CBI MARKET SURVEY

The market for leather garments in Slovenia

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Introduction
This CBI market survey gives exporters in developing countries (DCs) information on some main developments on the leather garments market in Slovenia. 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 by an annual 4.1% in the period 2004-2008 to reach € 17 million, including sales tax. Slovenia ranked 21st in leather garments consumption after Hungary (19th) and Bulgaria (20th) and accounted for 0.3% of total EU consumption.

Per capita expenditure on leather garments (€ 9.90) in Slovenia is below the EU average (€ 13.75), but higher than several of the other 'new' EU members.

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

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	**14.6**	**15.8**	**17.0**	**+4.1%**	**17.0**
Total outerwear	660	721	817	+5.9%	810
Consumption of leather garments in % of total outerwear	2.2%	2.2%	2.1%		2.1%

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

Based on economic developments, expectations for leather garments consumption in Slovenia are less optimistic: for the period 2009-2010, a stabilisation in consumption is expected.

Demand for leather garments is determined by several factors like type of product, demographics, 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 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'.
The largest segment remained formal wear. The increasing trend, away from formal wear (for daily use), favouring sales of casual and leisure wear, is also valid for Slovenia. For the sector under review, it can be assumed that about 85% of leather garments consumption concerned jackets. Just like in the neighbouring countries, an increased

popularity of skinny leather trousers and leggings was also valid in Slovenia. Other (less) important product groups were dresses, skirts and waistcoats or vests.

Demographics
Slovenia has just over 2 million inhabitants. Its population is slowly increasing (+1.0% in the period 2004-2008). In 2008, the 0-14 and the 65+ age groups accounted for respectively 14 and 16% of the total population. The population is maturing and, since 2004, the number of young children under 15 has declined by almost 4% while the number of 65+ has risen by 8.4%.

Attitude of consumers towards fashion
Slovenians of both sexes are fashion-aware and have sophisticated tastes and, therefore, welcome novelties in fashion and new brands. Slovenian consumers are furthermore influenced by the fashion tastes of their Italian and Austrian neighbours. The interest in fashion and fashionable accessories has increased significantly in the last few years, fuelled to a significant extent by the number of international retailers which has entered the market. Lubjana, the capital of Slovenia, has a lot of shops in high-fashion segments.

Economic developments
Slovenia has officially entered a recession. After 16 years of uninterrupted growth, real GDP contracted by 7.8% in 2009. The economy was (among others) hit hard by a sharp fall in export orders. However, business sentiment is gradually improving and experts forecast that the economy will grow in 2010 and 2011 with GDP rising by respectively 1.2% and 2.9%, as demand for Slovenian products gradually picks up in the euro zone.

Measured in GDP per head at purchasing power parity (PPP) exchange rates, Slovenia is by a wide margin the richest country in east-central Europe, well ahead of its Balkan neighbours, ahead of Portugal (an EU member since 2003) and not far behind Greece. Living standards are very high, with few noticeable differences between Slovenia and its western neighbours in terms of local tastes or goods available in shops. The high living standards in Slovenia are largely a legacy of the past. The Slovenian republic was the trading arm of the former Yugoslavia, and thus local firms built strong links with western partners.

Trends
- In particular, Slovenian youth follows fashion trends. They are mainly focused on Italy and are influenced by several forms of media, such as Internet and fashion-TV.
- The middle-aged and older generations appreciate the quality of domestic manufacturers but those on lower incomes opt for cheaper imported brands.
- Quality and comfort are considered to be of greater significance than price, even though there is quite a large low-price segment.
- Compared to the other new EU member states, people in Slovenia have an open attitude to new fashions, and many cultural overlaps with nearby Austria and Italy.

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

Production
According to Eurostat/Prodcom, production by the Slovenian leather garments manufacturers amounted to € 3.8 million in 2008. Turnover of the Slovenian leather garments industry decreased by an annual 4.8% during the period 2004-2008 and accounted for 0.3% of total EU production in 2008. Based on export figures, production can be estimated at € 5.0 million in 2008. This discrepancy was caused by the fact that SMEs constitute a significant part of the Slovenian leather garments industry.

In 2008, 65% of total Slovenian leather garments production was exported and 80% of Slovenian exports went to countries outside the EU.

The biggest problems faced by the leather garments sector are high labour costs and strong competition from re-exports from Germany and Austria, and high fashionable products from Italy.

Trends

- Because of the keen competition (mostly from other EU countries) and high labour costs, as mentioned above, several Slovenian producers have closed their mills. The surviving companies are oriented mainly towards the enhancement of the quality of their business in the widest meaning.
- A specific advantage is their capability to adapt quickly to the market changes connected with fashion trends and competition.

