CBI MARKET SURVEY

The market for leather garments in Germany

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

- Germany remained the second largest leather garments market in the EU, because of its large population. During the period 2004-2008, the German leather garments market decreased by an annual average of 0.8% to reach € 1.0 billion.
- Turnover of the German leather garments industry amounted to € 19.1 million in 2008 (2.5% lower than in 2007). Germany ranked 5th in leather garments production, after Italy, Spain, France and Romania.
- The most interesting trade channels for exporters in developing countries (DCs) are domestic manufacturers (often with production activities abroad), importers/wholesalers, specialised retailer organisations (clothing chains and buying organisations) and non-specialised retail organisations (department stores and home-shopping companies).
- Germany remained the largest EU importer of leather garments. During the period 2004-2008, leather garments imports by Germany fell by an average of 0.4% annually in terms of value to € 353 million, which was 22% of total EU imports in 2008. It should be noted that imports decreased 4.5% annually during 2004-2006, but grew 4.1% annually during 2006-2008.
- A decreasing proportion of German imports of leather garments came from DCs: 76% of total imported value in 2008, against 80% in 2006 and 81% in 2004.
- China remained the leading exporter of leather garments to Germany and accounted for 26% of total German imports in 2008 (in terms of value), followed by India (22%), Turkey (13%) and Pakistan (12%). Imports from China fell 27% during 2006-2008, while imports from India rose 55% during the same period.

This survey provides exporters of leather garments with sector-specific market information related to gaining access to Germany. 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
Germany remained the second largest leather garments market in the EU, because of its large population. During the period 2004-2008, the German leather garments market decreased by an annual average of 0.8% to reach € 1.0 billion. The German market was 7% smaller than the Italian market. German consumption of leather garments accounted for 18% of total EU consumption.
Imported leather garments dominate the German market, as domestic production has declined in the face of the low prices maintained by products from outside the EU.
The average leather garments spending per person reached € 14.30 in 2008, which was lower than other major EU markets, like Italy, UK and France but higher than countries like The Netherlands and Spain, as well as being higher than the EU average of € 13.75.

Several factors resulted in the decrease of expenditure on leather garments, such as:

- decreasing population figures;

- changing consumer expectations;
- growing imports from low-cost countries;
- competitive pressure is increasing due to expansion by powerful foreign manufacturing and/or retail companies in the German market, as well as market activities by companies from outside the clothing sector; and,
- last but not least, the financial and economic developments, because the German economy moved into recession in the third quarter of 2008.

The fall in consumption was larger in terms of value than in terms of volume. This indicates lower prices, caused by factors like a more liberal attitude in clothing behaviour by the German consumer (wearing of clothing does not depend on the occasion), resulting in an increased focus on casual wear. Items like jeans, other casual trousers and knitwear are often combined with leather jackets and are expected to continue their good performance.

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

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	**1,048.3**	**1,028.1**	**1,013.1**	**-0.8%**	**1,000**
Total outerwear	50,769	51,256	51,258	+0.2%	48,570
Consumption of leather garments in % of total outerwear	2.1%	2.0%	2.0%		2.1%

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

A fall in consumer expenditure on leather garments of 2% is expected for 2009 and a slight growth of less than 1% for 2010; consumption will reach an estimated value of € 1.0 billion in 2010. The pessimistic expectations for 2009-2010 are based on the general economic slowdown, resulting in decreased consumer expenditure on clothing, but the fall in spending on leather garments is much smaller than the decreased spending on outerwear. Luxury leather garments will be the product group declining most, but a shift from the mid-priced segments into the lower-priced ones is also predicted.

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 Germany 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'.

Total spending on leather garments amounted to € 1,013 million in 2008, of which 81% concerned coats and jackets. Average prices of leather jackets were 3.2% higher in 2008 than in 2006.
Leather outdoor jackets and coats were most popular with women older than 20. Favourite colours, besides the traditional leading black, remained the other basics brown and beige. Short tailed jackets for indoor and outdoor use and in a variety of colours were also popular in this segment. These items are mainly sold separately (not combined with other leather items, such as trousers or skirts). Other popular items for women and girls were leather trousers, treggings, leggings, waistcoats or vests, skirts and dresses.

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.
Men's leather outdoor jackets and coats are mainly sold in autumn/winter, often inner-lined (paddings). Suede indoor and outdoor jackets are also sold in spring/summer. Favourite colours remained black, brown and cream.

