Travel Goods Association Releases First Half 2010 Update on Sales of Travel Products:

State of the U.S. Travel Goods Market 2000 – First Half 2010

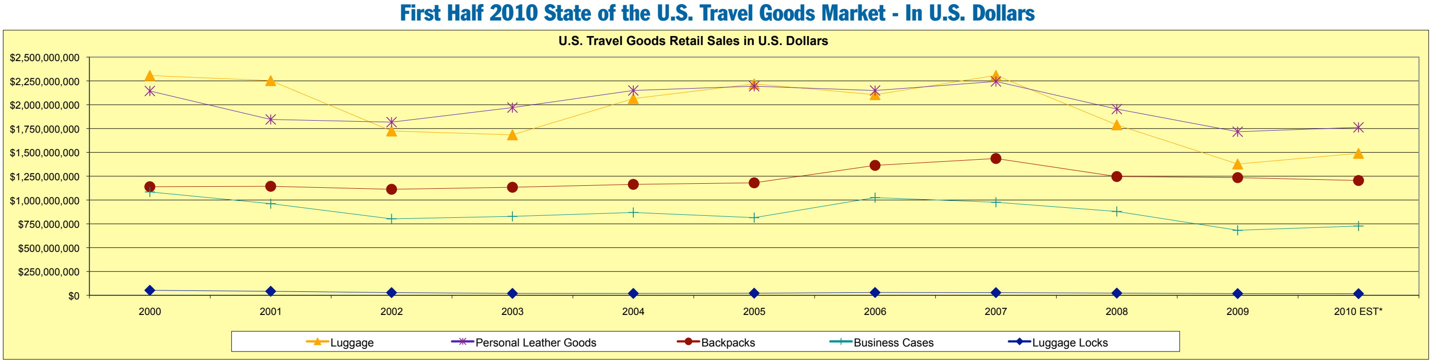
By Nate Herman

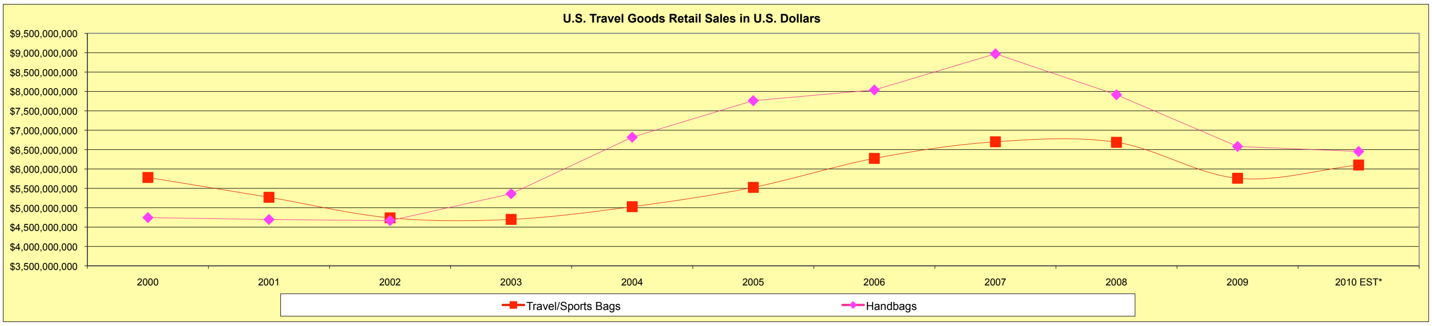
Princeton, NJ — 2010 is looking like it might be the travel goods industry's comeback year, with good signs of recovery in many travel goods categories according to a new report from the Travel Goods Association (TGA).

TGA's report estimates that U.S. consumers spent $17.4 billion on travel goods in 2009 (travel goods being defined as luggage, backpacks, travel/sports bags, business cases/computer bags, handbags, personal leather goods, and luggage locks), down 15.2% from 2008 spending. Sales grew 4.6% in the first half of 2010, as compared with the first half of 2009. While 2010's sales pace remains below pre-recession levels, most travel goods categories appear to be picking up steam as the calendar rolls toward 2010's critical back-to-school and holiday shopping seasons.

