

**CHAPTER 9**  
**HANDBAGS**

## **CHAPTER 9 - HANDBAGS**

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### **INTRODUCTION**

The North American Free Trade Agreement should increase the already intense activity in the North American handbags market. The reduction and elimination of tariffs in this sector should provide greater opportunities for manufacturers.

NAFTA addresses the different competitive circumstances of the leather and leather products industries. The agreement recognises that the leather products industries already experience intense import competition. To address these circumstances, NAFTA provides extended tariff staging and safeguard provisions against import surges from either of the three member countries. These provisions are designed to allow those sectors of the industry experiencing strong import competition sufficient time to adjust to any additional imports generated by NAFTA. Duty reductions under the agreement assist exports in this sector among the three member countries.

In Canada, the handbags sector is highly active. There are a great number of imports. This market should continue to grow as consumer incomes rise.

In Mexico, the handbags sector's still developing. Imports of handbags are small. As incomes in Mexico rise, demand for products of higher quality and style should grow.

In the United States, like Canada, the handbags sector is competitive. Because labour costs represent such a high proportion of total production costs, these industries encounter significant import competition. The market outlook looks positive, as the growing economy encourages consumer spending.

## CANADA

### Tariffs (%)

<u>Items:</u>	<u>MFN</u>	<u>GPT</u>	<u>US/Mexico</u>
Handbags:			
leather, composition leather, patent			
leather	15.7	11	0-8.8
plastics, textiles	15.6	11	5-8.8

### Standards

There are no mandatory standards at present for this sector in Canada. Voluntary regulations are found with the Canadian General Standards Board, located under Section III of this guide.

### Labelling

Textile handbags are exempt from the labelling requirements of the Textile Labelling Act and Regulations. Leather handbags, as all leather products, have no labelling requirements, except for country of origin requirements, as discussed in the documentation section below.

If the product is labelled, it must be in a manner which is “neither false or deceptive”, according to section 5 of the Act.

### Packaging

According to the Consumer Packaging and Labelling Act and Regulations, all packages must be manufactured, constructed, or displayed in such a manner that a consumer may not reasonably be misled with respect to the quality or quantity of the product it contains. Labels on pre-packaged products must show:

- the identity and principal place of business of the person by or for whom the pre-packaged product was manufactured or produced for resale;
- the identity of the pre-packaged product in terms of its common or generic name or in terms of its function;

- such information respecting the nature, quality, age, size, material content, composition, geographic origin, performance, use or method of manufacture or production of the pre-packaged product as may be prescribed.

However, the province of Quebec has additional requirements concerning the use of the French language on all products marketed within its jurisdiction. Information on French requirements may be obtained from the Office de la Langue Francaise, found in Section III of this guide.

Questions on the Act may be directed to the Merchandise Standards Division, Industry Canada, found under Section III of this guide.

### **Marketing and Distribution**

The Canadian handbags market is very price competitive. There are a great number of imports from countries such as Brazil, Mexico, the Philippines, Asia, India, and Kenya. High end imports are captured by Italy.

The latest available data suggests that the import market for handbags and luggage into Canada is US \$176 million.

There is a good market for the exporter in the middle and “utility” niches. Quality is the prime determinant of buyer interest, and price is secondary. Delivery times in this market are critical.

In Canada, handbags are often lined with vinyl and are in many cases, a combination of leather and textile materials or completely synthetic materials. These substitutions are most common in lower-priced handbags, although a combination of materials and products made from wholly synthetic materials are increasingly popularised by the high fashion industry.

The retail market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines, such as accessories) that are also significant importers. Discount stores are rising in popularity and taking market share from the large department stores. Large Canadian retailers’ prefer to buy directly from foreign producers and manufacturers. Smaller retailers’ volumes do not usually justify buying direct. Canada buys from handbags importers mainly in Montreal.

