CBI
Ministry of Foreign Affairs of the Netherlands

Re-thinking the traditional Market entry Strategy in Home Decoration and Home Textiles following the Changes in Buyers Behaviour

Content

1. Summary

Are we facing a decline of trade fairs is not a question that can be answered by yes or no. The situation is far too complex and requires a more differentiated answer. The globalisation process has actually increased the interest in trade fairs due to the economic growth of the BRIC countries and the numerous companies - especially Asian – eager to access the international markets.

In terms of number of visitors, European and American trade fairs have faced a serious decline since the recession of 2001, enhanced by the financial crisis of 2007-2008. In terms of number of exhibitors, foreign companies - a large majority from Asia - have made up for the drop out of European exhibitors, especially on German trade shows. This has influenced the structure of European trade fairs and the marketing strategies of European enterprises, which have consequently intensified their customer retention and reduced their budget for trade fairs.

The economic centre of gravity is shifting to the East, where a growing middle-class is hungry to consume beyond their basic needs. We don't know yet what products they will consume and where the goods will come from but this implies a geographic shift for the exhibition industry and a focus on these new markets for HDHT manufacturers

In the digital era of communication trade fairs compete with other instruments of the marketing mix. Social media and digital trade shows still play a marginal role in the sourcing of potential suppliers but this will certainly change once the Facebook generation hits the labour market. Trade shows, personnel selling, private events, congresses all emphasise face-to-face communication, that help build up confidence in the supplier and satisfy the growing desire of the buyer for emotional experiences and entertainment that he cannot get from his desk. Digital media have influenced the way buyers use trade shows nowadays; trade shows are mainly used to network, observe the market and the latest developments in the industry but not so much to place orders. Exhibitors therefore need to adjust the objective of their participation to this new reality. For smaller overseas companies, which cannot afford a participation in a European trade fair or just cannot make themselves visible to the visiting buyers, private shows or personal selling are an option provided they are backed by an intermediary like the CBI who "guaranties" for their reliability.

In general, buyers find it hard to find the right suppliers: innovative, reliable, quality conscious and efficient. For those buyers who can afford it, buying/sourcing agents pre-select suppliers on their behalf, helped them make choices and shield them from the numerous enquiries. For smaller companies third parties like CBI could take over this function. The following survey could not point out one particular tool from the marketing mix that is particularly successful with buyers. The latter prefer to play the active part in the sourcing of potential suppliers either on individual business trips overseas, on trade shows or in online research. To be approached makes them more vulnerable: they are the prey and not the hunters. Overseas suppliers can increase their chances for success by approaching buyers through intermediaries.

2. Methodology

While there is an abundance of literature on the subject of procurement, global sourcing or the retail business, very little is to be found on retail buying, especially when it comes to The Home Decoration and Home Textile sector (HDHT). It is no surprise that the general literature on purchasing concentrates on the business sectors where the big money lies. And where there is big money involved there are also big fishes in the form of large multinational companies who developed highly complex purchasing methods and structures to enable global cost-effective and efficient sourcing.

In this context, the HDHT sector appears like a niche market in the whole consumer good business. While you come across some major key players in the USA, in Europe IKEA is probably the only one. European companies are generally much smaller, their business volume is smaller and their market outlet fragmented into many national markets therefore their buying strategies differ strongly from their American counterparts. This survey focuses exclusively on the buying behaviours of European companies.

It became quickly clear that this survey was going to be an empirical study and a data collection on the buying practices in the Home Decoration and Home Textile (HDHT) sector in Europe rather than a theoretical or comparative approach.
The data collection took place in the form of personnel interviews of various actors in the business. A different questionnaire[1] was developed for each category of interviewee. The respondents were divided into 4 categories:

- Buyers
- Suppliers
- Trade show organisations
- Sourcing agencies

This survey is the result of 31 interviews carried out with 18 buyers (The Netherlands, Germany, UK, Italy, France, Denmark, Switzerland), 10 suppliers (The Philippines, Indonesia, India, Bangladesh, Colombia and Kenya), 2 trade show organisations (France, Germany) and 1 sourcing agency from Thailand. A good mix of company sizes were represented in this survey ranging from small companies with up to 5 employees to larger companies with +500 employees.
Some of the respondents qualified as buyers as well as suppliers, since they import goods from overseas and supply them to retailers across Europe. In these cases, the interviewee generously replied to both questionnaires.

On the supplier side, a strong emphasis was put on companies from developing countries, which previously took part in a CBI Export Coaching Program (ECP) but European companies were also interviewed since they face similar challenges as overseas companies in a highly competitive market place.

To find out what has changed in buyer behaviour over the last 10 years, we had to start the research by questioning the relevance of trade shows - the traditional matchmaking tool - in an increasingly digitalised business environment. The answer partly came from the interviews and partly from the statistics provided by the trade show organisations for the years 2002 until 2012. We have been able to compare the data for Ambiente, Tendence, Heimtextil, Maison et Objet and Canton Fair in a cross tabulation.

