CBI MARKET SURVEY

The market for leather garments in Denmark

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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 Denmark. 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 rose 4.4% annually during 2004-2008, to reach € 87.6 million, including sales tax, in 2008. The period until 2006 showed the biggest growth. Around 2.3% of outerwear expenditure concerned leather garments in 2008. Per capita expenditure on leather garments (€ 19.70) in Denmark is far above the EU average (€ 13.75).

Denmark ranked 13th in EU leather garments consumption behind Poland (11th) and Portugal (12th) and accounted for 1.6% of EU leather garments consumption.

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

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	**74.5**	**87.3**	**87.6**	**+4.4%**	**86.5**
Total outerwear	3,269	3,653	3,823	+4.2%	3,600
Leather in % of total outerwear	2.3%	2.4%	2.3%		2.4%

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

Despite the increased consumption level until 2008, Danish consumers did not necessarily buy more clothes, but tended to buy more expensive and branded labels. Another trend was a decreasing brand loyalty amongst some consumers, who often combine high-priced luxury products with cheap private label products.

The financial and economic crisis influences the demand for leather garments and led to an estimated fall of 3.5% in expenditure in 2009, although expectations for 2010 are more positive.

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 and consequences for the leather market 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'.

The largest outerwear segment in Denmark remained casual wear in 2008, of which, in value terms, the major leather products were outdoor jackets and coats for men and women. The Danish climate, featuring chilly to mild winters and pleasant summers, brings about a diversified domestic demand for leather garment products. During the autumn and winter season, lined coats and outdoor jackets are in demand, whereas lighter jackets for women of soft leather are preferred during the spring and summer season. Major colours in autumn/winter are the traditional black, light and dark brown, while the variety in women's jackets is extended by several colours like purple, grey, red, green etc.
In winter months, tights can be replaced by the warmer alternative, the legging or the nappa skinny trousers, mostly combined with heavy knitwear. The role of other leather items is limited to specific functional garments or fashionable items like skirts, dresses, vests etc.

Demographics
Denmark's population is increasing at a steady rate, from 5.40 million in 2004 to 5.46 million in 2008. However, roughly half of the growth is coming from positive net migration. The rest comes from greater longevity, because the birth rate is declining. In 2015 the population will reach an estimated 5.54 million. Much like the rest of Europe, Denmark has an ageing population. In 2008, 15.6% was aged 65 or more against 15.0% in 2004. In comparison, 18.5% was aged 0-14 in 2008 against 18.8% in 2004. Furthermore this trend is likely to continue until 2025.

Danish society became more multi-ethnic and the average age is increasing. This will lead to new demands and consumer behaviour in outerwear. It can be assumed that women account for the highest leather garment consumption in a household.

Economic developments
Denmark elected to stay out of the Euro and was rewarded with three years of above average growth until 2007 (2.4% in 2005 and 3.4% in 2006), in spite of the economic woes of its southern neighbour, Germany. The economy slowed down in 2007 (+1.7%) and decreased in 2008 (-0.9%). Real GDP is estimate have contracted further by 4.8% in 2009, while a growth of 1.3% is forecasted for 2010.

Trends
- In winter months tights were and will be replaced by the warmer alternative, the legging or the nappa skinny trousers mostly combined with heavy knitwear. The role of other leather items is limited to specific functional garments or fashionable items like skirts, dresses, vests etc.
- Developments in fashion in leather garments for men are slower for men than for women.
- Danes are fashion-conscious and stylish. This leads to an interest in and desire for new and innovative styles of clothing. The Danish clothing industry has also built its reputation on this.
- There is a growing problem of obesity in Denmark. This may suggest an increasing demand for larger sizes.
- The Danish population became more multi-ethnic and the average age is increasing. This will lead to new demands and consumer behaviour in clothing.

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
Danish domestic production of garments including leather garments is rapidly decreasing. According to Eurostat, production of leather garments totalled € 6.9 million in 2008 against € 7.9 million in 2004. This tendency is expected to have continued in 2009 and in the years ahead.

There are around 350 Danish suppliers on the Danish market. Most of them can be found on the website of Dansk Mode & Textil (Dansk Fashion and Textile), which is the trade association for Danish textile- and clothing companies (http://www.danskmodeogtextil.dk). The site includes exhibitors at the Danish international trade fair CIFF (http://www.ciff.dk).