"Travel is a category that took a big hit during the last recession, and of course travel goods took a hit as well, with 2009 travel goods sales at their lowest levels of the post-9/11 era," explains Michele Marini Pittenger, TGA's president. "But one good thing that's helping is the ever-changing face of travel. Continually changing airline regulations, the growing popularity of new types of vacations, and the explosion in personal electronics like new smart phones, PDAs and other electronic gadgets are changing people's travel habits, and what they pack. People used to wait

First Half 2010 State of the U.S. Travel Goods Market - In U.S. Dollars

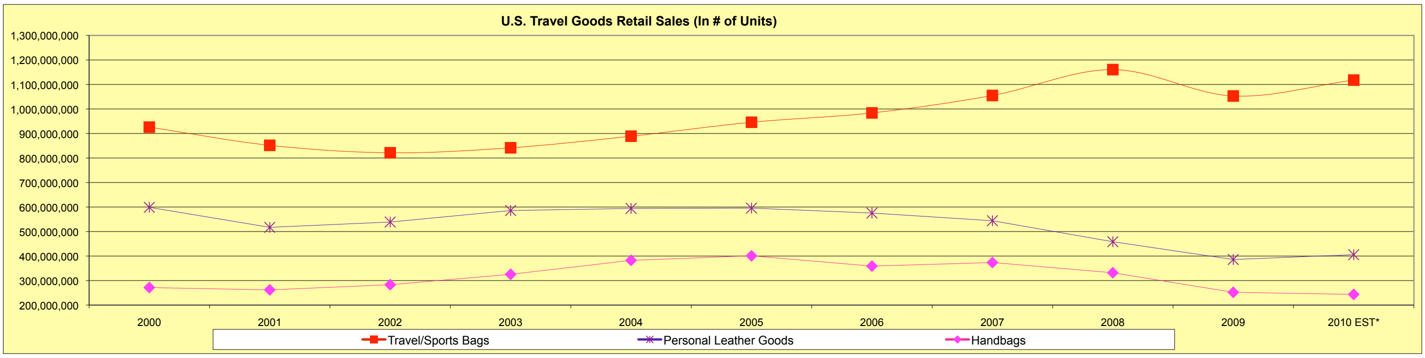


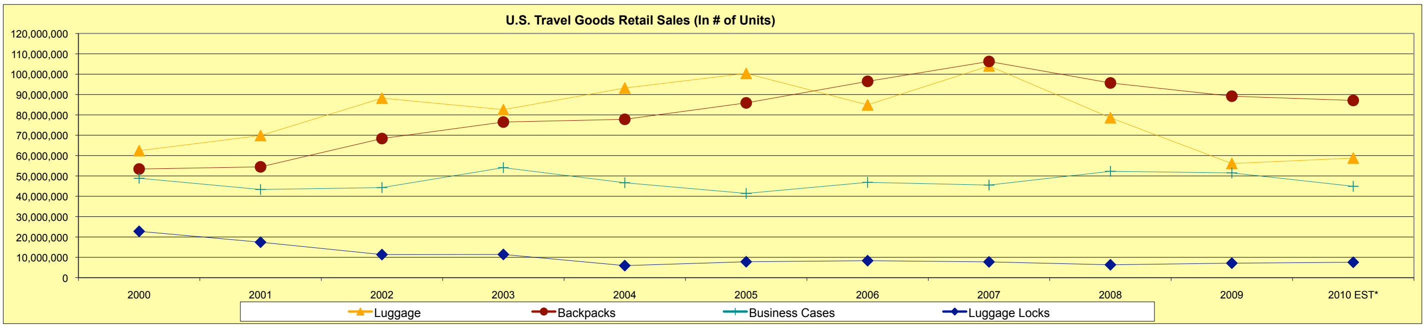


In US $s	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	First Half 2009	First Half 2010	% Change 08-09	% Change 09-10
Luggage	$2,306,524,680	$2,253,034,561	$1,724,264,402	$1,684,058,647	$2,064,098,506	$2,218,737,630	$2,105,115,311	$2,308,014,911	$1,788,988,257	$1,377,843,730	$630,934,134	$743,027,720	-23.0%	17.8%
Business Cases/Computer Bags	$1,084,734,206	$961,956,890	$802,325,665	$828,506,562	$869,229,641	$815,116,676	$1,025,225,747	$976,472,104	$879,680,455	$682,602,419	$324,583,582	$368,999,375	-22.4%	13.7%
Travel/Sports Bags	$5,780,476,874	$5,268,794,771	$4,738,094,840	$4,698,892,035	$5,026,250,688	$5,524,431,875	$6,272,425,374	$6,701,192,160	$6,687,627,521	$5,760,047,941	$2,707,738,499	$3,049,321,416	-13.9%	12.6%
Handbags	$4,745,382,122	$4,695,324,433	$4,666,967,703	$5,360,684,167	$6,819,588,546	$7,762,062,327	$8,038,461,677	$8,971,739,494	$7,915,172,693	$6,581,294,969	$3,235,253,764	$3,105,515,106	-16.9%	-4.0%
Personal Leather Goods	$2,144,011,748	$1,845,492,352	$1,817,325,567	$1,969,928,287	$2,149,717,414	$2,194,559,417	$2,149,178,496	$2,244,284,178	$1,954,616,394	$1,716,859,128	$787,784,342	$833,698,364	-12.2%	5.8%
Backpacks	$1,139,542,524	$1,144,088,997	$1,112,556,841	$1,133,930,534	$1,164,208,759	$1,180,428,393	$1,363,557,832	$1,435,749,328	$1,246,343,607	$1,234,976,364	$632,369,295	$602,112,281	-0.9%	-4.8%
