the former Mosaic Group (since March 2009: Aurora Fashions - http://www.aurorafashions.com).

There is also inward investment coming from retailers based elsewhere in Europe i.e. other than the UK. Notable examples are Denmark's Bestseller (72 stores of several formula), Mothercare (17 stores), Inditex (22 stores, of which 9 are Zara, 5 are Pull & Bear and 5 Bershka) and Mango (11 stores of Spain, Benetton of Italy (24 stores) and H&M of Sweden (11 stores).

Non-specialists accounted for 31% of the leather garments market in 2008, of which 19% department and variety stores (including hypermarkets), 5% home shopping companies and 7% other retailers (food retailers, market stalls and other).
Leading department stores are Heatons (81 stores, http://www.heatons.ie), UK based Debenhams (16 stores) and Brown Thomas (4 stores, http://www.brownthomas.com). An important variety store chain is, besides Dunnes Stores, the UK based Marks & Spencer operating with 17 stores in the Irish Republic. Other non-specialized retailers are hypermarket chain Tesco (100 stores, http://www.tesco.ie from the UK) and from Germany discount stores Aldi (45) and Lidl (100).

Home-shopping in Ireland has grown strongly over the past few years, with e-commerce allowing many traditional catalogue operators to expand their offer online, thus providing a greater degree of flexibility and responsiveness to changes in the market. Store-based players are also looking to benefit from the advantages of a multi-channel offer. The home-shopping sector remains small compared to other West European countries. The leading catalogue players – N Brown, Next, Otto Versand and Damart (http://www.damart.co.uk) – are foreign companies.

Margins
Different margins and prices apply in each trade channel, with multiples of 2.4 up to 3.5 of the manufacturer's or importer's price. Wholesalers' margins generally range between 30–40% of the CIF price, while retailers' margins are between 45–80%. More information can be found in chapter 3.2 of the CBI market survey 'The market for leather garments in the EU'.
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 same survey.

3. Trade: imports and exports

Imports
Ireland imported 152 tonnes of leather garments valued € 6.4 million in 2008. Ireland is the 20th largest importer of leather garments in the EU, behind Bulgaria (18th) and Hungary (19th), and accounted for 0.4% of EU total imports in 2008.

Total leather garments imports fell by an average of 25% per year (in terms of value) during 2004-2007. However, imports increased 7.8% in 2008 compared to 2007.

The United Kingdom remained by far the leading leather garments supplier to Ireland in 2008 with an import share of 54% in terms of value, after a fall of 24% in 2008 compared to 2006. The UK was followed by Spain (imports almost tripled to an import share of 10%), Italy (imports tripled to a share of 7%), Germany (-26% to a share of 7%) and France (imports tripled to a share of 5%). It can be assumed that a significant share of UK exports to Ireland concerned re-exports.
Imports from other countries (exports of more than € 100,000 in 2008) varied strongly: imports from Denmark and India increased, while imports from China and The Netherlands fell.

Total imports of leather garments from DCs increased very slightly (+0.5%) in terms of value during 2006-2008 to 7% of total imports (the same percentage as in 2006) Imports from DCs came mostly from China (-32% to a share of 4% of total imports) and India (reached a share of 3% in 2008 against 0.2% in 2006).

Exports

Ireland exported 9.2 tonnes of leather garments valued € 554 thousand in 2008. Total leather garments exports fell by an average 18% per annum during the period 2004-2008. Ireland is the 25th largest exporter of leather garments in the EU, behind Latvia and Luxembourg. Only Cyprus and Malta exported less leather garments than Ireland.

85% (in terms of value) of destinations was other EU countries, like the UK (65% of total exports in 2008), Italy (7%), Sweden (5%) and Germany (4%). Leading destination outside the EU were Norway (10%), Russia (3%) and Switzerland (2%).

Re-exports

The size of re-exports cannot be derived from the available trade and production statistics, but can be ignored.

Opportunities and threats

± The share of DCs in Irish imports stabilized at 7% in the period 2006-2008, however, this was far below the EU average of 61%. It can be assumed that re-exports by the UK are preferred above direct imports from DCs.
\+ Import prices from DCs decreased considerably in 2008 compared to 2007. This decrease will put further pressure on Irish producers and force them to source abroad.
\- During the period January-November 2009, imports of leather garments into Ireland decreased 23% in terms of value (compared to the same period in 2008), which is much lower than the decrease in total EU imports of 11%.

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 Ireland increased from 2.2% in 2004 to 4.9% in 2007, but fell to 4.1% in 2008 although this was still above the Euro area average. Forecasts for 2009 and 2010 are respectively -0.8% and +1.3%. Clothing consumer prices were under pressure and fell between 3-4% during the period 2006-2008.

According to a price level study by Eurostat, clothing prices in Ireland were 9% below the EU average in 2008. Four EU countries accounted for a lower price level of clothing, namely Bulgaria, Lithuania, Romania and the UK.

The VAT rate for leather garments for adults in Ireland is 21% and for children 0%.

Import prices
Price of imports into Ireland increased strongly during the period 2007-2008, as table 4.1 indicates. Imports from other EU countries (mainly re-exports from the UK) showed a very strong increase, while prices of imports from DCs decreased considerably. The drop in import prices in Ireland caused a drop in consumer prices.

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

	2006	2007	2008	AAGR*
Total imports	**36.39**	**35.08**	**41.97**	**+7.7%**
Intra-EU	37.59	35.76	44.08	+8.6%
DCs	26.61	31.28	26.11	-0.9%

* Average annual growth
Sources: Eurostat (2009)

Useful sources:
An impression of average prices can be formed by browsing through the catalogues of large multiples, department stores (http://www.dunnesstores.com), mail-order companies or from other company websites. For websites, we refer to the previous chapter.

The website of Irish National Statistics (http://www.cso.ie) publishes harmonised indices of consumer prices, which include the clothing sector.

5 Market access requirements

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

There are several main aspects to the **labelling** of leather garments besides sizing and brand name, of which you should be aware.
In the field of leather garments, there are mandatory labelling requirements in Ireland for materials and care-labelling instructions (see: http://www.ginetex.net). Information about the professional cleaning method can be applied. The care instructions must be durably attached to the leather garment.
Note that labelling has to be formulated in the English language.
In the case of leather garments, labels of 'genuine leather' also indicated as 'real leather' are found on most products.
Country of origin labelling is, generally speaking, not compulsory. However, it is necessary to attack an origin label if, without such a label, the consumer would be misled as to the true origin of the garment.

As mentioned in Chapter 6 of CBI's market survey 'The market for leather garments in the EU', Ireland uses a different sizing system: figure size 36 for women's dresses, coats etc. in Germany (and some other EU countries) is indicated in Ireland as 8, 38 as 10 etc. Different sizes are also valid for categories in men's and children's wear. International clothing size comparisons can be found at several websites, such as:
http://en.wikipedia.org/wiki/Clothing_sizes or
http://www.brightonarea.co.uk/ebay/conversion.html

More information about labelling can be found in chapter 6 of the CBI survey 'The market for leather garments in the EU'.

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'.

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 Ireland, visit the following websites:
- The trade association in Ireland is the Irish Clothing & Textiles Alliance (ICATA), which can be reached at http://www.ibec.ie/icata.
- The Futura Fair in Dublin is the international clothing trade fair. More information and a list of exhibitors can be found at http://www.futurafair.com.
- http://www.buyusa.gov/ireland/en/doingbusinessinireland.html
- http://www.chambers.ie the Irish Chambers of Commerce
- General information on trade structure, manufacturers and other business contacts can be found at the website http://www.enterprise-ireland.com

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