What competition do you face on the European home textiles market?

The barriers to entering the European home textiles market are considerable. The market is highly competitive, characterised by strong buyer power and rivalry. Price sensitivity is high, requiring suppliers to offer quality at a competitive price. Higher market segments are the most promising, as they allow you to differentiate your products. Developments in emerging markets create both threats and opportunities.

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1. Considerable barriers to entering the European market

Due to the many requirements with which you have to comply, barriers to entering the European home textiles market are relatively high. Safety, sustainability and good value for money are key.

Legal requirements protect consumer safety

Consumer safety is a key topic in Europe. To protect consumers, legal and additional buyer requirements are numerous and strict. Products must be safe to use, and may not pose a health and safety risk. The most important legislation for home textile products is the restriction on the use of azo dyes. In addition, the European Union’s Textile Regulation states that textile products should be labelled or marked to indicate their fibre composition.

Tips:

- Follow developments in European buyer requirements. Do not bring concepts to the market without having investigated and tested possible health and safety hazards.

- To familiarise yourself with European requirements for market access, see our study of which requirements your product should comply with. Another good starting point can be a local business support organisation such as your chamber of commerce, trade associations or export promotion associations.

- Buyers may have specific standards and requirements, laid down in codes of conduct or certifications. Study them and include them in your order specification sheets to avoid any misunderstandings between you, your suppliers and your buyer. Liability issues can seriously hurt your business.
Sustainability is on the rise

Environmental and social sustainability are important issues on the European market. Legislation restricts trade in wildlife products. In addition, consumers increasingly demand sustainability. This trend leads European companies to adopt sustainable business processes and add “green” products to their range. They expect their suppliers to share these values, and comply with standards such as the Business Social Compliance Initiative and the Ethical Trading Initiative.

This situation can form a barrier, but also offers you an opportunity to differentiate yourself on the market. Fairtrade, organic and/or responsible concepts give you a competitive edge and may ease market entry. In addition to complying with common sustainability standards, certification can give you access to a promising niche market.

**Tips:**

- Use sustainability as a core element of your identity. Develop green products with sustainable materials and clearly promote your sustainable concept.
- Be ready to prove your claims about sustainability. Use certification and labelling when required and possible.
- For more information, see our special study of sustainability in the home sector.

Consumers demand more value for money

There is an increasing trend for consumers to trade up or down, resulting in an increased fragmentation of the European market for home textiles. This continuing fragmentation can make it more difficult for you to access the market. You either compete in the lower-end segment with high volumes and low margins, or in the higher segments with high quality requirements and stronger brands. These segments also provide more opportunities to differentiate your product.

An ongoing development is that European consumers are expecting more for less. The mid-low market wants more service, quality, design and speed of delivery, at a lower price. Buyers may respond to these demands by switching suppliers. This situation places pressure on exporters from developing countries such as you to increase the performance of their company and products at a competitive price.

**Tip:**

- Avoid the mid-low market, which is under pressure. Instead, focus on high-quality products or niche markets.

2. Highest threat of substitution in lower market segments

There is a considerable threat of substitution for home decoration products; especially in the middle and low market segments, where trends are of great influence.
Home textile products are relatively easily substituted
The threat of substitution is high for home textile products and will remain so in the coming years. Low-cost products and products that perform the same function as yours pose a substantial threat. In the case of home textiles, convenience and fashion are important motives for substitution.

Examples of product substitutes within the home textile sector include blinds instead of curtains, blankets instead of duvet covers and wooden flooring instead of carpets. Some developments can completely change the demand for a certain product; for example, dishwashers replacing cheaper kitchen linen or the trend to move away from formal dining causing a decline in table linen sales.

Buyers also continue to demand product innovation. Examples include new materials with anti-allergic properties or fibres with coatings that enable digital printing.

Tips:
- To prevent substitution, combine your production techniques and designs with a unique context such as storytelling or branding.
- Consider alternative markets or market segments if your product is threatened by a substitute.