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 German population is decreasing at a very slow pace from 82.5 million in 2004 to 82.2 in 2008. It is projected to decrease to 82.0 million by 2010.

Just like in other major EU countries, the category below 15 years has decreased in Germany. In 2004, 51% of the total population was older than 40. The over-65 age group is the fastest growing in Germany. Following the trend in other European countries of an ageing population, in 2008 20% of the German population was 65 or over, which was higher than in other west European countries.

Table 1.2 Leather garments consumption by gender in Germany, 2004-2008, in € million

	2004	2006	2008	AAGR*
Leather coats and jackets for				
- men	446.8	434.1	418.0	-1.6%
- women	418.0	408.9	406.8	-0.7%
Other leather garments for				
- men	41.8	41.3	40.7	-1.1%
- women	141.7	143.8	147.6	+1.0%
Total leather garments	**1,048.3**	**1,028.1**	**1,013.1**	**-0.8%**

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

Almost 55% of total consumption of leather garments concerned women's garments. Mainly caused by developments in fashion, differences between spending on leather garments for women and men will be bigger. According to Textil Wirtschaft, expenditure on leather garments for women increased by 6% caused by growing popularity of leggings, skinny trousers and jackets; expenditure on men's leather garments decreased by almost 12% in 2009.

Attitude of consumers towards fashion
German consumers prefer a more conservative style of clothing. Some 31% of German women defined themselves as fashion–conscious, compared with only 12% of men. These percentages will probably increase in the near future. Influences of media, especially magazines, TV and Internet, make consumers more conscious about the latest fashion trends and prices, so they will be better informed to make a choice than before.
The influence of the active sports segment in the German outerwear market on the leisure and casual segments declined. The hype of casual and leisure wear came over the top and smart casual becomes more popular. The opinion of some experts is that the move in clothing behaviour by men and children from leisure to casual, and from formal and leisure to casual by women will not, or only slightly, be continued in the coming years.

Economic developments
The GDP of Germany, which is the largest economy in the EU, grew more slowly than the EU average. German consumers reacted calmly to initial signs of an economic slowdown at the beginning of 2008 but, as fear of recession grew, consumption declined significantly. Falling energy costs did not help the situation to any noticeable degree. The German economy moved

into recession in the third quarter of 2008. GDP contracted by 5.0% in 2009. Germany was experiencing its worst recession on record. Some indicators suggest that a floor may have been reached. GDP should register growth of 1.1% in 2010 and 1.2% in 2011.

Geographic segmentation

There is still some geographic segmentation in Germany. This is becoming less significant as the differences between the former East and West Germany narrows. There continue to be economic differences between German regions, which translate into significant differences in purchasing power or interest in different fashion trends. The west and the south are more affluent, the east less so.

Trends in consumption

- German consumers are well-known for their price consciousness, the share of private label merchandise in the clothing market being higher than in other major EU countries. This trend will even be reinforced by economic developments.
- Demand for bigger sizes is increasing. Demand for clothes for the full-figured man or woman is high and increasing in Germany. Many companies started collections for larger sized clothing. This development is also valid for leather garments.
- Consumers become more aware of sustainability issues.
- The following trends in leather garments fashion for women are signalized:
    - Leather leggings and indoor jackets (blazers) with pagoda shoulders were the bestsellers in the premium segment during autumn/winter 2009-10. This trend will be continued in autumn/winter 2010-11 also in the lower segments;
    - Three main streams in fashion forecasts are announced: leather garments collections will be more feminine; sportive influences like glance leather combined with flat knit or glance nylon with longhairs; and, strong energic leather black-coloured, this theme named glamour- or glam-rock includes variations on the biker jacket.
    - Skirts remain popular in all types and kind of lengths. The legging trend makes it possible that skirts can be much shorter.
    - Washed leather, which gives leather a slightly-used effect
- Trends in leather garments for men are less innovative. The main colour remains the black-anthra range followed by the natural browns. Indigo and orange will be used for suede jackets and colourful leather jackets will be in green, blue and dark red.

More general trends and fashion trends related to leather garments can be found in chapter 1 of the CBI market survey 'The market for leather garments in the EU'.

Production

Turnover of the German leather garments industry amounted to € 19.1 million in 2008 (2.5% lower than in 2007). The number of leather garments manufacturers, accounting for more than 20 employees, decreased to 6 in 2008, employing 263 people.