Manufacturers of leather garments in Denmark are, among others, G. Falbe Hansen (http://www.gfh.dk), Provider (http://www.provider.dk) and CKN of Scandinavia Nature (Pelsnoer – http://www.pelsnoer.com)
Several producers of general outerwear have leather garments in their assortment, such as Red/Green (http://www.redgreen.dk).

Several Danish clothing suppliers started a close and long-term co-operation with distribution channels, which increases the entry barriers to new suppliers, one example being Brandtex (other brand names are Ciso, B.Young, Dranella and Share female - http://www.btx.dk). Other producers own their own chain(s), among others IC Companys (http://www.iccompanys.com) and Red/Green (http://www.redgreen.dk). Leather garments has not been encountered within the activities of Brandtex and ICC.

Trends
- Most of the Danish manufacturers of leather garments moved production abroad.
- Many Danish clothing manufacturers expanded their assortment by sourcing leather garments abroad.
- 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
+ Expectations for consumer expenditure on leather garments for 2010 and later years are moderately optimistic.
+ Developments in domestic production led, besides sourcing of basic products in low-cost countries, also to sourcing of products with higher design content. The largest middle range market segment may offer good opportunities for exporters in DCs.
± Fast changing demand in the clothing market is a significant factor. There is a general tendency in the clothing branch to demand shorter delivery times and smaller volumes of series and orders.
± Consumers in Denmark pay increasing attention to the ethical conduct of business. Thus, foreign suppliers are expected to have environmentally and socially accountable production facilities, emphasizing respect for basic workers' rights, occupational health and safety, and general improvements in social and labour conditions.

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 Danish leather garments market can be entered in several ways, of which the most interesting for exporters in DCs are exports to manufacturing companies, either or not vertically organised (see previous chapter), wholesalers and retail organisations, especially central buying groups and clothing chains.
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 Denmark. 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 Danish market. In this connection, the exporter should take into consideration that the Danish market can act as a bridgehead to the rest of the Scandinavian region.

Manufacturers and wholesalers
Manufacturers are generally not interested in types of ready-made leather garments other than their own design. Being able to deliver garments in accordance with the design specifications given by the manufacturer is of vital importance to the supplier. Danish wholesalers import ready-made garments as well as garments manufactured according to given design specifications. Wholesalers will typically carry international brands as well as their own branded and unbranded garments. The biggest Danish clothing companies (manufacturers, wholesalers and retailers) set up their own purchasing offices around the world or they buy directly from foreign suppliers.
An association of clothing wholesalers in Denmark has not been encountered. For that reason, the usual trade directories (as mentioned in CBI's 'The market for leather garments in the EU') should be used.
Specialized leather garments distributors are (among others):
- Legend (http://www.firmalegend.dk)
- Auluna http://www.aulunaleathercompany.com
- Broch Leather (http://www.brochleather.dk)
- Créton – by P. Sinnerup & Co. (http://www.creton.com)
- Onstage (http://www.onstage.dk)
- CHDK (http://www.chdk.dk)

Clothing wholesalers including leather garments are (among others):
Junge A/S (http://www.junge-as.dk); Boheme (http://www.boheme-europe.com); CCDK Clothing Company (http://www.ccdk.com); San Antonio Novo (http://www.sanantonio.dk); Kudo (http://www.kudo.dk); Canson (http://www.canson.dk) and Weber Jensen Trading (http://www.weberjensen.com).

Retailers
Specialist clothing retailers account for the bulk of the clothing market, despite a fall from 63% in 2004 to 60% in 2008, of which 24% independent retailers and 36% clothing multiples. However, they face increasing competition from other channels. Hypermarket chains, discount stores, and department stores are taking an increasing share of trade from the traditional clothing stores.
Many independent retailers joined central buying groups or franchise concepts. However, these groups have lost share in recent years, struggling to match the stronger brand images and faster response times of more fashionable retail/wholesale groups.