Luggage Locks (Base Metal)	$52,452,641	$42,216,642	$28,337,081	$20,170,351	$19,849,857	$22,139,473	$29,522,145	$28,108,031	$23,090,982	$18,123,447	$9,386,460	$8,336,185	-21.5%	-11.2%

** All numbers are TGA estimates.*

First Half 2010 State of the U.S. Travel Goods Market in # of Units





# of Pieces	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	First Half 2009	First Half 2010	% Change 08-09	% Change 09-10
Luggage	62,414,504	69,858,885	88,220,727	82,579,792	93,211,158	100,378,049	84,927,494	104,065,302	78,593,480	56,096,826	24,570,333	27,240,233	-28.6%	10.9%
Business Cases/Computer Bags	48,864,896	43,346,374	44,279,513	54,066,786	46,645,719	41,414,006	46,849,567	45,510,662	52,266,522	51,494,523	26,339,748	19,758,001	-1.5%	-25.0%
Travel/Sports Bags	926,053,439	851,711,150	821,297,326	841,662,621	889,029,541	945,847,594	983,971,134	1,055,103,863	1,160,656,196	1,053,009,864	470,867,476	535,715,062	-9.3%	13.8%
Handbags	271,430,408	261,931,624	283,100,737	325,526,649	382,416,788	400,935,489	358,963,081	373,600,280	331,867,990	252,006,233	124,989,035	116,471,504	-24.1%	-6.8%
Personal Leather Goods	598,785,739	517,165,635	538,793,620	585,679,011	594,168,903	595,613,564	575,459,194	544,070,958	458,496,513	385,862,206	184,840,809	204,565,643	-15.8%	10.7%
Backpacks	53,413,499	54,460,841	68,374,045	76,487,939	77,824,834	85,897,973	96,483,376	106,251,746	95,691,717	89,184,853	43,264,987	41,172,372	-6.8%	-4.8%
Luggage Locks (Base Metal)	22,787,173	17,431,077	11,358,971	11,418,013	5,936,988	7,823,097	8,348,131	7,766,792	6,339,390	7,133,915	3,010,800	3,451,394	12.5%	14.6%

** All numbers are TGA estimates.*

until their old travel goods wore out before replacing them, but the current generation of travel items is so good, with so much more versatility, people are wanting something new, even in the face of ongoing economic uncertainty."

Concluded Pittenger, "First half 2010 sales show people are starting to buy again. These are still early signs, and while it might take sales some time to return to their pre-recession levels, it looks like our industry is on the right track."