Table 1.3 Production of leather garments in Germany, 2004-2008 (€ million and '000 units)

	2004		2006		2008		AAGR* in % of value
	value	volume	value	volume	value	volume	
Total	18.9	98.2	15.9	94.0	19.1	113.3	+0.3%

* Average annual growth
Source: Eurostat/Prodcom (2009)

Germany ranked 5th in leather garments production, after Italy, Spain, France and Romania. Germany's share in total EU production was 4% in 2008.

Major players

A selection of German manufacturers of leather garments (nearly all of them developed an outsourcing policy): Koenig Leatherwear, operating under the brand name Trapper (http://www.koenig-leatherwear.de); Gino Ginero Ledermoden (http://www.gino-ginero.de); Mauritius GmbH (http://www.mauritius.de); Karl Kratochwil (http://www.kkberlin.de); Heinz Günther Lubert (http://www.lubert-koeln.de); Khawaja Ledermoden (http://khawaja.de) Leder Walter (http://www.leder-walter.de); Kapraun Ledermoden (http://www.kapraun-ledermoden.de); Rolf Schulte (http://www.rolf-schulte.com) and Marc Cain (http://www.marc-cain.de).

A specific segment in leather clothing is the traditional men's wear Lederhosen with specific trade fairs in Munchen (South Germany) and Salzburg (Austria): companies are among others: Meindl Fashions (http://www.meindl-fashions.de); Hammerschmid (http://www.hammerschmid.de); Spieth Wensky (http://spieth-wensky.de)

Trends in production

- There is a high degree of integration in the value chain. More and more manufacturers of brands have opened or will open their own brand stores, like among others Tom Tailor, Street One, S, Oliver.
- A further decrease in the number of manufacturing companies, as a result of growing imports from low-cost countries, is expected.
- CSI (Corporate Sustainable Issues) are becoming more important.

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

- Germany is the second largest market for leather garments in the EU, behind Italy. However, after some years of decrease in German clothing expenditure, a very slight growth was registered during recent years. A fall in consumer expenditure on leather garments of 6.4% is expected for 2009 and of 2.2% for 2010.

± The pessimistic expectations for 2009-2010 are based on the general economic slowdown, resulting in decreased consumer expenditure on clothing, including leather garments. Luxury leather outerwear will be the product group declining most, but a shift from the mid-priced segments into the lower-priced ones is also predicted.

\+ Caused by economic developments in their country, many German consumers on lower incomes will continue to seek low-priced clothes. On the other hand, the size of the market and the polarisation in incomes offer opportunities for high-quality products, designer labels etc.

± To satisfy the requirements of importing companies in Germany (and other EU countries), exporters in DCs will be faced with increased demands for higher quality and environmentally and socially friendly products.

\+ Strategies of German manufacturers led to further sourcing of products in low-cost countries and, probably, of products with a higher design content. The largest middle range market segment may offer good opportunities for exporters in DCs.

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

- Information about the German clothing market can be found at websites, such as http://www.textil-mode.de and http://www.wer-zu-wem.de
- Euratex Bulletins - http://www.euratex.org
- BBI (German Association in the Clothing Industry) - http://www.germanfashion.net

2. Trade channels for market entry

Trade channels

All distribution channels are discussed in CBI's 'The market for leather garments in the EU', Suppliers on the leather garments market in Germany, which are the most interesting trade channels for exporters in DCs, are:

- Domestic manufacturers, often with production activities abroad (see chapter 1 of this survey and chapter 2 of CBI's 'The market for leather garments in the EU');
- Importers/ wholesalers, selling to retail organisations;
- Retailers, of which the larger players are themselves importers;
- Buying (and selling) organisations.

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 Germany. 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 German market.

Domestic manufacturers

Production has been discussed in chapter 2 and a short list has been given of manufacturers/distributors which might possibly be interested in any form of co-operation, Most of them have production activities abroad. Opportunities exist for exporters, who are interested in forming relationships or partnerships with German producers.
Besides companies which are specialised in leather garments, many general clothing companies sourced leather garments to broad their assortment. Examples are, among others, in the sectors:

- Family wear: S, Oliver Group (http://www,soliver,de); Tom Tailor (http://www,tom-tailor,com),
- Women's wear: Escada-Gruppe (http://www.escada.com); CBR Holding (http://www.street-one.com); Gerry Weber International (http://www.gerryweber-ag.de).
- Men's wear: the Ahlers Gruppe (including sportswear and workwear; http://www.ahlers-ag.com); Brinkmann (http://www.bugatti.de or http://www.bugatti-fashion.com).
- Women's and men's wear manufacturers are: Hugo Bosch (http://www.hugoboss.com); Mac Mode (http://www.mac-mode.com).
- Luxury: Karl Lagerfeld (http://www.karl-lagerfeld.de) and Joop! (http://www.joop.com).