## **Documentation**

Goods imported into Canada have mandatory documentation requirements. These are:

- Form B3, Canada Customs Coding (two copies required for an automated Customs office, three if not). It is important to fill in this form properly, especially since it is here where the importer shows the tariff treatment for his goods;
- cargo control document - manifest, waybill or other approved document that must be obtained from carrier or forwarder (two copies);
- commercial invoice, indicating the buyer and seller of the goods, price paid or payable, adequate description, including quantity, of goods contained in the shipment, together with a Canada Custom invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Revenue Canada requires that handbags, except those made of beads, metal mesh, or similar material, imported into Canada be clearly labelled as to their country of origin, in English or French; this must be clearly located on the product. If the consumer will ultimately buy the good in a container, then it is acceptable that the container only be marked. Canadian importers are responsible for ensuring that the goods they are importing comply with the marking requirements at the time they import the goods. Please verify with a Canada Customs office concerning your product's marking requirements.

## **Trade Associations**

Luggage, Leathergoods, Handbags and Accessories Association of Canada  
Scarborough, Ontario tel. (416) 491-5844  
fax (416) 496-9329

## **Trade Fairs**

Mode Accessories International Exposition  
January, September  
Toronto

## MEXICO

### Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>US/Canada</u>
Handbags:		
leather, composition leather, patent		
leather	20	C
plastics, textiles	20	C

C - duties removed in ten equal stages of 10% annually to full elimination by 2003

### Safety and Testing Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include fire resistance determination for textile products, graphical symbolism for care of piece goods, determination of resistance to grain cracking in leather, and other standards. The exporter is strongly urged to contact the Direccion General de Normas at SECOFI, the relevant Mexican sector association, or a knowledgeable Mexican importer, about the most current standards applicable to his product.

### Labelling

Leather products and products having the appearance of leather are subject to special labelling requirements in Mexico. According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), leather and textile products and accessories must meet specific labelling requirements, which are enforced at the border. However, they do not have to be accompanied by a certificate of compliance. For these products, labels must be affixed to the product and not just to the packaging.

The minimum labelling requirements for leather products are:

- name of exporter;
- materials (general or specific definition and, if applicable, finishing);
- country of origin;
- name and address of importer; and

- Federal Taxpayer Number of the importer and/or registration number of the chamber of commerce to which he/she belongs.

### **Packaging**

There are no official packaging requirements for imported products to Mexico. Please check with your Mexican broker or importer for developments in this area.

### **Marketing and Distribution**

The Mexican market is still developing , and imports of handbags are small.

In the case of leather products, price is an all important consideration in buying decisions by lower-income groups in Mexico. For middle and higher income groups, style and quality are more important. As incomes in Mexico rise, purchases by this segment of the economy will also grow.

The growth in department and speciality stores in malls in this country means that there are new retail and distribution opportunities for this sector, specifically in mall clothing and accessories stores.

### **Documentation**

Goods imported into Mexico must be accompanied by standard documentation, as follows:

- commercial invoice (in Spanish, if prepared in English, the Spanish translation may follow original text on invoice or translation may accompany invoice) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading; one original for importer and one for customs broker.

The invoice must be complete and accurate. It must include:

- place and date of issue;
- complete name and addresses of the buyer or importer in Mexico, and the exporter;
- description of merchandise, including marks, numbers, types, and quantities;
- freight and insurance charges;

- price and total value of shipment;
- signature (manual), name, and title of exporter; and
- shipper's invoice number and customer's order number.

The invoice should be sent ahead to the importer/broker/agent, in order to obtain special permits (if necessary) if shipped by sea or land, or it should accompany goods if shipped by air.

The packing list includes:

- number of packages, and detailed list of goods in each package;
- net, gross, and legal weight of each package and total shipment, in metric units, along with volume or measurements of each package and total shipment.

The bill of lading has information such as:

- types of packages in shipment and their weights and measurements;
- names and addresses of the shipper and importer, or customs broker;
- ports of origin and destination;
- description of goods;
- list of charges, including freight;
- number of bills of lading in full set; and
- carrier's official acknowledgement of receipt on board of goods for shipment.

### **Trade Associations**

Asociacion Mexicana de Fabricantes de Articulos para Regalo, Decoracion y Artesanias  
(Gift, decoration, and craft manufacturers association of Mexico)

Mexico City Tel. (5) 564-8961, 564-3668

Fax (5) 574-9709

### **Trade Fairs**

AMFAR Expo Regalo (giftware)

September

Guadalajara

Expo Piel (leather arts & apparel)

Manualidades: Salon Nacional de las Artes Manuales (handmade gifts)

October

Guadalajara

Sapica (footwear & leather items)

May

Leon

Sede del Regalo y Salon de la Importacion (giftware, imports)

January/August

Mexico City

## UNITED STATES

### Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>GSP</u>	<u>CBI</u>	<u>Canada/Mexico</u>
Handbags:				
leather, composition leather, patent				
leather	5.3-10	5.3-10	4.7-8.8	0-9
plastics, textiles	5.1-20	0-20	0-18.5	0-18

### Standards

There are no standards as such; please refer to guides under the labelling section below.