3. The changing role of trade fairs and what to expect from them

Historically the concept of "fair" involves the act of selling and trading, whereas the notion of "show", "exhibition" or "exposition" focuses on communication and the display of goods.

"Exhibitions differed from fairs in the very way in which business was conducted. Goods were bought and sold at fairs. At exhibitions, commercial activity or selling of the displayed goods was not usually involved. However, inherent in displaying the goods was the hope of stimulating future sales. Today this is how most exhibitions still operate"[2].

Although today these terms are commonly used to express the same concept, it is interesting to see that the dichotomy between selling and showcasing is still very relevant when trying to define the role of trade fairs. For an exhibitor - manufacturer or distributor - the primary intention is and always was to sell and find new customers. These objectives have become more and more challenging to reach, for one because the volume of direct orders on trade fairs has significantly declined over the years and for the other because professional buyers visit the shows on a tight

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[1] The questionnaires can be found in Annexes 1 to 4
[2] Prof. Dr. Jörg Beier and Simon Damböck, authors of an online course from the University of Cooperative Education, Ravensburg, Germany, entitled: "The Role of Exhibitions in the Marketing-Mix"

schedule that hardly allows them – besides meeting up with existing suppliers – to discover new ones.

a) What are the intentions of visitors nowadays when attending a trade show?

The latest report on "Ambiente 2013" sums the objectives of trade visitors on the fair as follow:[3]

Figure 1: Objectives of trade visitors

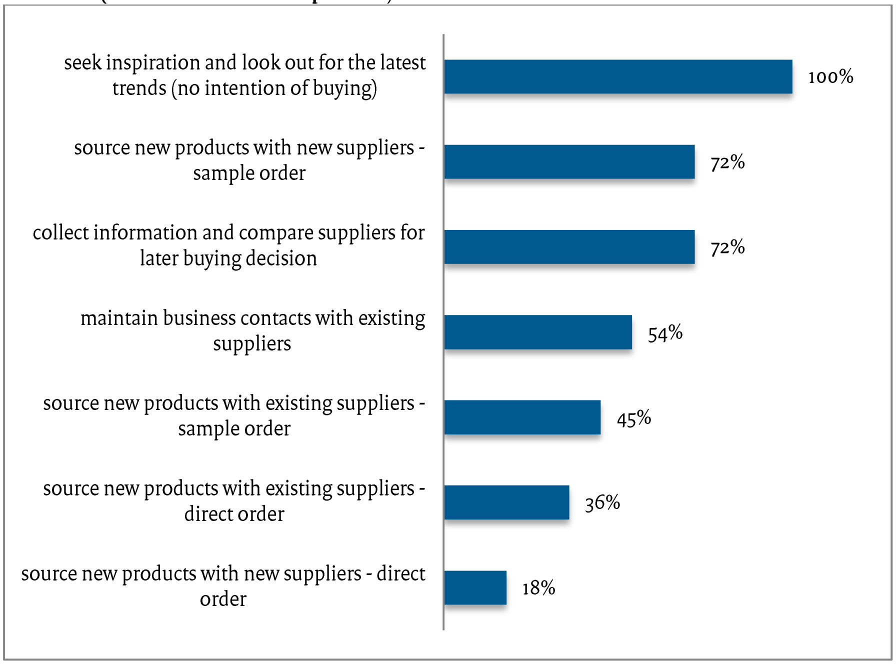
Source: Messe Frankfurt, www.ambiente.messefrankfurt.com, About Us, Facts & Figures

Figure shows that only 16% of all visitors came to the Ambiente trade fair with the intention of purchasing goods. Most of the visitors came to the largest European consumer goods show to gather information about trends, observe what is going on the market and for networking.

This trend was confirmed by the interviews carried out with buyers in this survey. When asked about the objectives of their visit to European trade fairs, the interviewees answered as follow

[3] Unfortunately these data were not available for 2002, for us to compare developments over the last 10 years.

Figure 2: Buyers interview: what are your intentions when you visit a trade fair? (More than one answer possible)



This outcome may explain the frustration of many exhibitors, especially for smaller companies who have travelled a long distance and invested an important part of their (marketing) budget to attend a major European show. Expectations are all the greater as costs of participation are high (travel costs, accommodation and catering, stand rental, stand construction and decoration, advertising and hospitality, etc.) but the return on investment (ROI) often fails to show.

The question is: can you measure the success of a trade fair participation based alone on direct orders and can sales volume alone decide upon future trade fair participation?

The perception of success of a trade fair participation is closely related to the ROI of a show. The return on investment can be of quantitative (and therefore measurable) or qualitative nature (which is harder to assess). Are the benefits in relation to the resources invested? AUMA has developed software for exhibitors, the "Trade Fair Benefit Check" to measure the benefits of trade show participations on a wide scale, taking into account the monetary equivalent value of quantitative and qualitative returns. The check is based on three steps: establishing goals, determining the budget and calculating the benefits. The check can be downloaded free of charge from the AUMA-website[4].