Here's a quick look at how TGA estimates each of the major travel goods categories performed in 2009 and the first half of 2010:

Luggage

2009 was a tough year for luggage sales, but 2010 is looking brighter. Travel was down, as American families canceled vacations and/or took so-called "staycations" in 2009, and corporate America cut back on business travel. Travelers opted to defer new luggage purchases, making do with their old luggage. As a result, TGA estimates that unit sales of luggage slid 28.6%, with dollar sales dropping 23.0% in 2009 versus 2008.

However, as the economic outlook brightened slightly in the first half of 2010, families started to take to the air and roads, and businesses started to ramp up their travel as well. The increased travel demand helped drive unit sales of luggage up 10.9%, with a 17.8% increase in dollar sales in the first half of 2010 over the same period in 2009. Early indications are that sales for the remainder of the year will continue at this positive pace.

Backpacks

Backpack sales started strongly in the first half of 2009, thanks to growing interest in close-to-home vacations in America's national parks and the great outdoors, but 2009's lackluster back-to-school and holiday seasons brought unit sales of backpacks down 6.8% and dragged dollars sales down by 0.9% for the year.

The first half of 2010 shows unit sales falling 4.8% and dollar sales slipping 4.8% as families and kids milk a little more life from last year's backpacks. Early indications show the usual uptick in backpack sales from the back-to-school season won't reverse this declining sales trend.

Travel/Sports Bags

Travel/sports bags took a double whammy in 2009, with reduced family travel and corporate distribution of promotional bags – commonly called "freebies" – which account for a large segment of the travel/sports bags category. TGA estimates unit sales of travel/sports bags fell 9.3% and dollar sales dropped 13.9% in 2009. However, freebies appear to be making a comeback this year, and family budgets have loosened up as well; Unit sales in the first half of 2010 grew 13.8% and dollar sales rose 12.6%. Early indications are that sales will remain steady through the rest of 2010.

Business Cases/ Computer Bags

Sales of computer laptops took a major hit in 2009, and computer bags experienced a corresponding slide. Business cases held their own, with unit sales slipping just 1.5% in 2009. But while

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unit sales dipped only slightly, the average price paid for briefcases fell dramatically, with total dollar sales in 2009 down 22.4%.

The soft computer market lingered in the first half of 2010, with continued negative impact on computer bag sales. And, while traditional business case sales numbers have started showing signs of weakening, their average value rose significantly, driven by high-end sales. The net result is a drop in unit sales for the first half of 2010, down 25.0%, although dollar sales rose by 13.7% for the same period. Early indications are that sales won't recover in the second half of 2010.

Handbags

Numbers for 2009 might have been down, but Americans still bought a whopping 252 million handbags last year. Making do was the modus operandi for American women, who deferred new handbag purchases during the economic recession to the tune of a 24.1% decrease in unit purchases and a 16.9% drop in dollar sales. But pent-up demand for that new look is starting to reverse the sales slide, as first half unit sales for 2010 slid considerably less, down 6.8% with dollar sales down 4.0% for the period. Early indications are that handbag sales will level out by the end of the year.

Personal Leather Goods

With the slump in sales of electronic gadgets during the recession, there's been a corresponding drop in personal leather goods to carry those new items in. Unit sales in 2009 fell 15.8% and dollar sales declined 12.2%. Releases of new, next-gen smart phones and other personal electronics have powered a recovery in sales in the first half of 2010, with unit sales up 10.7% and dollar sales up 5.8% during the period. Early indications are that sales will continue to increase, especially during the upcoming back-to-school and holiday seasons.

Luggage Locks

Luggage sales and travel might have been way down, but travelers seemed eager to protect what they had in 2009, with unit sales of luggage locks growing 12.5% in 2009. But the quality of those sales diminished, as dollar sales fell by 21.5%. Unit sales continue to be robust in the first half of 2010, growing 14.6%. Again, those sales came at a price, with dollar sales dropping 11.2% for the period. With sales increases for locks far outstripping sales increases for luggage over the last 18 months, however, it's unlikely this sales growth will be sustained over the later half of 2010.

For more information, please contact TGA's Nate Herman at 877-TGA-1938, x-708; nate@travel-goods.org.