Wholesale trade

Selling to wholesalers has many advantages for exporters, as described in chapter 3 of the CBI market survey 'The market for leather garments in the EU', and this is also valid for the German market. Thousands of wholesalers operate in Germany. A selection of German wholesalers can be made by searching through the several (free) available trade directories.
Other selection methods are:

- Searching under http://suche.freenet.de; typing under search keyword: 'grosshandel Lederbekleidung' (wholesale leather garments) or specific product names.
- The site of trade magazine Textil Wirtschaft: http://english.twnetwork.de click on 'suppliers', after which a choice can be made by company, brand or a selection of product category and the type of organisation, such as wholesaler, importer etc, including link to websites.
- http://www.wer-zu-wem.de; click on 'TOP-Unternehmen Einzelhandel', on 'Mode & Lifestyle' and on 'Modehäuser' or on 'Jeansshops'.
- Trade fairs, such as CPD Woman and /Man in Dűsseldorf (http://www.cpd.de), ISPO in Cologne (http://www.ispo,com), Kind+Jugend in Cologne (http://www.kindundjugend.de) and Bread and Butter in Berlin and in Barcelona, Spain (http://www.breadandbutter.com), A list of exhibitors can be found at the websites of these fairs.

Wholesalers specialised in leather garments are (among others): Taleco-Handels GmbH (brand names Maddox and Maddox Country – http://www.taleco.eu); Chevirex (http://www.chevirex.de) and Polar Leder Modevertriebs (http://www.polarleder.com).

Retail trade

Major developments in German clothing retail are:

- Cross-border activities or internationalisation; many foreign-owned clothing retailers are active on the German market, of which the most important are: Hennes & Mauritz (Sweden, 362 stores in Germany), Vögele (Switzerland, 851 stores in 9 European countries of which 326 stores in Germany), Miss Etam from France (81 stores in Germany), the Mulliez Group from France with the women's wear chains Orsay (Germany-based) and Pimkie (170 stores in Germany), Benetton (Italy, 212 stores in Germany), Inditex from Spain with among others Zara (65 stores in Germany) and Mango (52 stores in Germany and also from Spain), M&S Mode (The Netherlands, 62 stores in Germany), Arsana (Turkey, 300 stores in European countries of which 230 in Germany) and textile discounter Zeeman (The Netherlands, 245 stores in Germany).
- An increasing concentration on the German retail market, of which examples are Arcandor (new name for Karstadt/Quelle), which is Europe's leading department store and home shopping group; Otto Group and Metro Group, 20 companies accounted for 50% of the German retail-clothing and textiles market. In June 2009, retail group Arcandor filed for insolvency after the German government rejected pleas for state aid to help repay loans of € 710 million (US$ 1 billion); bankruptcy followed in September 2009.
- Rising power of retailers, of which clothing does not belong to the standard or regular assortment, like super- and hypermarkets, discounters, variety stores but also the coffee shop chain Tchibo (see below under 'Other non-specialised stores').

Market shares of specialised clothing multiples, textiles discounters and non-specialists like hyper- and supermarkets have increased in the outerwear sector. This has negatively affected specialized independents and department stores.

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

	2004	2006	2008
Specialists	**60**	**60**	**59**
- Independent retailers	28	27	25
- Clothing multiples *)	32	33	34
Non-specialists	**40**	**40**	**41**
- Department/variety stores	14	13	13
- Home shopping companies	12	12	12
- Hyper- and supermarkets	3	4	5
- Other	11	11	11
Total	**100**	**100**	**100**

*) including discounters
Source: BBI (2009) and BTE (2009)

According to BTE, the total number of German outlets with clothing in their assortment is 45,000. The number of independent clothing stores is estimated at 26,500, of which 7,000 are specialised in women's wear, 2,000 in men's wear, 15,000 have a broader range and the remaining part is specialised in another product group. Around 40% of the independent retailers is a member of a buying corporation. In no other European country, with the exception of The Netherlands, do the buying organisations play such a significant role for specialised independent retailers as they do in Germany. The most important buying corporations are Ardek (http://www,ardek,de) which specializes in babies' and children's products including clothing and has 350 members with 500 outlets; and Katag-abz (http://www,katag,net) which operates through 364 members with 1,200 outlets. Other buying groups are Unitex (http://www,unitex-gmbh,de) with 500 members; Sütegro (http://www,suetegro,de) which has 130 members and is specialized in women's wear, Sütegro became the fashion and style division of the EK-Service group.

