MISSION GOALS PHILOSOPHY

BAG/LUGGAGE INDUSTRY OVERVIEW

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Mission

> Pack, Stack & Roll will enter the Luggage Industry with what we consider "The Next Generation of Luggage" and "services to assure consumer satisfaction to significantly improve delivery performance by the Transportation Industry".

This includes becoming the leader in the field of luggage tracking with our unique registration system.

The only system available on the market where Identification is permanently established on the product.

We intend to be a leader in the industry, building strong customer loyalty with the quality of our product and customer satisfaction.

We will move forward with our product and capture a large share of the market.

Goals and Objectives

Our unique design and tracking system, affords us the opportunity to enter into the luggage business with no comparable competition among the manufacturers of luggage throughout the world.

We seek to enter and capture a large share of the world market based on our safety, quality, design and customer satisfaction, within (5) years.

By achieving the above, we will strive to be the industry leader in customer service, loyalty and satisfaction.

Business Philosophy

It's a proven fact, that regardless of what you do to sell a product; you must have a product that the consumer wants to buy.

With the above in mind, we feel that Pack, Stack & Roll (PS&R) is such a product.

Our efforts will be concentrated on the quality of the product, customer service and satisfaction, insuring the public becomes well aware of Pack, Stack & Roll. By establishing such, customer loyalty will follow.

Overview of industry

The luggage industry as a whole has increased over the years. With the recent weight restrictions on luggage added by the Airline industry, sales should continue to increase over the years to come. [1]

The industry (US) revenue for the year 2006 was approximately $720,000,000. The gross profit was 34.14% at $245,808,000. There were 193 establishments in this industry that year.

Total import export value for the year 2006 was $4,408,764,000. There were 164 countries that conducted foreign trade with the US. In 2006, 10 more than 2005. The top trading Countries were: China, $3,268,770,000 (74.14%); Canada $135,944,000(3.08%); Italy, $125,378,000 (2.99%); Vietnam, $122,227,000 (2.77%); and Mexico, $83,358,000 (1.89%). Their combined total represents approximately 85% of all Imports and exports.

Total import value for the year 2006 was $3,703,527,000. This represents a 15.9% increase for the year 2005. The US. had imported industry related merchandise from 122 countries in 2006. The top importing Countries were: China, $2,955,195,000 (79.79%) Italy, $125,378,000(3.39%); Vietnam, $111,638,000(3.01%); France, $54,475,000 (1.47%); and the Philippines, $53,597,000 (1.45%) Their combined total represents approximately 89% of import from all Countries.

The total export value for the year 2006 was $351,283,000. This represents a 26.5% increase from the year 2005. The US had exported industry related merchandises to 140 countries in 2006. The top exporting countries were Canada, $102,421,000 (29.16%); Japan, $63,621,000 (18.11 %); Mexico $43,314,000 (12.33%); United Kingdom, $14,295,000 (4.07%); and Spain, $10,664,000 (3.04%). Their combined total representing approximately 67% of all export to all Countries.

Adding the import and subtracting the export, the total U.S. consumption value of this industry for the year was $4,072,000,000.

Luggage Makers look for new growth paths - Luggage and Leather Goods

Manufacturers Association

Facing increasing price pressures and lengthy consumer purchase cycles, makers of luggage, bags and continually update their products and selling strategies stay at the top of the game.

The U.S. luggage and leather goods market, like the apparel market, is growing at about 3 percent to 4 percent annually at retail, where the sector accounts for about $7 billion, including sales of five major product groups -- luggage, casual bags, backpacks/daypacks, business and computer cases and men's and women's accessories.

Also reflecting trends in the apparel industry, makers of luggage, bags and cases continue to send more production offshore. Whereas international sourcing accounted for an estimated 60 percent to 65 percent of their production two years ago, it now makes up closer to 65 percent to 70 percent of the overall manufacturing picture.

In fact, the industry's leading trade group, the Luggage & Leather Goods Manufacturers Association (LLGMA), changed its rules several years ago and no longer requires potential members to have U.S. production facilities. Now mandating only that members have an office in the United States, the association has attracted new companies to its ranks, notes Anne L. DeCicco, president of the LLGMA.

There's no doubt that the industry is operating in a rough-and-tumble environment. Its modest retail sales growth has come, in great part, because of large increases in the number of units sold, say observers, even as the market becomes more price competitive. To some extent, that situation is a result of the dramatic growth of big box, price-driven superstore and warehouse operations, although department and specialty stores still own about half of the luggage business. That’s not to say there aren't lucrative new distribution channels for new products. For instance, there has been strong growth in sales of computer bags and accessories cases to consumers as well as the computer industry's original equipment manufacturers, and an increasing number of travel agencies are selling luggage.