Notes, Definitions & Sources

Notes: The retail sales numbers are TGA estimates based on certain assumptions regarding the U.S. travel goods market. Those assumptions are:

- Most of the travel goods sold in the United States are imported. The % of the U.S. travel goods market supplied by imports varies depending on the type of product.
- Most imports of travel goods take 3-4 weeks to travel from the U.S. port of entry to retail store shelves and to consumers. Therefore, in order to develop a more accurate picture of the U.S. retail market, TGA has based its retail sales estimates for each year based on the import data for the twelve-month period ending November 30 of that year. For example, the retail sales estimate for 2009 is based on U.S. import data for the period December 1, 2008–November 30, 2009. Likewise, first half 2010 data is based on December 2009–May 2010 import data.
- Based on the data available for 2009, TGA estimates that imports currently account for 99% of the U.S. luggage market, 99% of the U.S. business case/computer bag market, 99% of the U.S. travel & sports bag market, 99% of the U.S. handbags market, 90% of the U.S. personal leather goods market, 99% of the U.S. backpack market and 99% of the luggage lock market.
- Travel goods are typically imported one of three ways:
  1) by a wholesaler, who then sells the product, at a mark-up, to a retailer, who then sells the product, at a mark-up, to the U.S. consumer;
  2) directly by a retailer, who then sells the product, at a mark-up, to the U.S. consumer; or
  3) by a wholesaler who sells the product, at a mark-up, to a customer who then provides the product for free or at low cost to its customers/clients for promotional purposes (duffel bags, etc.).
- In order to reflect the mix of different selling patterns and the estimated mark-up at each step in the process, TGA utilizes multipliers for 2009 of 2.5 for luggage, 2.6 for business cases/computer bags, 2.0 for travel/sports bags, 2.6 for handbags, 2.1 for personal leather goods, 2.6 for backpacks and 2.7 for luggage locks to estimate the retail value of U.S. travel goods sales. Please note that these multipliers are somewhat lower than in previous years because of price pressures starting in the later half of 2008 and continuing in 2010.
- TGA then applies a similar type of formula to estimate the retail value of U.S. production.
- Please note that the average unit price for luggage is based on the unit price for each individual piece of luggage, NOT the unit price for a set.
- EXAMPLE (Size of the U.S. Luggage Market 2009): U.S. imports (landed duty-paid value): $545,626,117 + wholesale/retail markup = $545626117 X 2.5 = $1.36 billion (Estimated Retail Value of Imports) + $13.6 million (Estimate Retail Value of U.S. production, estimated at 1% of market) = $1.378 billion = Size of U.S. Luggage Market in 2009.

Definitions:

Luggage - Includes all types of luggage, including luggage sets.

Business Cases/Computer Bags - Includes all types of brief and attaché cases and computer bags as well as school satchels and occupational luggage.

Travel/Sports Bags - Includes all types of duffel bags, totes, garment bags, and all other types of travel and sports bags. Does NOT include golf bags, insulated food and beverage bags, or musical instrument cases.

Handbags - Includes all types of women's purses and handbags, except for large tote bags.

Personal Leather Goods - Sometimes described as flat goods or goods ordinarily carried in the pocket or in the handbag. Includes all types of wallets, PDA cases, cell phone cases, glass cases, business card holders, portfolios, calendar books, CD/DVD cases, cosmetics cases, MP3 player cases, etc., regardless of the material on the outer surface (leather, plastic, textile).

Backpacks - Includes all types of backpacks (except leather backpacks and computer case backpacks) regardless of end use (i.e. school, travel, hiking, etc.).

Luggage Locks (Base Metal) - Includes all metal-based locks specifically designed for use with luggage and other travel goods.

Sources:

- U.S. Production Estimates: Based on Investigation 332-480: Certain Textile Articles: Travel Goods of Textile Materials, U.S. International Trade Commission, Published October 31, 2007, historical trends and other anecdotal information.
- U.S. Landed/Duty-Paid Imports, U.S. International Trade Commission's Trade Dataweb from U.S. Customs Service and U.S. Census Bureau data, http://dataweb.usitc.gov.