Table 2.2 gives an overview of the important German chains, operating in Germany. Some remarks regarding this overview:

- Orsay is owned by the French Muliez Group. Since the withdrawal of Orsay from the French market, this formula can be considered as a German-based company.
- Since 1997, the European part of the Esprit business was acquired by the Hong Kong division of Esprit Holding. Headquarters of Esprit Europe are established in Germany, from which the wholesale and retail activities are managed.
- The number of children's wear chains and men's wear chains is very limited in Germany.
- Leading clothing multiple C&A sells clothing for the whole family and operates mainly in the middle of the market, but is also active in both the upper and the lower price brackets. Other C&A formula are Kids Stores and Women Stores (mostly active in Germany). The market share of C&A came under pressure, besides increasing competition from non-specialists, following the entrance and strong expansion of foreign general clothing chains like Hennes & Mauritz, Vögele and Zara.

Table 2.2 Major Germany-based chains selling outerwear, 2009

Retail chain	Parent company	Website	Number of outlets
General			
C&A	C&A	http://www.c-and-a.com	371/1,149*
P&C	P&C West	http://www.peek-und-cloppenburg.de	69/90*
P&C	P&C Nord	http://www.peekundcloppenburg.de	19/32*
Sinn Leffers	Karstadt/Quelle	http://www.sinnleffers.de	24
Wöhrl	Wöhrl	http://www.woehrl.de	40
K+L Ruppert	K+L Ruppert	http://www.kl-ruppert.com	61
Strauss Innovation	Strauss Innovation	http://www.strauss-innovation.de	98
Esprit	Esprit Europe	http://www.espritholdings.com	140/314**
Women			
Bonita Mode	Bonita Group	http://www.bonita.de	732/898*
Ulla Popken	Popken Group	http://www.ullapopken.com	186/300*
Women Store	C&A	http://www.c-and-a.com	17/19*
Orsay	Mulliez Group, France	http://www.orsay.de	220/530*
Men			
Pohland	Pohland	http://www.pohland.de	12
NIC	Bonita Group	http://www.nicolas-scholz.de	60/87*
Children			
Kids Stores	C&A	http://www.c-and-a.com	105/213*
Leisure			
New Yorker	Friedrich Knapp	http://www.newyorker.de	299/703*
Mister Lady	Western Store Beran	http://www.mljeans.de	204
Jeans Fritz	Schaeffer-Kuehn	http://www.jeans-fritz.de	191
Sports			
Runners Point	Hannover Finanz	http://www.runnerspoint.de	102/120*
Discounters			
Ernsting's Family	Ernsting Familie	http://www.ernstings-family.de	1,350
Takko	Takko Holding	http://www.takko.de	841
KiK	Tengelmann-Gruppe	http://www.kik-textilien.com	2,039/2,800*
Adler	Metro Group	http://www.adler-mode.de	107/126*
NKD	Daun & Cie,	http://www.nkd.de	1,000/1,250*

* respectively outlets in Germany and in Europe ** directly-managed stores

Leading department stores are Karstadt and Kaufhof, Karstadt (http://www.karstadt.de) operates through 91 department stores and 28 Karstadt Sport Shops; it is part of Arcandor (http://www.arcandor.com); Galeria-Kaufhof (111 stores; http://www.galeria-kaufhof.de) is part of Metro. Another department store is Breuninger (10 stores; http://www.breuninger.de). The leading variety store is Woolworth (330 outlets in Germany and Austria; http://www.woolworth.de), of which textiles account for about 40% of total turnover.

Textile discounters sell family clothing, sportswear, bodywear and household textiles, but sometimes also other product groups. They buy in large quantities and avoid middlemen, in order to get low-priced goods in the shops quickly. All discounters mentioned increased strongly in turnover and in number of outlets in recent years; they compete, among others, with the Dutch discount chain Zeeman (239 stores in Germany).

Home-shopping companies occupy a significant position in the German retail market. Leading companies are Neckermann (http://www.neckermann.de), Otto (http://www.otto.de) and Klingel (http://www.klingel.de). The Otto Group is the world's biggest home-shopping organisation, due to its many foreign activities: 123 companies in 19 countries, of which, besides Otto, Les trois Suisses and Baur are those best known. Other (independent) home-shopping companies are Bader (http://www.bader.de) and Walbusch (http://www.walbusch.de). Most of the companies mentioned have outlets; on the other side, several clothing multiples started home-shopping activities and have their own catalogue, website, tele-selling activities etc.