The success of a trade show can only be measured in relation to the objectives the exhibitor has set prior to the show. It is very important that the objectives remain realistic: the way buyers use trade fairs today, as shown in Figure 1 and 2, requires an adjustment to the exhibitor's objectives. Most likely the objective of a foreign company is the increase in exports but trade fairs also provide an excellent opportunity to make new contacts and consolidate older ones, introduce new products, create or improve the image of a company, conduct research and determine market potential, observe the competitors, recruit new staff and develop distribution channels through new sales agents or distributors.

[4] http://www.auma.de/mnc/e/mnc-e.html

i) Exhibitors adjusting their goals to new buyer behaviour

In an empirical market research published by AUMA, the Association of the German Trade Fair Industry, at the beginning of 2013[5], 500 German exhibitors were interviewed on their trade fair activities for the next 2 years. When asked about their exhibition targets the following goals were mentioned:

Figure 3: Exhibition targets (more than one answer possible)

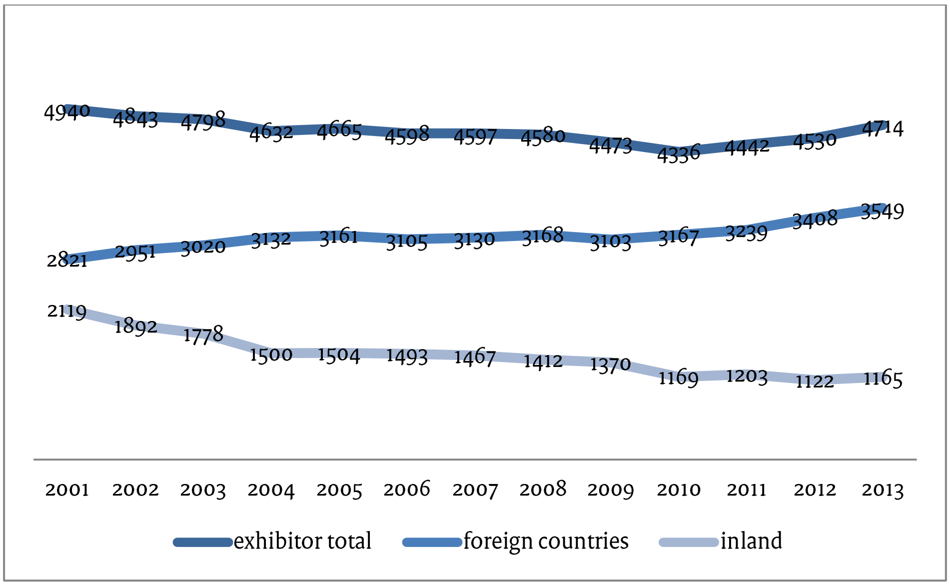
Targets of trade fair participation	
Increase brand awareness	96%
Regular customer care	95%
Win new customer	93%
Improve company / brand image	91%
Introduce new products / services	87%
New market entry	79%
Find new cooperation partners	74%
Sign orders/contracts during and after the show	73%
Build new distribution channels	58%
Market research: customer behaviour, trends, product acceptance	56%
Built up and maintain relationship with the media	50%
Qualification of sales representatives	37%
VIP care	18%
Implement new conditions with customers	17%
Find new employees	15%
No Targets set before the show	2%
Average Nr. of targets mentioned by each participant	9,4

The German exhibitors mentioned an average of more than 9 targets associated with their participation in a trade fair. The 5 main targets were of rather qualitative nature, aiming at a psychological impact on the visitor, than of a commercial nature. Nevertheless, three quarters of the interviewee still participate in trade shows with the objective to sell and sign contracts.

One result of changing objectives of visitors could be the decline of German exhibitors by nearly 50% since 2001 at Ambiente.[6]

[5] AUMA_Messe Trend 2013
[6] foreign exhibitors used to be on a long waiting list. No data are available of the actual waiting list

Figure 4: Exhibitor at Ambiente 2001-2013 inland and foreign countries



Trade shows have become platforms for communication and developing relationships with clients while commercial transactions have become secondary. Combined with other events such as lectures, seminars, trend shows, special events and congresses they have become multifunctional. This combination raises visitor interest, driven by the high demand for information exchange and the availability of experts in one place at the same time.

One main reason for this shift in objectives on both visitor and consequently exhibitor sides is the time constraint. While it was not unusual for a buyer to make use of the entire duration of a trade fair (4-5 days), his time budget today has shrunk to 1-2 days per fair. Not only has the effective time spent on a trade show been drastically cut for budget reasons but also the number of staff visiting has been reduced to a minimum. Thus a buyer's primary objective is to meet up face-to-face with his current suppliers. He is only able to have a quick glance at new products and initiate new contacts but there is hardly any time to study product offers or engage in sales negotiations on the show itself. In other words, a trade fair participation can only bear its fruits if there is a proper follow-up and a consolidation of this casual contact at the fair because "trade shows participation is too expensive to be limited to the exhibit alone"[7].