A Closer Look at the Industry

The luggage, leather and accessories industry is fragmented. There are many small firms -- although there has been consolidation -- sharing the $3.5 billion wholesale pie. The LLGMA alone has more than 300 members, some of which are expanding into allied travel products, i.e. luggage makers entering the briefcase business. And there are scads of other suppliers that aren't even on the radar screen.

By all accounts, the 90-year-old, $700 million, publicly held Samsonite Corp. is the big fish, with an estimated 30 percent of U.S. market share. Insiders point to JCPenney's Jaguar line as having the second-largest market share, raking in 7 percent of overall sales, followed closely by Atlantic Luggage Co., which captures approximately 6 percent of the dollars.After that, the remaining players account for smaller, single-digit percentages of the pie. Still, name recognition is high for those at the top of the list, including Hartmann, Tumi, Boyt, Trayelpro and others.

Innovation Is Everything

In an industry in which consumer sales are counted in years rather than seasons -- about every seven years consumers get the itch to buy new bags -- innovation and style are king.

So, how do you top the invention of wheeled luggage that revolutionized the industry a decade ago? Short of having luggage that packs and transports itself, maybe you don't. But the makers are sure trying.

Michele Marini Pittenger, the LLGMA's vice president of communications and editor in chief of the association's Showcase International magazine, stresses: "Consumers want, more than anything, to have their travel go as painlessly as possible. And they're looking for luggage makers to ensure that."

Among other strategies, the manufacturers are working to consolidate luggage by merging to bags into one. For instance, a garment bag might be combined with a large Pullman suitcase, yielding a single piece of luggage with a garment bag section on one side and a Pullman section on the other. "It's one of the ways the industry is addressing people's need to pack more but carry less," Marini Pittenger notes.

The industry also is striving to improve the ease with which luggage can be transported, targeting ergonomic issues, such as handle design, not only in suitcases but also in backpacks and business cases.

As for style, there's a trend to both vibrant and earthy color palettes, albeit black continues to be, and will probably always be, the No. 1 seller. Tapestries are still being seen, but to a lesser degree. For soft-sided bags, the fabrics of choice, by far, are ballistic nylon and ballistic nylon/DuPont Corduro(r) nylon blends. There also are some nylon/polyester blends going into luggage, as well as some of the more durable micro fibers, which offer a softer hand. Looking to the future, LLGMA's DeCicco says she's encouraged because “lifestyles today require folks to be the owners of more and more different bags. I wouldn't call them luggage; but we're all bag owners today. And I think that bodes well for the industry."

And while innovations as revolutionary as the wheeled suitcase doesn’t come along every day, DeCicco opines: "I believe we have another 'wheels' in us someplace."

PROFILES OF THE PLAYERS

Turning to the market's major players, Bobbin asked five firms -- Samsonite, Atlantic Luggage, Hartmann, Boyt and Travelpro -- to share some details of their latest market strategies, and their views on key issues facing the industry. Responses from Samsonite and Atlantic are included in this article, while next month's issue will provide a forum for the latter three companies.

Samsonite: Business 'Shaping Up'

Denver, CO-based Samsonite has been busy repositioning its brands, and is confident its new alignment is a winner. The Samsonite name, now focused on the business traveler, is sold only through middle-market department and specialty stores, targeting the upper-moderate to upper channels of distribution. The firm's American Tourister brand goes after the leisure traveler, with differentiated products being sold under this label to all channels, including mass merchandisers. Finally, Samsonite's Lark brand is aimed at the executive traveler.

Like some other major players, Samsonite has been actively seeking opportunities to grow its brands via its own retail fronts. The company has 175 outlets and 12 regular price stores. Appealing to an estimated pool of 650 million airborne travelers, the firm also is selling on the Internet, as are some others. Samsonite sells on-line at regular retail prices, positioning its Web site more as a shopping than a selling tool.

Global manufacturer, Samsonite's products are made in the United States, Canada, Mexico, Japan, Belgium, France, Spain, Italy, Hungary, China and India. Its major U.S. production facility in Denver is one of the largest hard-sided luggage factories in the world. For production of soft-sided luggage, the company runs a cutting operation in Tucson, AZ, which feeds a Samsonite sewing facility in Nogales, Mexico.

Considered the industry leader in hard-sided sales, Samsonite's mix of hard-sided sales vs. soft-sided sales is approximately 15 percent/85 percent in the United States, 60 percent/40 percent in Europe and 90 percent/10 percent in Japan.