Many textiles, including (occasionally) leather garments can increasingly be found in food discounters and hypermarkets. Discounters are (among others):

- Aldi (Aldi Nord; http://www.aldi-essen.de and Aldi Süd; http://www.aldi-sued.de) respectively 2,500 and 1,700 stores;
- Lidl (2,950 stores is part of Lidl & Schwarz; http://www.lidl.de);
- Netto (part of Edeka, 1,442 stores; http://www.netto-online.de);
- Penny (owned by Rewe Gruppe; 2,000 stores; http://www.penny.de);
- Plus (part of Tengelmann: 2,950 stores; http://www.plus.de).

The major company in the super- and hypermarket sector is Edeka (around 12,000 stores) and includes formula like Edeka voluntary group, Edeka hyper- and supermarkets, Spar, Netto etc, (http://www.edeka.de). The non-food offer in the grocery sector is increasing in Germany. The hypermarket format, with its strong non-food component, plays an increasingly important role. However it should be noted that these companies operate more in low-priced incidental offers than in a fixed/permanent outerwear assortment. Hypermarket chains are among others:

- Real, which is owned by Metro Gruppe (http://www.metrogroup.de) 343 stores in Germany and 96 in four other countries;
- Kaufland/Kaufmarkt (owned by Lidl & Schwarz – http://www.kaufland.de), 750 stores in seven countries;
- Tengelmann operates internationally through several formulas, in total 7,426 outlets in 15 countries - http://www.tengelmann.de, This company also sells clothing and textiles via discount chain KiK, mentioned above in Table 2.2.

'Other non-specialized stores' includes, among others, two cash & carry wholesalers with retail activities: Metro C+C, 122 stores in Germany (http://www.metro-cc.de) part of the Metro Group and Fegro/Selgros, 44 stores in Germany (http://www.fegro-selgros.de). Tchibo (http://www.tchibo.com) operates through 900 coffee shops (including retail activities in clothing and textiles and home shopping activities), street markets and factory outlets.

Price structure

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 leather garments 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 very fierce and margins are low.

Margins have been falling in Germany in recent years, as a result of intense competition in the supply chain and an intensification of competition between retailers. Different margins and prices apply in each trade channel, with multiples of 2.2 up to 4.0 of the CIF price as is shown in table 2.3. These margins will vary depending on which market segment is being approached. The higher the market segment, the higher the margins which can be reached.

Table 2.3 Overview of margins in leather garments in Germany

	Low	High
Importers/wholesalers' margins	30%	40%
Agents' margins	10%	15%
Retailers' margins	40%	75%
Ratio CIF/Consumer price	**2.2**	**4.0**

Source: trade estimates (2009)

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:
- Igedo's CPD (women's wear). HMD (men's wear) and Global Fashion (sourcing) in Dűsseldorf - http://www.igedo.com
- ISPO (sportswear) in Cologne - http://www.ispo.com
- Kind+Jugend (babies. children and maternity wear) in Cologne - http://www.kindundjugend.de
- Bread and Butter (young fashion and jeanswear) in Berlin and in Barcelona. Spain - http://www.breadandbutter.com

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

The German Association in the clothing industry is BBI Bundesverband Bekleidungsindustrie). Members of this organisation, active in the field of outerwear can be found at http://www.bekleidungsindustrie.de.

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 Imports

During the period 2004-2008, leather garments imports by Germany fell by an average of 5.2% per year in terms of volume to 9,172 tonnes and 0.4% annually in terms of value to € 353 million, which was 22% of total EU imports in 2008. It should be noted that imports decreased 4.5% annually during 2004-2006, but grew 4.1% annually during 2006-2008.

Germany remained the largest EU importer of leather garments. The stronger increase in imports than in domestic production mean that a growing share of German leather garments consumption concerned imported products.

Average import prices of leather garments were 5% lower in 2008 than in 2006, mainly caused by the weak domestic consumer market and the intensive competition, both at trade level and at suppliers' level.

Important supplying countries
A decreasing proportion of German imports of leather garments came from DCs: 76% of total imported value in 2008, against 80% in 2006 and 81% in 2004. 79% of leather garments imports was sourced outside the EU in 2008.

