

CBI MARKET SURVEY

The market for leather garments in Poland

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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 Poland. 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

Consumer spending on leather garments rose on average 8.3% annually in the period 2004-2008, to reach almost € 100 million (including sales tax) in 2008. 1.6% of outerwear expenditure concerned leather garments. Poland accounted for 2.0% of total EU consumption.

Poland ranked 11th in leather garments consumption, behind Sweden (9th) and Greece (10th) and above Portugal. Poland is the most important country (in terms of market size) in leather garments consumption of the twelve 'new' EU countries. However, this position is caused by the high number of inhabitants. Per capita consumption is one of the lowest of all EU countries and amounted to € 3.60, which means 26% of the (average) amount EU consumers spend on leather garments.

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

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	90.7	100.7	115.6	+6.9%	118.0
Total outerwear	5,055	5,451	6,236	+5.8%	6,323
Consumption of leather garments in % of total outerwear	1.8%	1.8%	1.9%		1.9%

* Average annual growth

Sources: Eurostat (2009) and Euromonitor (2009)

Experts forecast that, in 2009 and 2010, leather garments expenditure will show much lower year-on-year increases, of respectively 1% and 2%.

Demand for leather garments is determined by several factors like type of product, demographics, the attitude of consumers towards fashion 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 individual types of leather garments is not available, as explained in appendix A of the CBI market survey 'The market for leather garments in the EU'.

It can be assumed that almost 90% of leather garments consumption concerned jackets and coats. Sheepskin is mostly used for coats for both sexes, followed by nappalan. For women's collection in the higher segments, some of the models have additions (trims) like fox, raccoon

dog, wolf or raccoon fur, to increase the visual value.

Lambskin leather is mainly used for jackets, in a wide range of colours, like bronze, beige, grey and anthracite.

Demographics

Poland's population is decreasing very slowly, from 38.2 million in 2004 to 38.0 million in 2008. Poland has a relatively young population. However, the Polish National Statistics Office predicts that, by 2030, the situation will be closer in line with other more established EU members, the population becoming more elderly. An ageing population tends to be more concerned with saving for retirement, or they have retired and are budgeting carefully on a limited fixed income. Young people are the most avid shoppers – of fashions and leisure products for themselves and on household goods as they settle down. Over the next 20 years there will be a big drop in the number of under 35-year-olds and a three-quarters increase in the over-65s.

Attitude of consumers towards fashion

Although most purchases of outerwear are determined by price, suggesting opportunities for low priced products, the market is developing and Polish consumers are looking for more design and style in their clothing purchases. Hence, in the longer term, more opportunities will exist for quality outerwear.

Popular Polish casual brands are Top Secret (Redan), Reserved and Re-Kids (LPP) and Tatum (Kan). Polish brands such as Troll and Cropp Town, and New Yorker from Germany, are aimed at the youngest and most fashion-conscious shoppers, while their parents prefer the classy Vistula & Wólczanka, Mrówka or Próchnik. However, many Poles are not loyal to a particular brand. Very often, for financial reasons, they choose to buy non-brand apparel at open-air markets or at hypermarkets, rather than in the shops where the margin is much higher.

Economic developments

Poland has had some success in creating a market economy and attracting foreign investment, but unemployment is painfully high and incomes are generally low. There has been a massive movement of Polish workers to Western Europe. Poland is still a poor society and a whole section of the population still lives below the poverty line.

Poland's economic performance improved in 2006 and 2007 with a 6-7% GDP growth rate, driven mainly by private consumption and investment. The dynamism of job creation and renewed emigration has led to a pronounced decline in the unemployment rate.

Real GDP growth decreased to 4.9% in 2008. The economy grew by 1.7% in 2009 and for 2010 a growth is expected of 2.5%.

Trends

- The apparel market is still young and buoyant. City-dwelling, young, educated people are more likely than consumers in rural areas to indulge in a shopping spree and they invest a larger share of their budget in a new outfit.
- Distribution of clothing, in spite of strong development of branded chain stores, is strongly polarised. Specialised stores selling branded clothing are at one end of the scale, while at the other there are numerous outlets which offer unbranded goods. The latter type includes not only small clothes stores, but also hypermarkets, where clothes departments have opened.