More general trends related to leather garments can be found in chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Opportunities and threats

+ Slovenia is a small but lucrative market. It can also be seen as a strategic location to access the Balkan markets.
+ Slovenian clothing manufacturers are confronted with competition from other EU countries (mainly Germany, Italy and Austria), while wages in their own country grow to a less competitive level.

± Most of the leather garments producing companies are small. The trend has been for them to look abroad to make partnerships with low-priced suppliers in DCs and elsewhere, as well as other forms of co-operation.

± Imports will become more important in the Slovenian market. Consumers already have relatively sophisticated tastes. Exporters in DCs can find opportunities, if they can produce quality products at reasonable prices.

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 most interesting channels for exporters in DCs to enter the Slovenian leather garments market are importers/wholesalers or domestic multiples. It should be noted that the majority of these companies is small and medium-sized companies. Which channel will be chosen, depends on factors like (among others):

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

Manufacturers

Manufacturing companies of leather garments are, among others: IUV (http://www.iuv.si) and Inde (http://www.inde.si). Other manufacturers can be found in the Business Register of the Chamber of Commerce and Industry of Slovenia Members: http://www.gzs.si/register_eng; click under 'advanced search' on 'business activity (by NACE)'.

Wholesalers

There is no association of clothing wholesalers in Slovenia. For that reason, the usual trade directories (as mentioned in CBI's 'The market for leather garments in the EU') should be used; the Business Opportunities Exchange System - http://www.borza.org can be consulted; trading companies (wholesalers and retailers) can also be found in the business register of the Chamber of Commerce and Industry of Slovenia - http://www.gzs.si/register_eng; click under 'advanced search' on 'business activity (by NACE)'.

Retailers

The retail sector in Slovenia is well developed and resembles a typical West-European retail market rather than an East-European one. The Slovenian outerwear retail market is also transforming rapidly, through growth and the entrance of foreign clothing chains such as Vögele (5 stores), Inditex (12 stores, of which 4 Zara and 3 Stradivarius), H&M (10 stores), C&A (5 stores), Arcadia (15 stores of six formula), Etam (2 stores), Orsay (5 stores) and New Yorker (15 stores), also one variety store of Marks & Spencer.

Mercator (http://www-en.mercator.si) is Slovenia's leading retailer, operating through several retail formats and acting as wholesaler, too. Clothing is sold in 94 outlets through a variety of formats and, for an important share, private labelled. Another important group with retail (155 directly managed stores) and wholesale activities is Sportina Bled (http://www.sportina.si) representing more than 30 international brands.
Domestic manufacturing company Labod (http://www.labod.si) offers men's and women's wear through 12 stores (partly franchised) in Slovenia and 20 outlets in Croatia, as well as other markets of the former Yugoslavia. Wholesale makes up 2/3 of entire sales and 1/3 accounts for retail.

Non-specialists include hypermarkets, discount stores, home shopping, department stores, market stalls, bazaars and other non-store outlets. Open-air markets are tending to lose out to chains of hyper- and supermarkets and to chains of discount stores.

The department store is Nama (1 store, http://www.nama.si) and a variety store, noted above, is Marks & Spencer from the UK (1 store). The leading home-shopping company is the German Neckermann (http://www.neckermann.si).
Hypermarket chains with garments in their assortment are: Mercator (994 stores in several branches, of which 18 Mercator Centre Hypermarkets; http://www.mercator.si), Spar Slovenia (89 stores of which 11 Interspar Megamarkets and 37 Spar hypermarkets; owned by Aspiag Spar Austria).
Discount stores are the domestic chain Hardi (34 stores) and, from Germany, Aldi (35 stores) and Lidl (29 stores).

Margins and prices

Different margins and prices apply in each trade channel, with multiples of 2.4 up to 3.5 of the manufacturer's or importer's price. Wholesalers' margins generally range between 30-40% of the CIF price, while retailers' margins are between 50–80%. More information can be found in chapter 3.2 of the CBI market survey 'The market for leather garments in the EU'. Price is an important selling factor, especially in the lower segments of the clothing market (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

Slovenia imported 102 tonnes of leather garments valued € 5.0 million in 2008. Total imports decreased by 16% per annum (in terms of value) in the period 2004-2006, followed by a growth of 1% in 2007 and of 52% in 2008.
Slovenia is the 22nd largest importer of leather garments in the EU, behind Ireland (20th) and Lithuania (21st), and accounted for 0.3% of EU total imports in 2008.