To make the best of a buyer's time constraint and to initiate the first business lead in a highly competitive environment it is important that:

- the exporter stands in the right hall for its products?
- there is enough traffic in this hall?
- the booth is at the front of the hall and not hidden in the back?
- the exhibitor has a row booth (which you can see or enter from one side) or a corner booth (which you can see or enter from 2 sides) or an end booth (with three sides open)?
- there is a key player nearby who attracts visitors?

The positioning of a booth is of major importance but, of course, the better the location the higher the price, the longer the waiting list and the higher the requirements from the fair organisers in terms of booth concept. The visibility of a stand is not only determined by the

[7] Czinkota, Michael R.; Ronkainen, Ilkka. A, International Marketing, International Marketing, Mason , Ohio : South-Western, 2002, p. 379

positioning or the size of a booth. Other factors like the emotional experience have a great impact too. Today buyers expect to be entertained. They are looking for a "wow" experience they cannot get anywhere else. The originality of the display compared to the booths around, the attractiveness of the stand in terms of decoration and products, the harmony of product range and the ability to tell a story make a company visible or not.

ii) The shift of business transaction to after the show

However, the success of a trade show is sometimes only noticeable weeks or months after the show and an exhibitor may realise a turnover more than 12 months later. The success of a trade fair participation is not only determined by a company's performance during the fair but also *after the fair.* As already mentioned earlier, the participation alone in a trade fair will not give the proper results. A trade fair is there to initiate new business relationships but a consolidation of these leads is essential.

The quality and the speed of the follow-up can influence the success of trade show participation substantially and give the exhibiting company a reliable and professional image. With a good marketing strategy the motivation and interest of a buyer reaches its height ideally on the fair. After the visit he goes back to his daily routine. The slower the follow-up and the higher the chances that he won't remember you and your products and that he lose interest. The customer wants his wishes to be fulfilled as soon as possible. This could mean that the exhibitor already sends information brochures, quotes or samples while the trade show is still going on or soon after the show ends. He has to make sure that his offer is complete and concise since he won't be given a second chance to make a first impression. To reach this quality of customer relationship the company has to rely on an efficient back-office. Communication and personal responsibility have to be determined in advance.

b) Significance of trade fairs compared to alternative marketing instruments

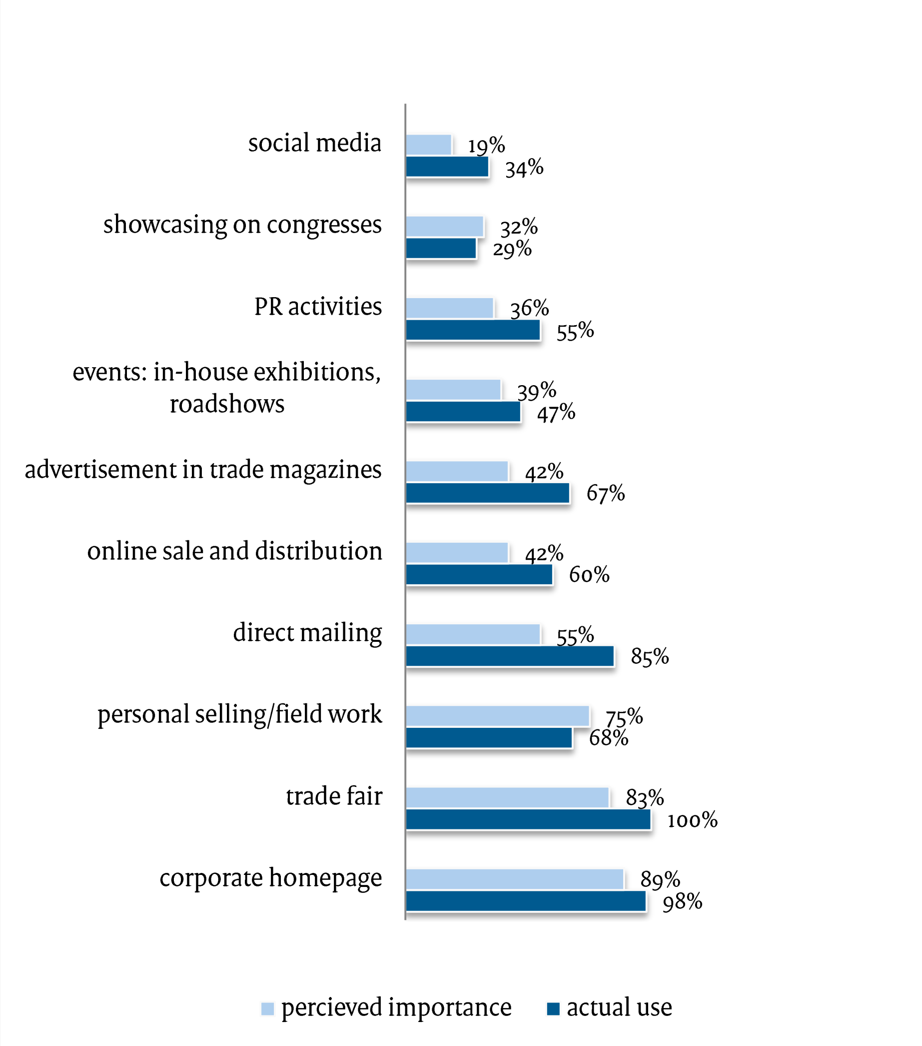
The intensification of digital communication over the last 10 to 15 years and the proliferation of social media have changed the way we do business and communicate today. Trade fairs represent the classical platform for communication, information and exchange of goods. "In the original model, buyers had to wait 12, 24 or even 36 months to meet face-to-face with their suppliers to seek out new products, solutions and innovations. Those days are long gone. Today, with the click of a few key strokes, buyers can obtain immediate answers and quotes to their queries"[8]. Thanks to the internet, companies can chose from a wide spectrum of marketing tools for their B2B communication. Trade fairs are just one instrument of communication among many others and trade fair organisations have come under pressure to provide a value added to their format.