Mark Korros, president of Samsonite USA, told Bobbin that the company is gearing up for a resurgence of hard-sided products, with new styling and reductions in suitcase weight. In his view, the next innovation for these products will be in weight reduction. "Our new Lark Classic line weighs about 30 percent less than any other comparable product."

Not neglecting its important soft-sided business, however, Samsonite also has introduced a variety of smaller, 20-inch "Cabin Carry-On" bags to overcome the carry-on baggage size restrictions that have been promulgated by United and Delta airlines. (See "Carrying on about Carry-Ons," page 24.)

Looking at the bright side of the carry-on size issue, Korros asserts that the confusion has created selling opportunities for both soft and hard products. "[The issue] has given consumers a new reason to go back into luggage departments, when in fact they thought they didn't need any new luggage," he observes.

"Acknowledging that we've had a couple of tough years," Korros reflects, "This year should end tremendous for us the way business is shaping up."

Even as consumers buy more smaller soft-sided luggage to carry on the aircraft, Korros maintains, they're also investing in hard-sided luggage because "as they are having to check more luggage, they're not so sure they want to put expensive apparel in a soft-sided suitcase and watch it fall in a puddle of oil."

With an eye to the future, Korros also stresses: "By no longer selling Samsonite to the lower channel, we have been able to raise the value of the product, and put it more in line with how the brand is perceived outside of the U.S. In Europe, the name for our leather goods, for example, has the same cachet as somewhere between a

Coach and a Gucci. It is very high end. We think that's an opportunity here. But it's not something that is going to happen overnight."

Atlantic Luggage: Balancing Value with Bells and Whistles

While Atlantic Luggage Co. doesn't have the name recognition of Samsonite, the 80-year-old company does have an enviable stronghold on the department store channel, where it claims to be the largest luggage supplier.

In terms of overall U.S. market share, industry watchers rank Atlantic, perceived to be a department store promotional line, in third place, close behind JCPenney's Jaguar business. However, Atlantic considers itself the second-largest luggage supplier in the United States, behind Samsonite.

Says Anne C. Fleming, the firm's marketing director: "You may or may not know the brand when you go into a department store because we don't have an 'X' percent advertising fund to market to the public."

The company's niche is in luggage that offers a high features-to-value ratio, Fleming emphasizes. For instance, Atlantic's success in business cases comes from "adding value and making sure [the cases are] computer friendly, with padded compartments, both ballistic and nappa leathers, etc., but not at $200 price points," she states. Those who monitor the industry say Atlantic came into the big time fairly recently, thanks to increased marketing and product development. As one insider puts it: "[Atlantic] was a sleepy little company that got a jumpstart a few years ago by bringing in marketing and sales heavy hitters, and branching out into hard-sided luggage and business cases, with innovations."

The bulk of the company's business is in soft-sided goods, including upright Pullman luggage that sells for $99 to $249 at retail. The company's soft goods are manufactured offshore, while hard goods are produced in the United States.

Going forward, Fleming emphasizes that Atlantic, which has new products set to hit the market in February, will continue to focus on "innovation, not only in handles and wheels and fabric, but in coming up with new developments on the inside to make packing easier and more efficient for the user."

As for its response to carry-on luggage size restrictions, Atlantic has added a style to its lines that complies with the Delta and United specifications. Interestingly, while some major retailers have picked up the new SKU, others haven't.

Carryon Luggage

Offering her take on the carryon issue, Atlantic's marketing director concludes: "The consumers are Americans. They want a.) To take everything but the kitchen sink, and b.) To have it fit in that overhead compartment. And that's that. So to take a smaller bag, which may cost the same amount, or $10 less, and lose 20 percent of their storage space, forget it! They're going to take their chances."

About Carry-On

When both United and Delta air-lines began to regulate the size of carry-on baggage in November 2006, they added chaos to an already chaotic situation, created in no small part by air passengers themselves.

In the absence of federal regulations, and to stem the growing tide of people toting overstuffed, soft-sided luggage on board aircraft and then attempting to squeeze the pieces into overhead bins, the two airlines installed sizing templates in their check-in areas. If a passenger's bag cannot fit into the template -- which is 45 linear inches, including an opening of 14 inches by nine inches -- the bag must be checked and transported in the aircraft's cargo hold.

Considering the U.S. flying public's propensity for cramming the outside pockets of luggage, the nine-inch width of the United and Delta templates is a sticking point for the Luggage & Leather Goods Manufacturers Association (LLGMA) ... and other airlines. In fact, Continental and Southwestern have chosen to be more accommodating to their customers, and on some flights, will allow carry-on pieces as large as 51 linear inches.