Sweden's H&M (77 outlets - http://www.hm.com) leads the specialist sector, followed by a number of domestic buying groups. Important buying groups within men's wear are: Mr. (92 outlets - http://www.mr.dk), Dress Partners (82 outlets - http://www.dintojmand.dk) and Eksperto (120 outlets - http://www.tojeksperten.dk) and within women's wear: Collection (36 outlets - http://www.collection.dk)
A number of the Danish companies is producer and wholesaler of clothing, but also has retail outlets (company owned and franchises), like IC Companys (http://www.iccompanys.com), Bestseller (http://www.bestseller.dk) and Noa Noa (http://www.noa-noa.dk/main.aspx?language=en&openmode=brand. Danish chains in Denmark are Vero Moda (84 women's wear outlets in Denmark), Jack & Jones (67 men's wear outlets), Vila (39 women's wear outlets, Only (37 women's jeans stores), Name it (29 children's wear outlets) and some other formula such as Selected, Pieces and Object, all owned by the Bestseller Group. The website of Bestseller includes links to all brands. The group owns 2,402 outlets, of which 345 in Denmark. IC Company exploits 11 formula (among others InWear, Matinique, Part Two, Jackpot and Cottonfield), has more than 10,000 distribution points, a presence in 13 countries and 158 company-owned outlets. Noa Noa operates through 117 shops in 12 countries, of which 37 in Denmark.

Smaller Danish clothing chains are among others Kaufmann (http://www.kaufmann.dk; 24 men's wear stores), Deres Design (http://www.deres.com; 80 general stores), Wagner Detail (40 clothing stores for men and women) and discounter Tøj & Sko (http://www.toejsko.dk; 37 outlets).
Companies from outside Denmark and active in this country are, besides H&M, Didi (from The Netherlands; 6 stores), Varner Group (from Norway; 23 stores), Benetton (from Italy; 17 stores), Arcadia Group (from the UK; 9 stores), New Yorker (from Germany; 6 stores) and Zara (from Spain; 3 stores).

Non-specialists accounted for 40% of the clothing market in 2007 (37% in 2003), of which 9% department/variety stores, 12% hyper- and supermarkets, 5% sports shops, 6% home shopping companies and 8% street markets and other channels.
The major department store is Magasin (http://www.magasin.dk) operating through 6 stores. Home-shopping companies come mainly from abroad, like Bon A Parte (owned by Arcandor, Germany; http://www.bonaparte.dk) and Ellos (owned by PPR, France; http://www.ellos.dk). Home-shopping as a whole is gaining momentum through the growth of e-commerce, although there are not many clothing specialists yet online. H&M has launched a shop-on-line site, although others have been slow in following suit.

Hypermarkets are groups, like Dansk Supermarked (http://www.dansksupermarked.dk) with (among others) 14 Bilka hypermarkets (http://www.bilka.dk); Coop Denmark (http://www.coopnorden.com) includes among others: 65 Kvickly, 14 Kvickly Xtra stores and 351 Fakta discount stores; and, Edeka Denmark (part of Reitan, Norway and Edeka, Germany) 280 stores. The German chains Metro operating by 5 cash & carry stores, Lidl (50 discount stores) and Aldi (250) also operate on the Danish market.
All these groups have tried, or will try, to capture a share in the clothing market, with the focus usually on price-competitive basic lines. Leather jackets are irregularly offered by these companies.

Prices and margins

Margins will vary depending on which market segment is being approached. Wholesalers' margins generally range between 20–40% of the CIF price, while retailers' margins are between 45–65%. Most of the retail organisations, mentioned above, are active in the mid-market and/or lower-market segments.
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 leather garments market can be found in chapter 3 of the same survey.

3. Trade: imports and exports

Imports

In 2008, Denmark imported 1,951 tonnes of leather garments valued € 57.6 million. Between 2004 and 2008, Denmark's imports grew by an average of almost 20% per annum in value and 15% in terms of weight. Denmark is the 9th largest importer of leather garments in the EU, behind Belgium (7th) and Austria (8th), and accounted for 3.6% of total EU imports in 2008.
China remained the leading leather garments supplier to Denmark in 2008, despite a fall of 10% in the period 2006-2008. China reached an import share of 39% in terms of value in 2008. It was followed by India (+75% to an import share of 33%), Turkey (+60% to share of 9%), Pakistan (-12% to a share of 6%), Italy (+30% to a share of 3%), Germany (-25% to a share of 3%) and Sweden (-12% to a share of 3%).

Total Danish imports from DCs increased in terms of value (+16%) in the period 2006-2008. 87% of total imports came from DCs in 2008 against 79% in 2006. Imports from the four DCs mentioned (China, India, Turkey and Pakistan) covered 99.6% of total imports from DCs.

Exports

In 2008, Denmark exported 1,388 tonnes of leather garments valued € 53.0 million. Denmark is the 6th largest exporter of leather garments in the EU, behind Spain (4th) and The Netherlands (5th), and accounted for 5.0% of total EU exports in 2008. Leather garments exports grew on average 9% per annum during the period 2006-2008 in terms of value.