Which significance will trade fair have in the exporters' communication portfolio and which interest will they generate for buyers will decide upon their future.

The AUMA survey "Messe Trend 2013", interviewing 500 German exhibitors, has attempted to evaluate the significance of trade fairs compared to alternative marketing instruments. The survey differentiated between the actual use of these instruments and the perception of their relevance by the vendor.

[8] Scenarios for the Future. Convention Exhibits & Trade Shows of 2016, January 2013, The ASAE Foundation, Exhibition Industry Foundation, Freeman, Gaylord Entertainment and PCM Education Foundation, p.9

Figure 5: The various marketing instruments and their actual use



Source: AUMA, Messe Trend 2013

The survey emphasises that the companies interviewed by AUMA use an average of 7 to 8 marketing tools to reach their customers. In the ranking of the most important marketing instruments *as perceived* by the German exhibitors, we find at the top the corporate homepage with 89%, trade fairs with 83% and personnel selling with 75%. Although social media still rank quite low in the marketing mix with only 19%, they experienced the highest rise (+5%) compared to 2012. It is expected that this tendency will develop upwards in the near future. Since the survey has been carried out exclusively with trade fair exhibitors (which explains the 100% use of trade fairs), Figure 5 fails to show the actual use of the instrument "trade show" in comparison to other instrument. Nevertheless, according to the survey, companies tend to use these instruments more than they grant them significance

i) The instruments of face-to-face communication

Trade fairs, personal selling, events like *road shows, in-house fairs* and other *private events* all emphasise "face-to-face communication". In the era of digital media, face-to-face communication helps build up confidence and customer loyalty. It also helps satisfy the increasing desire for entertainment and emotional experience that are missing when you do business from your desk.

But first and foremost, face-to-face meetings are essential in the field of Home Decoration and Home Textiles for the customer to be able to touch and feel the products, inspect the goods from a quality and aesthetic point of view. This cannot be replaced by a 2 dimensional brochure, a website or a virtual exhibition.

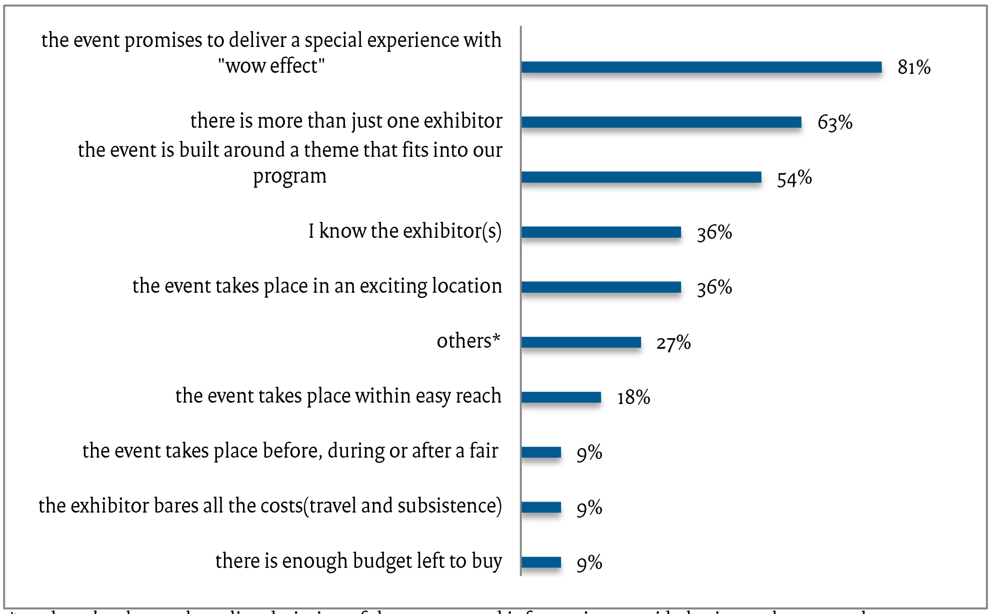
i.1) Private events

Frustrated with the short face-time they get with their clients on major shows and the volatile return on investment, more and more European suppliers have discovered that they can host private shows for a fraction of the cost of a trade fair and be one voice instead of one of many and that buyers like the personal and private approach. A look in buyers mailboxes shows that events are on the rise and companies are shifting their marketing budgets towards corporate events where vendors have the buyer's attention exclusively to themselves, time is no longer a constraint from the moment on the buyer decides to come. The atmosphere is more relaxed and intimate and therefore inclined to build-up a lasting customer relationship. Unlike on trade fairs, where you leave it up to chance for the right buyer to find his way to your booth, a private event allows you to address the buyer of your choice personally. It is very flattering for a customer to have been chosen among his competitors to attend a private show and he sees in that "exclusive" event the chance of finding "that something special" his competitors won't have the chance to see. Therefore the invitations have to be thought through carefully, avoiding to invite two buyers from the same town or even the same region. There is nothing worse for a buyer to meet a direct competitor on a private show.