Trends influence middle and low market segments
In middle and low segments, consumers are particularly influenced by trends. They prefer new products that are more “now” to existing products. In premium segments, trends are a less crucial buying motive. These consumers value products that are more exclusive or unique, making them less easily substituted. For example, the high-end demand for natural materials and “handmade” products may offer you opportunities.

Tips:
- Follow market trends, especially those related to consumer needs. For more information, see our study of which trends offer opportunities.
- Especially in the trend-sensitive segments, you should be prepared to work flexibly with your core materials in order to prevent substitution. This approach can mean creating new looks or finishes and re-styling items to suit a new trend. It can also involve more fundamental material innovation and experiments; for example, apply core materials to a wide range of product categories or combine materials to start exciting new design trends.
- Consider whether your product design and quality allow you to target the higher market segments. If your core strength is manufacturing, fine-tune the process to become a key player in your price segments.

3. Opportunities for suppliers to increase negotiating power
Buyer power is strong on the European home textiles market, where price is key. To increase their negotiating power, suppliers can explore the potential of emerging markets and new channels.
Home textiles in Europe are a buyer’s market

Buyers have a strong position on the European home textiles market. Pressure from buyers is rising due to increased price-sensitivity, buyer concentration and a frequent changing of suppliers. Although sustainability is increasingly important, price remains the main driver in negotiations.

In future, the European market for home textiles will remain a buyer’s market. European buyers know the most about consumer demands in their market. They can match suppliers’ capabilities and skills with consumer demand.

Tip:
- Showcase your added value and skills to potential buyers. Buyers can assist you in improving your product’s suitability for the market, because they are closer to European consumers. Being able to assist potential buyers in their product development process can also help to increase your value as a supplier.

Emerging markets and new channels offer opportunities

Your position is improving through the emergence of upcoming markets such as China and eastern Europe, where demand for home textiles is predicted to grow. These emerging markets generate an increase in demand and lead local suppliers to focus on their domestic market. This situation may cause an increase in your bargaining power towards European buyers.

Emerging market channels can also be worth exploring. Where imports to the European market traditionally take place through larger importers, smaller retailers are increasingly interested in buying directly from you. This approach allows them to differentiate on value-added service, specialised offers and authenticity. It is also a cost-saving strategy to them. Although retailers will capture most of the extra margin, this strategy can increase your market opportunities.

Another market channel worth exploring is e-commerce. So far, mainly end-of-chain players on western markets sell via online shops. However, with increasing technology, know-how, logistics options and consumer demand for online shopping, e-commerce could also be an option for you.

Tips:
- Keep track of emerging regional markets that may increase your sales opportunities and negotiation power.
- Study the potential of e-commerce and selling directly to retailers.
- For more information, see our study of through which channels you can get your product on the market.
- For more information on supplying directly to smaller retailers, see our special study of Alternative distribution channels.

Resource scarcity affects negotiating power

Nevertheless, your own suppliers could also affect your power. A scarcity of resources could pose a threat, making your suppliers more powerful when there is a shortage of materials. For example, between 2009 and 2011, cotton prices more than doubled to reach a 150-year high before returning
to relatively “normal”. This peak was due to floods in major cotton-producing areas while the demand from China continued to soar.

**Tip:**
- Keep track of developments in your raw material supply. You should consider alternative materials or sources if your suppliers become too powerful.

### 4. Increasing rivalry on the market

Although rising labour costs in China offer opportunities on the lower-end market, these options are most feasible for larger exporters. Higher-end market segments focus on added value, allowing for differentiation. Large apparel retailers entering the market lead to shortening demand cycles.