China remained the leading exporter of leather garments to Germany and accounted for 26% of total German imports in 2008 (in terms of value), followed by India (22%), Turkey (13%) and Pakistan (12%). These leading countries were at distance followed by the EU countries Italy, The Netherlands and Denmark (each country 4%).

Imports from China fell 27% during 2006-2008, while imports from India rose 55% during the same period. Imports from other countries mentioned varied too: Turkey (-17%), Pakistan (+71%), Italy (-12%), The Netherlands (+38%) and Denmark (+29%).

Main developments in origin of leather garments imports by Germany concerning DCs in the period 2006-2008 were:
- Total leather garments imports grew 8%, of which imports from DCs increased 3%, imports from other EU countries 31% and other non-EU countries 12%;
- Imports from leading supplier China decreased by 27% to a market share of 26% of total imports or 34% of total imports from DCs;
- Imports from Asian DCs (except China) increased 60% to a market share of 47% of total imports, mainly caused by higher imports from India (+55%), Pakistan (+71%), Sri Lanka (+239%) and Vietnam (+73%), while imports from the Philippines (-30%) decreased;
- Imports from European DCs (CEECs) decreased 12% to € 51 million in 2008 or 19% of total imports from DCs, mostly caused by decreasing imports from Turkey (-17%) and despite increased imports from Croatia (+11%) and Bosnia & Herzegovina (+764%);
- Imports from DCs in South America amounted to € 0,9 million in 2008 and concerned for 91% imports from Uruguay and for 8% imports from Argentina;
- Imports from DCs in Africa, Central America and Oceania were very limited and can be ignored.

Table 3.1 German imports of leather garments by and leading suppliers to Germany, 2004-2008, share in % of value

	2004	2006	2008	Leading suppliers in 2008 (share in % of total imports)	Share (%)
	€ million	€ million	€ million		
Total	**359.2**	**326.7**	**353.4**		**100**
Intra-EU:	58.3	55.6	72.6	Italy (4); Netherlands (4); Denmark (4); France (2); Austria (2); UK (1); Spain (1); Hungary (1); Czech Republic (<1).	21
Extra-EU ex, DCs:	10.1	9.0	11.9	Switzerland (1); UA Emirates (1); Hong Kong (<1); South Korea (<1); USA (<1).	3
DCs:	290.8	262.1	268.9	China (26); India (22); Turkey (13); Pakistan (4); Sri Lanka (1); Croatia (1); Bosnia & Herzegovina (1); Vietnam (<1); Philippines (<1); Uruguay (<1).	76

Source: Eurostat (2009)

Exports

Germany ranked second in EU leather garments exports, after Italy. Exports accounted for 3,190 tonnes with a value of € 207 million or 19.5% of total EU exported value in 2008. Exports by Germany increased on average 4.7% per annum in terms of value in the period 2004-2008; exports consisted for a significant part of re-exports.

A share of 30% went to countries outside the EU, which was below the EU average of 33%. Leading destinations for exports remained Austria (16% of total exports) and France (12%), followed by Russia (10%), The Netherlands (10%), Switzerland (9%), UK (5%) and Belgium (5%). The main destinations outside the EU, besides Russia and Switzerland, were the USA (ranked 10th with 2.3%) and Ukraine (ranked 16th with 1.1%).

Re-exports

Exports by Germany, as described above, include so-called re-exports: imported products, which are exported to other (mainly other EU) countries. The volume of re-exports can be calculated when national production statistics are available and the destination of production can be divided into domestic sales and exports by industry. It can be assumed that a third of German imports of leather garments was re-exported.

Opportunities and threats

± A decreasing share of German imports of leather garments came from DCs: 76% of total imported value in 2008, against 80% in 2006 and 81% in 2004.
+ Developments in import prices will put further pressure on German producers, forcing them to pare margins and/or to source more abroad.
± The fast-changing demand in the clothing market is a significant factor. Because of the higher dynamics of the clothing markets, in terms of more rapidly changing consumer preferences and more seasons per year, there is a general tendency in the clothing branch to demand shorter delivery times and smaller volumes of series and orders.
± During the period January-November 2009, imports of leather garments by Germany decreased 10.9% in terms of value (compared to the same period in 2008), which is almost equal to the EU average (-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
Inflation varied in Germany from 1.1% in 2004 to 0.8% in 2006 and to 2.3% in 2008. Domestic price pressures, which have been persistently moderate in recent years, weakened further in 2009 as the effects of the recession took hold. The headline rate of inflation turned negative in mid-2009, but prices started rising again in November. On average, prices rose by just 0.2% in 2009. Continued weakness in demand in Germany and internationally during 2010 will keep inflation at exceptionally low levels. In 2011, inflation will return to more normal rates.
Tough competition on the German clothing market and decreased import prices resulted in low increases in consumer prices: +0.9% in 2007, +1.4% in 2008 and +1.3% in the first half-year of 2009.
According to a price level study by Eurostat, German clothing prices were far below (+7%) the EU average in 2008. Prices were similar to Estonia, Austria and Denmark.
The VAT rate for leather garments in Germany is 19%.