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

According to Eurostat/Prodcom, production of leather garments in Poland increased on average 8% per year during 2004-2007 and reached € 12.1 million in 2007. In 2008, production decreased 10% compared to 2007. Detailed figures, about the number of companies and employees in Poland manufacturing leather garments, have not been encountered.

Many Polish clothing producers fear the increased imports of cheap Chinese products. Some of Poland's biggest clothing companies are more concentrated on the promotion of brands and distribution than on production. The most successful firms, such as Redan, LPP and KAN, have already moved production into lower-cost labour markets (like China, Bangladesh, India and Turkey), arguing that it is the brand that really counts. In some cases, leather clothing is made in Poland because the quality corresponds to the customer requirements.

Trends

- Several manufacturing companies are pursuing strategies to combat the changing market, either by focusing on brand promotion and ordering their production abroad, or by offering limited collections and designer clothes.

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

- + As the Polish market is big and it continues to grow, exporters in DCs can find opportunities in the lower-middle sector.
- + Although most purchases of leather garments are determined by price, suggesting opportunities for low-priced products, the market is developing and Polish consumers are looking for more design and style in their purchases. Hence in the longer term, more opportunities will exist for quality products.
- + In a competitive market, in which there are growing supplies to Poland from other Eastern EU countries and from China, exporters should seek opportunities in market niches, by offering products which are unique to their country to retailers or Polish producers.
- + Polish manufacturers will be looking for partnerships with lower-cost producers, to enable them to defend their position on the domestic market. They are particularly interested in production outsourcing. Any subcontractor which is flexible and can manufacture clothes in short series has a chance of working for Polish companies. The latter may potentially be interested in import and/or distribution of clothes produced by a foreign manufacturer, thus giving them a wide choice of potential partners.

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 Polish 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; wholesalers; discount clothing stores or domestic hypermarkets. Choice of strategy depends on the resources available and the priority given to the Polish market. 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 Poland. 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 Polish market.

Manufacturers

Manufacturing companies in Poland can be found at the website of the Polish Federation of Apparel & Textiles (<http://www.textiles.pl>) which includes links to members' websites.

Some companies manufacturing leather garments are: Golda (<http://www.golda.pl>), Paters (<http://www.paters.pl>) and Contessa (<http://www.e-contessa.pl>).

Importers/wholesalers

Independent stores have traditionally been supplied by dozens of regional wholesalers, however, the role of wholesalers is expected to weaken noticeably in coming years. External distributors and wholesalers are being eliminated not only because companies are interested in keeping their margins for themselves but also because of the need for consolidation. More information on trade structure and business contacts can be found at the Polish Chamber of Commerce at <http://www.kig.pl>

Retailers

The clothing market in Poland has traditionally been heavily fragmented and dominated by independents and local operators. Open air markets, bazaars and other forms of "informal" trading remain popular in many parts of Poland. These channels still play an important role in the clothing market. However, the general improvement in living standards is gradually driving greater demand for quality and branded lines. Given the rapid expansion of clothing multiples, experts estimate that the specialists now hold approximately 60% of the market.

Many of the Polish retail groups, like LPP, Kan, Vistula Wolczaka and Artman, have manufacturing and/or wholesale roots, but now focus on developing their own retail distribution networks. A number of the retailers has chosen franchising as a means of expanding fast and at relatively low risk. The sector is led by the domestic (general clothing) chains, like:

- LPP (<http://www.lpp.ic.pl>) with 396 stores of which 322 in Poland and exploiting formula such as Reserved and Croptown. Reserved has 74 outlets abroad, mainly in Russia and the Czech Republic.
- Artman (<http://www.artman.pl>) markets its products primarily under the brand name 'House'. It distributes its products primarily through a retail network of 144 brand stores, which consist of 96 stores in Poland and 48 stores internationally. On the 1st of July 2009, the companies Artman and LPP officially merged. (<http://www.lpp.com.pl/en/index.htm>)
- Redan, three formula, of which Top Secret (<http://www.topsecret.pl>), Troll (<http://www.troll.com.pl>) and 145 Textil Market discount shops (<http://www.textilmarket.com.pl>)
- Vistula Wolczaka, formula Vistula, Wolczaka, Andre Lénard, Lettfield and Galeria Centrum (GC). Total 160 stores.
- A domestic discount clothing chain is SNC (170 stores; <http://www.snc.pl>).
- Kan, with Tatum, 36 stores in Poland and 34 in other countries (<http://www.tatum.com>).