### Labelling

The Federal Trade Commission (FTC) has guides for the ladies' handbag industry. Under the guidelines, labelling is not permitted which is likely to mislead the consumer concerning the material composition, quality, finish, durability, price, origin, construction, ease of cleaning, or any other feature of the product. The material composition of the product should not be represented by any term which conveys the impression that it is made in whole or in part from leather, split leather, vinyl, plastic, or other material, when such is not the fact. If the leather used is split leather or non leather material which has the appearance of being leather, or leather which has been processed to simulate a different type of leather, such must be disclosed. If the product is composed of more than one kind of leather or leather and non leather, the labelling should indicate the part to which the representation is applicable. Simulated or imitation leather, and embossed or processed leather (which may simulate the appearance of a different type of leather), must be labelled as such. There can be non misrepresentation as to type of finish graining, embossing and processing. There is also no allowance for misuse of terms such as "scuffproof", "scratchproof", "scuff resistant", and "scratch resistant". The labels, stamps or tags must be imbedded in or attached to the product itself until final sale to consumer.

The Federal Trade Commission also has general requirements for consumer product labels, or packages of products, which consist of:

- the identity of the product;
- the name and place of business of the manufacturer, packer or distributor;

- country of origin (US Customs requirement).

### **Packaging**

An important function of packaging is to pack the product in a way to enable US Customs to examine, weigh, measure, and release the goods promptly. Therefore, show the exact quantity of each item of goods in each box or other package, put marks and numbers on each package, and show those marks on your invoice opposite the itemisation of goods contained in the corresponding package.

### **Marketing and Distribution**

In the United States, the handbag market is very price competitive. There are many imports from countries in Asia, Africa and South America.

The size of the import market into the United States for handbags and luggage is approximately US \$2.6 billion.

There are several large US distributors in this sector, mainly in Chicago and New York. There is a good market for exporters in the “utility” and middle niches, as Italy is the predominant force in the high end market. Manufacturers should be aware that delivery times are critical in the US market.

### **Documentation**

Within five working days of the date of arrival of a shipment at a US port of entry, entry documents must be filed, which consist of:

- a commercial invoice, or pro forma invoice when the commercial invoice cannot be produced;
- packing lists, if appropriate;
- evidence of right to make entry (bill of lading, air waybill, shipping receipt, carrier’s certificate); and
- Entry Manifest, Customs Form 7533; or Application and Special Permit for Immediate Delivery, Customs Form 3461; or other form of merchandise release required by the district director.

A requirement of US Customs is that a good entering the United States, or its container (if the good reaches the final purchaser in a container) must be marked with its country of

origin. An exception to this rule is an article which is to be processed in the US by the importer and not intended for sale in its imported form, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

### **Trade Associations**

National Fashion Accessories Association  
New York Tel. (212) 947-3424  
Fax (212) 629-0361

National Luggage Dealers Association  
New York Tel./Fax (212) 684-1610

### **Trade Fairs**

Fashion Accessories Expo  
January, May, August - New York  
February, August - Las Vegas

International Fashion Boutique Show  
January, June, August, October  
New York

Western Shoe Association Shoe & Accessory Market  
January, June  
Long Beach, California

## **SOURCES OF INFORMATION ABOUT THIS SECTOR**

“Encyclopaedia of Associations: National Organisations of the US, Vols. I & II”, Gale Research Inc. (Washington), 1994.

“Industry Profile: Leather Tanning”, Industry Canada, 1990.

“MEXICO Business, The Portable Encyclopaedia for Doing Business with Mexico”, World Trade Press (San Rafael, California), 1994.

“1995 Tradeshow Week Data Book”, Tradeshow Week: New Jersey, 1994.

“North American Free Trade Agreement Opportunities for US Industries: NAFTA Industry Sector Reports”, US Department of Commerce, International Trade Administration, 1993.