Import prices
During the period 2006-2008, prices of imports into Germany grew strongly in 2008 (almost 8%), as table 4.1 indicates. Total import prices from DCs grew mostly in 2008, prices from other EU countries fluctuated: +9.4% in 2007 and -7.0% in 2008.
Import prices from DCs were 64% of the level of intra-EU import prices,

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

	2006	2007	2008	AAGR*
Total imports	33.27	34.77	38.53	+7.9%
Intra-EU	53.79	58.83	54.72	+0.9%
DCs	30.33	30.39	34.85	+7.5%

* Average annual growth
Sources: Eurostat (2009)

Useful sources:
The market is intensively competitive and prices vary widely according to the product and type of outlet. A rough indication of differences in price levels by types of outlets has been given in chapter 1 of 'The EU market for leather garments' and an overview of margins valid for the levels distinguished in the market can be found in chapter 5 of the same survey.

Shopping in the prospective market place at several retail shops and/or visiting trade fairs or trade centres are good ways 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, for example http://www.otto.de. Comparisons can also be found in the prices given in catalogues on websites of specialty chains, large multiples, department stores, variety stores or on (manufacturing) company websites (http://www.s.oliver-shop.de). For other websites we refer to the chapter 2 of this survey.

Prices charged by competitors can be found by browsing their Internet sites or looking for general sites like http://www.globalsources.com or http://www.alibaba.com.

5. Market access requirements

As a manufacturer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partners and the German 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 Germany in the category search, click on the search button and click on market access requirements.

Labelling
There are several main aspects to the labelling of leather garments of which you should be aware.

- Labelling has to be formulated in the German language.
- Outer material, lining and accessories or other parts must be mentioned separately. A product cannot be labelled as 100% leather if some components of the product are made of non-leather materials, such as polyurethane or PVC. Products fulfilling the definition of coated leather or laminated leather cannot be labelled as leather.
- In the case of leather garments, labels of 'genuine leather' or in the German language 'Echtes Leder' are found on most products.
- Care labelling, i.e. the inclusion of cleaning instructions is not mandatory in Germany. 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.
- Sizing, as mentioned in Chapter 6 of CBI's market survey 'The market for leather garments in the EU'.
- 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.

Information about the professional cleaning method can be applied. The care instructions must be durably attached to the leather garment.

A detailed overview of aspects like sizing and labelling, which are valid for all EU countries or for groups of EU countries, can be found in the CBI Market Survey 'The market for leather garments in the EU'.

Packaging

Leather garments are usually individually placed in ventilated bags and then packed in a cardboard box containing several items. The box is wrapped in a plastic foil and put into a waterproof textile bag. The use of anti-bacteria or anti-fungus chemicals on the finished product is recommended. 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 EU import 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

Trade fairs with a strong international character are organized by Igedo (http://www.igedo.com) in Dűsseldorf and include CPD (for women's wear and accessories). HMD (for men's wear and accessories) and Global Fashion (for sourcing, private label and contract manufacturing). Other international trade fairs are ISPO in Cologne (sportswear including sourcing; http://www.ispo.com), Bread and Butter in Berlin and in Barcelona, Spain (http://www.breadandbutter.com).

Trade associations

The German Association in the clothing industry is BBI (Bundesverband Bekleidungsindustrie e,V), Internet: http://www.germanfashion.net.

Trade magazines

Important magazines in Germany are: Sportswear International (http://www.sportswearnet.com); Textil Mitteilungen (http://www.tm-fashion-portal.de); Textil Wirtschaft (http://www.twnetwork.de); Textile Network (http://www.meisenbach.de).

Other forms of communication

The most important ways to develop a business relationship are either to exhibit at one of the main clothing trade fairs, or to make a direct approach to wholesalers or major retailers. In Germany, 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 German leather garments market.

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