The timing of such an event should not take place parallel to a trade fair, since buyers are focused on the fair and too busy or too tired to hop from one place to another. You wouldn't benefit from the relaxed atmosphere and the focus on your company and products. Buyers won't like to commit before a major fair either, since they haven't had the chance yet to handle their regular business and investigate the market and the latest trends. The fear they might find something better on the fair will always be on the back of their mind. So the best time is probably sometime not too far after the bustle of the international fairs has settled.

We have asked the buyers in this survey, under which circumstances are they willing to attend a private event. The answers are shown in Figure 6.

Figure 6: Under what conditions would you attend a private show hosted by the a current or potential supplier? (more than one answer possible)



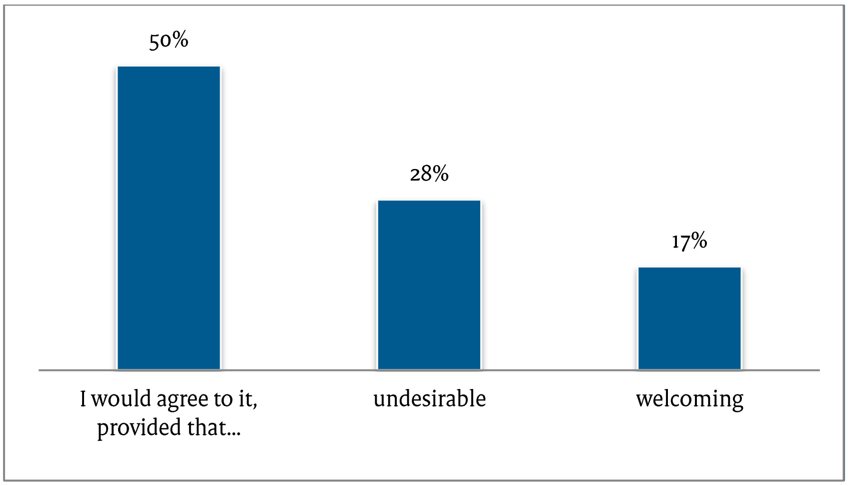
* under *others* buyers have listed: timing of the event, good information provided prior to the event, the event should not take place in my region and my direct competitors should not attend

In their constant quest for something new and unique buyers are thoroughly interested in private shows. Their prime motivation as shown in Figure 6 is by far the prospect of a special experience (100%). A destination with touristic attractions and the possibility to combine the event with window-shopping and trend spotting but also an exciting location like an old warehouse, an orangery or any other unusual place will reinforce the entertainment factor buyers are seeking. Buyers are ready to travel the distance it takes – for only 18% of the interviewees does distance matter – as long as the event is built around a theme that fits into their program (54%). The theme can be either built around a country/region, a specific material or technique. The interviews have shown that the event is only worth the journey if there is more than one supplier to meet (63%). Some buyers also stressed that they require an information package prior to the event, containing company profiles, product photos, an introduction to a certain material or technique to help them make the decision to come or not. It makes also sense on the exhibitor's side to team up with other suppliers since an invitation to a corporate event in most cases implies that the host bears the travel costs. While larger buying organisations will take care of their expenses themselves, in compliance with their anti-corruption policies, there will always be a risk that some buyers mistake such an event as an invitation to a free holiday. It is therefore advisable to assess the potential of a buyer, before inviting him. There is also the opportunity to host such private events in DCs but these events should be organised parallel to a regional or national trade fair to avoid too much costs.

i.2) Personal selling

Basically buyers are open to a personal visit in-house provided that they feel the company has interesting products, matching their range. They want to get enough informational material (photos, company profile, etc.) beforehand to decide if they want to spare some time. For some buyers the products need to be really special for them to agree

Figure 7: In-house visit by a supplier: is that a welcoming practice within your company and under what circumstances would you agree to it?