94% of total Slovenian imports came from other EU countries in 2008, against 84% in 2006. Germany became the leading leather garments supplier to Slovenia in 2008. German exports to Slovenia grew 108% in terms of value during the period 2006-2008 and accounted for an import share of 30%. Imports from neighbouring country Italy decreased 4% to an import share of 25%, followed by another neighbouring country Austria (+251% to a share of 22%), Spain (+249% to a share of 8%) and France (+27% to a share of 6%). Countries with strongly increasing (more than average of 53%) exports to Slovenia, besides some countries mentioned, were The Netherlands and Switzerland. Imports from EU countries mentioned, especially from Germany, include re-exports by these countries.
5% of Slovenian imports of leather garments came from DCs in 2008 against 16% in 2006. Total Slovenian imports from DCs decreased in terms of value (-49%) in the whole period 2006-2008. This fall was the result of decreasing imports from Serbia, Bosnia & Herzegovina and Croatia, and despite increasing imports from Turkey.

Exports

Slovenia exported 41 tonnes of leather garments valued € 3.2 million in 2008. Leather garments exports decreased by 5.9% per year, during the period 2004-2008.
Slovenia is the 15th largest exporter of leather garments in the EU, behind the Czech Republic (13th) and Slovakia (14th), and accounted for 0.3% of EU total exports in 2008.

Destinations were for 20% (in terms of value) other EU countries, like Italy (12% of total exports), Austria and Bulgaria (each country 3%) and Germany (2%). 80% of Slovenian exports went to countries outside the EU which was very high compared to the average EU percentage of 33%. Leading destinations outside the EU were Switzerland (29%), Croatia (14%), Montenegro (12%), Russia (11%), Serbia (8%) and Bosnia & Herzegovina (3%).

Re-exports

The size of re-exports cannot be derived from the available trade and production statistics, but is assessed as negligible.

Opportunities and threats

± During the period January-November 2009, imports of leather garments by Slovenia decreased 1.9% in terms of value (compared to the same period in 2008), which is much lower than the EU average of -11.2%.

± Import prices grew sharply in the period 2006-2008, because a share of imports from DCs was replaced by imports from EU countries, like Germany and Austria. However, the domestic market opens up opportunities for foreign producers. As the main suppliers are Western countries, market entry in Slovenia could also prove possible via one of the suppliers in the two above-mentioned countries.

\- A strongly decreasing share of Slovenian imports came from DCs. This share fell from 16% in 2006 to 5% in 2008, which was very low compared to other EU countries (51%).

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 Slovenia decreased from 3.6% in 2004 to 2.5% in 2006 and rose strongly during the next two years to reach 5.7% in 2008, which was above the EU average. For 2009 (+0.5%) and 2010 (+1.5%) much smaller inflation rates are expected.
Annual growth of consumer prices for clothing in Slovenia was very low after 2004: -1.0% in 2005, -0.5% in 2006, increased (+1.6%) in 2007 and decreased (-0.4%) in 2008.
According to a price level study by Eurostat, clothing prices in Slovenia were 12% above the EU average in 2008. This price level of clothing is similar to Belgium, the Czech Republic, Greece, Luxembourg and Slovakia.

The VAT tariff in Slovenia for clothing is 20%.

Import prices

Prices of imports into Slovenia for leather garments increased during the whole period 2006-2008. This growth was caused by much higher import prices from DCs, like Pakistan, Turkey and Bosnia & Herzegovina.

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

	2006	2007	2008	AAGR*
Total imports	42.02	47.06	49.34	+8.6%
Intra-EU	50.46	49.49	50.24	-0.2%
DCs	22.32	30.76	35.12	+28.6%

* Average annual growth
Sources: Eurostat (2009)

Useful sources:

An impression of average prices can be formed by browsing through the catalogues of multiples or of home-shopping company websites. For websites, we refer to the previous chapter.
The website of Slovenian National Statistics (http://www.stat.si) publishes harmonised indices of consumer prices, which include the clothing sector.

5 Market access requirements

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

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

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

In the field of leather garments, labelling requirements in Slovenia are valid for the following aspects (note that labelling has to be formulated in the Slovenian language):

- composition of the garments, materials outside (genuine leather or imitation leather) and inside (materials used for lining and interlining) textiles;
- country of origin marking (compulsory);
- size marking; and,
- 'care labelling' with recommendations or instructions on how to treat the garment, like professional cleaning or special dry cleaning combined with no-washing, no-drying, and no-ironing symbols (for symbols, see: http://www.ginetex.net). Information about the professional cleaning method can be applied. The care instructions must be durably attached to the leather garment.

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.
There is no dedicated clothing trade fair in Slovenia

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

- http://www.buyusa.gov/slovenia/en.
- Invest in Slovenia - http://www.investslovenia.org.
- http://www.gzs.si/eng is the site of the Slovenian trade association GZS (Gospodarska Zbornica Slovenije), the Textiles, Clothing and Leather Processing Association, which is part of the Slovenian Chamber of Commerce.
- The Business Opportunities Exchange System is designed to help foreign enterprises find business opportunities and focuses primarily on small and medium-sized enterprises (http://www.borza.org).
- The website http://www.3d-fashion.net gives an overview of fashion in Slovenia, including links to clothing manufacturers' sites.

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