As a result of the brouhaha, Continental has sued Delta, which rents gates to Continental in some locations, where Delta's template is being used. Continental contends that Delta doesn't have the right to impose its carry-on size restrictions on Continental customers.

The fact that the 45-linear-inch rule has been issued by only two airlines has created mass confusion among both passengers and luggage makers. Consumers don't know if their bags will squeak through from flight to flight, and the manufacturers are in a quandary over what size bags to produce. The most popular carry-on luggage size is 22 linear inches, which meets United's and Delta's standard, assuming the pieces can fit into the rigid opening dimensions of the templates. To protect themselves, some luggage firms have added smaller 18-inch to 20-inch sizes to their lines.

To complicate the matter even further, Rep. William O. Lipinski (D-IL) has introduced a bill known as The Carry-On Baggage Reduction Act of 1999" (H.R. 2495), that calls for two bags, measured together, not to exceed 45 linear inches. The bill also states that handbags and briefcases should be considered carry-on items, and included in the measurement.Bottom of Form

The LLGMA has been vocal in its opposition to Lipinski's proposal. Association president Anne DeCicco emphasizes, "During the past two years luggage manufacturers have introduced smaller and innovative carry-on products; the congressman's unnecessarily restrictive measure simply doesn't make sense."

What does make sense to DeCicco would be a standard from the Federal Aviation Administration (FAA) that says 45 linear inches is the maximum size for a carry-on bag, regardless of the airline, with carry-on luggage limited to two bags, excluding a woman's handbag but including a business case: "That would really be sufficient for most travelers and most airlines to solve the carry-on problem," she states.

But for now, the FAA and the LLGMA have agreed to disagree about standardization. Although the FAA definitely doesn't look on the issue as a template in a teapot, it is reluctant to intervene because its main charter is to oversee safety. Says FAA spokesperson Kathryn Greedy: "We have always felt that it was a passenger convenience issue until the last few years, and we have been monitoring it much more closely to see what the safety angle is to it. ... It's still an issue in flux."

Still, two petitions before the FAA -- one from the LLGMA, the other from flight attendants -- "might contain information that might cause us to change our minds," Greedy notes.

Stepping back to explain the FAA's standard view of the situation, Greedy relates: "You might ask why we don't regulate one-size-fits-all? We don't have a one-size-fits-all for any regulation because airline operations differ so much. And when it comes to the cabin, flexibility is absolutely needed because aircraft equipment varies between airlines and within airlines. And load factors vary. From London to New York, for instance, in the middle of winter, load factors are very low. Consequently, the carrier can accommodate more carry-on baggage than in the summer."

That said, Greedy acknowledges that some clarification is needed as to what constitutes a carry-on bag, especially given the overwhelming crush of passenger traffic that has tripled in the past 10 years. "People are asking, 'Will a purse fit? Does a laptop? Does a briefcase? Does a knapsack?'" she says. "Luggage has changed over the last decade; and some women come on with purses that could take the whole hard copy Encyclopedia Britannica."

To facilitate a better understanding of the existing rules, the LLGMA and the FAA have launched a joint public education campaign with a new consumer brochure that is being distributed at airports and placed in newly sold carry-on luggage. The major points of the campaign -- which has a theme of "Think Small. Think Smart. Think Safe." -- advises travelers to stow only essentials and valuable items in their carry-on bags, and to check with airlines on their limitations.

SUMMARY

This industry report packs 10 years of data from hundreds of reliable government and private statistical resources. The data have been compared and verified to assure the highest research quality. Supplier Relations US, LLC. frequently contacted these agencies and private companies to acquire the latest information, most of which is unavailable to the general public. It is estimated that to gather and organize the same information into an easy-to-read format in each report, an individual researcher would spend at least a year's worth of effort. The challenge is, by the time this is accomplished, some data is most likely obsolete. Our business is dedicated to the research of U.S. industries and their associated foreign trades. We can meet that challenge easily as our databases are directly linked to these resources.

The U.S. manufacturing sector is expected to hit the monumental 5 trillion dollars net sales in 2006. U.S. economists have projected another 5% to 7% growth in the year 2007. To stay ahead, this industry report is intended for you to analyze the specific U.S. industry in greater detail. Not only does the report provide you with information on domestic production, it also supplies you with an industry's import and export data. The report depicts what are the products of the industry and their respective contributions. You can compare these products with the industry's materials, parts and components list that is in the report. The foreign trade data includes 10-years of statistics, and it is projected into year 2008. Such trade data is also provided at the commodity level based on the HTS classification.

Footnotes:

[1] Source: The Travel Insider