In general, buyers find it hard to find the right suppliers: innovative, reliable, quality conscious and professional. Only larger companies can afford working with buying/sourcing agencies, which preselect potential suppliers on their behalf, help them make choices and shields them from overwhelming enquires. Smaller companies have to work their way through the jungle of possibilities and information and often lack the capacity to do so. In this respect, trade fairs narrow the choice of suppliers but remain time consuming and are not always satisfactory. Besides that, the chances that your competitors source the same products are high. A recommendation from another buyer or a third party like CBI or SIPPO are valuable because the supplier has already been screened by the person or institution, which recommends it and therefore fulfils basic criteria. A supplier who approaches a buyer through the intermediary of such an organisation – be it an invitation to a trade show, a private event or a in-house visit - has much better chances of success than if he would approach the company directly.

i.3) The limits of private events

In conclusion, all alternative marketing tools emphasising face-to-face communication represent a threat for the classical trade fair format. However, buyers don't go to a private event with the intention of completing their procurements there; they are rather looking for special items to highlight their product range. Leading international trade fairs represent a central meeting point once or twice a year for the entire HDHT industry. It is still the biggest exposure a supplier can get and the most efficient way for a buyer to get an overview of the market and match his basic needs. With growing popularity among suppliers, private events like road shows or in-house fairs will soon raise the question among buyers of how many private shows you can afford to attend in one season. And wouldn't they lose their attractiveness and exclusivity if everybody used them instead of trade fairs? Private events will not replace trade fairs but - if used adequately and with the support of a donor organisation - they can draw attention on small companies who either cannot afford to exhibit on international trade shows or cannot make themselves visible on these events. For buyers, on the other hand, they offer the chance to source products that stand out from the mainstream and cannot be found with their competitors.

c) Trade fairs vs. digital media

In the run for the most efficient information and networking platform, it is almost impossible to imagine business life without digital media. The electronic mail, google, skype and the endless source of information offered by the internet have become part of our daily business routine and vital to the economy. The internet has evolved from a virtual space, where users can consume information each on their own to a place where they can interact: communicate, meet virtually, sell and buy from each other. Social media, like Facebook, Twitter, LinkedIn, Xing, Pinterest, etc. help build communities sharing the same interest, taste, profession or objectives.

It was therefore only a matter of time until virtual trade fairs and match-making platforms, like Ali Baba (Chinese market), Tradeget (Indian market) or Kelly's (US market) appeared on the digital horizon.

i) Virtual Trade Fairs

The first **Virtual exhibition** was presented in New York in 1993 as "ConventionView" by Alan Saperstein and Randy Selman, who videotaped trade show exhibitors' booths and attached them to HTML floor maps. The new concept was met with moderate interest and it's not until the recession of 2009-2010 that providers of virtual event platforms have experienced a boost in demand, driving cost-cutting approaches to business.

The structure of a typical virtual tradeshow often includes a virtual exhibition hall, which users can enter after registration. Exhibitors can build virtual booths, customised to their needs and style to exhibit information related to their products or services. Most platforms provide a set-up tool to create a booth that does not necessarily require the help of programming experts. A built-in digital media service centre allows the exhibitor to organise webinars, chats and others and a back-office administration tool helps manage his account and billing. Visitors can move through the aisles of the exhibition halls, from booth to booth. Once at an exhibitor's booth, they can view virtual trade show displays, review and download various sales materials, watch videos and chat with product specialists. Users - both exhibitors and visitors - within the environment often create avatars as a visual representation of themselves.

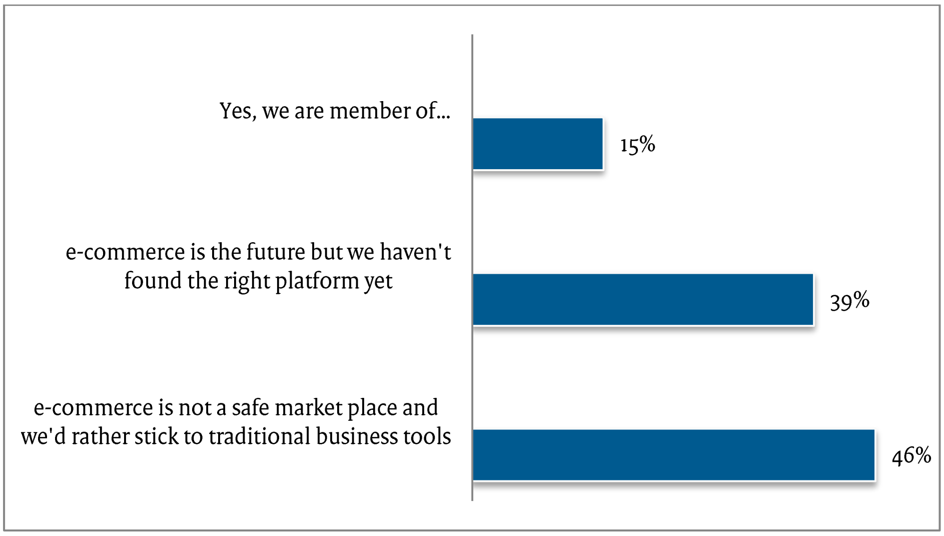
Like their physical counterparts, virtual tradeshows may have other components such as a web conference, a web seminar ('webinar'), or other educational presentations that take place in virtual auditoriums. The virtual trade fair thus provides live interaction between users on several levels (one-to-one, one-to-few, one-to-many and many-to-many) and simultaneously. Detailed tracking mechanisms allow organisers to determine the flow of traffic in the virtual tradeshow.