Destinations were mainly (90% in value) other EU countries, like Germany (34% of total exports), Sweden (12%), The Netherlands (9%) and Finland (6%). Leading destination outside the EU was Norway (7% of total exports and 69% of exports to countries outside the EU), followed at distance by Switzerland (1%), Faroe Isles, Russia, USA, Iceland and Croatia (each country <1%).

Re-exports

Exports by Denmark include the so-called re-exports: imported products, which are exported to other (mainly other EU) countries. Decreasing Danish production and increasing imports and exports indicates a growth in re-exports. It can be assumed that about 40% of Danish imports of leather garments was re-exported.

Opportunities and threats

+ An increasing share of Danish imports came from DCs. This share rose from 79% in 2006 to 87% in 2008. This import share was very high compared to other EU countries.
± Leather garments should be well finished, made precisely according to importers' quality requirements and other specifications as agreed.
± The changing demand in the clothing market is a significant factor. Because of the higher dynamics of the clothing market, 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. The increased import volume is mostly geared to export, since only moderate growth in garment sales is expected in Denmark.
- During the period January-November 2009, imports of leather garments by Denmark decreased 26% in terms of value (compared to the same period in 2008), which is much more than the decrease of total EU imports (-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 increased in Denmark from 1.2% in 2004 to 1.9% in 2006 and to 3.4% in 2008. Preliminary figures for 2009 indicate a rate of 1.1%, while a slight increase is forecasted for 2010 too.

Tough competition on the Danish clothing market resulted in decreases in consumer prices of outerwear, -1.9% in 2006 and -1.7% in 2007, followed by a slight increase of 1.2% in 2008, because of the development in import prices.

According to a price level study by Eurostat, clothing prices in Denmark were above (+10%) the EU average in 2008. The price level of clothing is similar to Italy and Malta.
The VAT rate in Denmark for leather garments is 25%.

Import prices

Prices of imports into Denmark increased strongly during the period 2006-2008, as table 4.1 indicates, mainly caused by higher import prices of intra-EU trade in 2008 (compared to 2007). Import prices of the leading intra-EU supplier Italy increased 52% in 2008. Import prices from DCs increased also strongest in 2008 (compared to 2007), mainly caused by higher-priced imports from Turkey (+19%).

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

	2006	2007	2008	AAGR*
Total imports	25.20	26.40	29.47	+8.5%
Intra-EU	49.93	47.90	81.52	+31.6%
DCs	22.25	23.68	26.99	+10.7%

* Average annual growth
Sources: Eurostat (2009)

Useful sources

An impression of average prices can be formed by browsing through the catalogues of multiples (like, http://www.mr.dk) or of home shopping companies (like, http://www.bonaparte.dk and http://www.ellos.dk). For websites, we refer to chapter 2 of this survey.
The website of Danish National Statistics (http://www.statbank.dk) publishes harmonised indices of consumer prices, which includes the clothing sector.

5 Market access requirements

As a manufacturer in a DC preparing to access Denmark, you should be aware of the market access requirements of your trading partners and the Danish government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select garments and Denmark in the category search, click on the search button and click on market access requirements.

Labelling

In the field of leather garments, there are mandatory labelling requirements in Denmark for materials (outer material, lining and accessories or other parts must be mentioned separately). In the case of leather garments, labels of 'genuine leather' or 'real leather' are found on most products. 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. The materials used for the product must be declared on the garment in Danish. However, Norwegian and Swedish languages may also be used where they differ only slightly from Danish in spelling.
'Care labelling' with recommendations or instructions on how to treat the garment is encouraged, but not mandatory.

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-fungus chemicals on the finished product is recommended. Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm.

Tariffs and quota

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

6 Doing business

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.

Interesting websites for information on business practices and sales promotion are:

- http://www.textile.dk Branch association for suppliers to the clothing and retail trade. A member list (classified by company and by product category) can be found on the homepage.
- http://www.ciff.dk is the website of the largest Scandinavian fashion fair in Copenhagen, held twice a year (August and February). Exhibitors are published under Catalogue at the website.
- The Scandinavian Trade Mart (http://www.bellacenter.dk) and the Scandinavian Fashion House are fashion houses, where many of the suppliers have a permanent showroom.
- Most important trade magazine is Detailbladet (18 issues per year), target group: retailers, buying groups, manufacturers and agents within the garment retail trade (http://www.erhvervsbladet.dk).

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