International chains, like H&M (65 stores), C&A (41), New Yorker (59), Orsay (104), Inditex (64, of which Zara 20), Kenvelo (3), Arcadia (26 Wallis stores), Marks & Spencer (12), KappAhl (26), Mango (17), Benetton (30) and Cubus (23) are active in Poland.

Non-specialists accounted for 40% of the textiles market in 2008, of which 10% hypermarkets and 4% home-shopping companies. The remaining 26% includes department & variety stores, market stalls, bazaars and other non-store outlets. Open-air markets are tending to lose out to chains of hypermarkets and to chains of discount stores.

Hypermarkets operating on the Polish market came mainly from abroad, like from France: Carrefour (72 hypermarkets; <http://www.carrefour.pl>); E.Leclerc (18 hypermarkets; <http://www.leclerc.com.pl>) and Auchan (17 hypermarkets; <http://www.auchan.com>); from Germany: Real (50 hypermarkets; Metro Group); from United Kingdom: Tesco (301 super- and hypermarkets; <http://www.tesco.pl>).

Discount stores are Kaufland/Lidl (365 stores from Germany), Netto (136 stores from Denmark) and the hard discounter Biedronka from Poland operating through 1,045 stores. Biedronka expanded strongly through a take-over of 183 Plus stores of the German Tengelmann Group. Home-shopping company Bon Prix (Otto Group) from Germany operates on the Polish market

(<http://www.bonprix.pl>).

Two cash & carry wholesalers from Germany are active in Poland: Metro (27 outlets; <http://www.makro.pl>) and Selgros (12 outlets; <http://www.selgros.com.pl>).

Margins and prices

Different margins and prices apply in each trade channel, with multiples of 2.4 up to 3.2 of the manufacturer's or importer's price. Wholesalers' margins tend to range between 30–40% of the CIF price, while retailers' margins are between 55–85%. 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 (hyper- and supermarkets 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

In 2008, Poland imported 782 tonnes of leather garments valued € 27.8 million. Between 2004 and 2008, Poland's imports grew by an average 64% per annum in terms of value and 65% in terms of weight.

Poland is the 12th largest importer of leather garments in the EU, behind Greece (10th) and Sweden (11th), and accounted for 1.7% of EU total imports in 2008. Imports into Poland increased at a much higher level than production, which indicates that the share of imports in the growing leather garments market increased.

Germany remained the leading supplier of leather garments to Poland in 2008 followed by China. German exports (including re-exports) to Poland decreased 22% in the period 2006-2008 to an import share of 29%. Imports from China increased 121% to an import share of 16%. Other suppliers were countries like Italy (import share 9%), Spain (6%), Denmark, Turkey and France (each country 5%), The Netherlands and India (each 4%). Exports by all countries mentioned increased in the period 2006-2008, of which imports from The Netherlands and Spain showed the biggest growth.

29% of Poland's imports came from DCs in 2008, against 19% in 2006. Imports from DCs increased in terms of value (+167%) in the period 2006-2008, which was much higher than total growth. Growth of imports from DCs can be ascribed, besides China, to the increasing imports from Turkey (+202%), India (+57%) and Pakistan (+132%). Imports from other DCs were very limited in the period under review.

Exports

Poland exported 228 tonnes of leather garments valued € 12.6 million in 2008. Total leather garments exports grew (in terms of value) by 3% per annum in the period 2004-2007, followed by a decrease of 8% in 2008 compared to 2007.

Poland is the 12th largest exporter of leather garments in the EU, behind Sweden (10th) and Romania (11th), and above the Czech Republic. Poland's exports accounted for 1.2% of EU total exports in 2008.

Destinations were mainly (88% in value) other EU countries in 2008, like Italy (41% of total exports), Germany (33%), at distance followed by the Czech Republic (4%), The Netherlands (3%), Hungary (2%), Slovakia and Latvia (each 1%). Leading destinations outside the EU were Russia (8% of total exports), Switzerland (2%), Ukraine (1%), Armenia, Kazakhstan and Canada (each <1%).