![Figure 1: European imports of home textiles 2012-2016](image)

Between 2012 and 2016, European exports of home textiles increased at an average annual rate of 5.6%, from € 25 billion to € 34 billion. These imports are expected to continue growing moderately in the coming years. Developing countries supply the majority of European imports of home textiles, with a relatively stable market share of around 57%.
Germany is Europe’s leading importer of home textiles at € 5.6 billion in 2016. The United Kingdom (€ 4.7 billion), France (€ 3.8 billion), Italy (€ 2.6 billion), Spain (€ 2.2 billion) and the Netherlands (€2.0 billion) follow. Together, these main markets account for two thirds of the European home textile imports. Between 2011 and 2016, they showed a promising annual growth of 3.2–9.1%. The import share of developing countries is relatively high (62–67%), with the exception of the Netherlands (52%).

Europe’s leading suppliers of home textiles are mainly developing countries such as China (31%), Pakistan (6.0%), Turkey (5.7%), India (5.6%), Vietnam (2.9%) and Bangladesh (2.3%). Within Europe, the main suppliers are Germany (6.0%), Belgium (5.7%) and the Netherlands (4.8%). These
countries are key European trade hubs that re-export much of their imports. Suppliers from the rest of the world play a relatively minor role on the European market for home textiles.

Import tariffs may vary depending on the product and exporting country. Per product group, your country may or may not benefit from a preferential 0% tariff. This situation could give you somewhat of a competitive advantage.

**Tips:**
- Focus on Europe’s main importers of home textiles, Germany, the United Kingdom and France. Their promising growth and relatively large import share from developing countries makes them particularly interesting markets for you.
- Compare your products and company to the competition from other developing countries. You can find exporters per country via [ITC Trade Map](#) to compare on market segment, price, quality and target countries.
- Determine what import tariff applies to your product in the [TARIC](#) database. If you qualify for a preferential tariff, you need a [Certificate of Origin](#) to claim it.

**Competition is mainly price-based in lower market segments**

Competition among suppliers has increased, especially in the lower market segments. This trend is expected to continue in the coming years. These segments compete mainly on price, while product branding is weak.

Suppliers from China, Turkey, India and Pakistan dominate the high-volume market. Increasing supplies from Egypt and Bangladesh challenges these suppliers. At the same time, Chinese factory workers’ wages increased by 64% between 2011 and 2016. If labour costs in major supplying countries continue to rise, other volume players may be able to gain market share from them.

Due to pressure from consumers wanting more for lower prices, the future market for home textiles will be characterised by an increased concentration of buyers. This situation leaves room for fewer, larger exporters.

**Tips:**
- Try to fill potential gaps by offering, for example, higher design quality at a relatively low price, superior service or logistics benefits.
- Meet European buyers at European and Asian trade fairs. Scout for buyers who may want to move away from China to other regional suppliers.

**Higher-end market segments allow for differentiation**

The higher market segments mainly compete on quality and sophistication in design. This fact is reflected in high-quality raw materials, skilfully handmade elements, execution of techniques and perfect finishing. Branding of the product plays a more important role.

Large apparel retailers such as Zara and H&M entering the market has had a major impact on shortening demand cycles and marketing techniques. These retailers use the apparel sector as a blueprint for their approach to the home textile sector. This strategy results in several “seasons”
throughout the year and a greater focus on promoting home textile products. These large apparel retailers mostly, but not exclusively, position themselves in the middle segment.

The shortening demand cycles make shorter production lead times, smaller volumes and supply reliability increasingly important. This trend drives the popularity of re-shoring production to emerging eastern European countries. They offer proximity to the market at relatively low production costs, with the additional selling point of being “Made in Europe”.

### Tips:

- Target the mid-high and high-end market segments, which offer most opportunities to add value to the product.

- Differentiate your product by ensuring high quality, special raw materials, and telling a unique and personal story.

- Your buyers are likely to be affected by the new competitors in the sector, resulting in new demands. Respond to your buyer’s needs by offering short lead times, supply in smaller volumes and supply reliability.

- Supplying home textiles to “apparel” retailers is hard for you, but it can be interesting if you can meet their quality requirements, develop new products quickly and ensure short lead times.

- For a more in-depth analysis of these developments, see our study of which trends offer opportunities.

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