Re-exports

The size of re-exports cannot be derived from the available trade statistics, but can be estimated as very limited.

Opportunities and threats

- ± An increasing share of Poland's imports came from DCs: 19% in 2006 and 29% in 2008, which was still far below the EU average of 61%.
- + Developments in average import prices will put further pressure on Polish producers and force them to invest in production facilities abroad, in new machinery or to specialise themselves in niche markets.
- During the period January-November 2009, Poland's imports of leather garments decreased by 20% in terms of value (compared to the same period in 2008), while total EU imports fell by 11%.

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

Useful sources:

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu> → go to: trade statistics
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu> → go to 'themes' on the left side of the home page → go to 'external trade' → go to 'data – full view' → go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to easy Comext → http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf Euratex bulletins - <http://www.euratex.org>

4 Price developments

Consumer prices

Inflation in Poland decreased from 3.4% in 2004 to 1.3% in 2006, but increased to 2.5% in 2007, to 4.2% in 2008. Annual growth rate in 2009 is estimated at 3.5%, while for 2010 a growth of 2.8% is forecasted.

Consumer prices for clothing in Poland decreased considerably during the period under review, of which -5.3% in 2005; -6.9% in 2006; -7.2% in 2007; and, -7.6% in 2008.

According to a price level study by Eurostat, clothing prices in Poland were 4% above to the EU average in 2008. This price level of clothing is somewhat lower than the level in Germany and higher than in The Netherlands and Cyprus.

The Polish VAT rate for leather garments is 22%. Poland does not partake in the euro. The average interbank exchange rate during 2008 was: 399.5 zloty for 1 euro.

Import prices

Prices of imports into Poland increased, as table 4.1 indicates, caused by a slight growth in import prices from DCs as well as from other EU countries.

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

	2006	2007	2008	AAGR*
Total imports	32.95	35.25	35.59	+2.0%
Intra-EU	35.94	42.01	40.90	+3.5%
DCs	23.75	24.88	26.52	+2.9%

* Average annual growth

Sources: Eurostat (2009)

Useful sources:

An impression of average prices can be formed by browsing through the catalogues of large multiples and other companies, such as home-shopping companies on their websites as mentioned in chapter 2.

5 Market access requirements

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

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

There are several aspects to the **labelling** of leather garments of which you should be aware:

- Basic information includes brand marking and sizing.
- Labelling has to be formulated in the Polish language.
- Outer material and materials used for lining and, eventually, interlining must be mentioned separately.
- In the case of leather garments, labels of 'genuine leather' are found on most products.
- Country of origin labelling.
- Care labelling, i.e. the inclusion of cleaning instructions. The recommendation 'special dry cleaning' has to be mentioned on a label to avoid claims. Therefore use Ginetex symbols, the system used throughout Europe (see: <http://www.ginetex.net>). Leather garment care can give additional information like storage, drying, cleaning, advice to prevent damage.

General information on **packaging** can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>. More information about packaging of leather garments can be found in chapter 6 of the CBI market 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 Poland, visit the following websites:

- Polska Izba Odzieżowo-Tekstylna (Polish Federation of Apparel & Textiles) represents about 160 companies. Website: <http://www.textiles.pl>.
- Krajowa Izba Mody, the Polish Chamber of Fashion (see: <http://www.moda.com.pl>) delivers services, like assistance in international contacts, access to its data bank and access to information on tendencies in the world of fashion.
- The Poznanski Tydzien Mody (Poznan Fashion Week; <http://fashion.mtp.pl/en>) on the premises of the Poznan International Fair is the international fashion trade fair in March and September, and is the biggest event in the fashion industry in Poland.
- Clothing trade magazines in Poland are Moda Forum (aimed at purchasing managers and traders; information on new trends and new collections; <http://www.unit.com.pl>) and Rynek Mody (bi-monthly addressing leaders of the clothing industry in Poland; <http://www.rynekmody.pl>).
- On Internet only, information on the fashion sector can be obtained at <http://www.fashion.pl>. This website includes links to leatherwear companies.
- http://www.buyusa.gov/poland/en/doing_business_in_poland1.html
- Polish Chamber of Commerce - <http://www.kig.pl>

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

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