Virtual trade fairs are not as widely spread in Europe as they are in the USA, where market players are generally more open for experimenting with new technologies. But virtual exhibitions seem for the time being to suit some sectors, like capital goods, better than others: it is easier to present a turbine or a train wagon with image and sound than the structure of a fabric or the feel of wooden plate, let alone the smell of a scented candle. While virtual models and software have reached a high level of quality, it's the hardware that fails so far to meet the expectations: the 3D-aspect and the level of resolution don't make for a realistic display. If virtual exhibitions are still in an early stage of their development, intensive research is going on worldwide to overcome theses deficits and extend our virtual sensations. With the help of a glove, we should be able to seize or feel the surface of a virtual object or perceive scents through virtual aroma synthesizers. Of course, we are still far from having our standard office computers equipped with these kinds of gadgets but it gives us a rough idea in which direction we have to think.

ii) B2B Online Marketplaces

We have also asked buyers in this survey whether their company has subscribed to any B2B online marketplaces like Ali Baba, Tradeget or Kelly's/Kellysearch or if they intend to in the near future. The Answers can be found in Figure 8.

Figure 8: Has your company subscribed to any B2B online marketplace, like Ali Baba, Tradeget or Kelly's (Kellysearch) or any other platform?



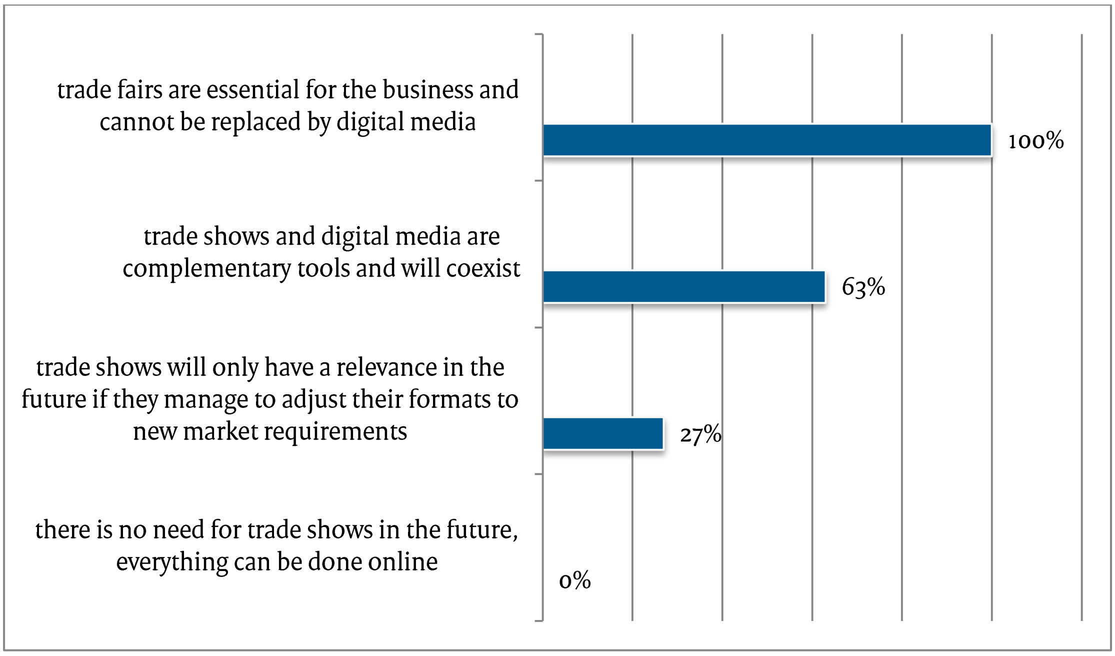
The majority of the interviewees regard B2B platforms as not a safe place to do business. This opinion is represented within all age categories but there is a clear link between the distrust towards online matchmaking platforms and older generations of buyers. On the other hand, 39% who think e-commerce is the future but they haven't found the right platform yet are all - except for one buyer - under 40 years of age. It comes therefore as no surprise that none of the buyers interviewed has ever purchased new products sourced through the internet. The last 15%, declared to have subscribed to Ali Baba.

iii) Is there still a need for trade shows in the future or is there a complete shift to digital?

So with the pace and the foregoing technical improvements at which digital media are evolving it is legitimate to ask whether we still need trade fairs in the future and if so what would that future look like?

We have asked buyers if they think there is still a need for trade shows in the future or if they are prepared to shift their sourcing and purchasing methods completely to digital.

Figure 9: Is there still a need for trade shows in the future or is your company prepared to shift completely to digital?



To our great surprise and despite all criticism addressed towards trade fairs in the last decade, all buyers (100%) assessed the medium "trade fair" as essential to the business and as irreplaceable by digital media. Although the use of digital media has risen tremendously over the last decade, buyers of HDHT-products see for the moment no viable alternative to substitute trade fairs: they still feel the need to see and touch the products they buy and meet face-to-face with their suppliers. Trade fairs remain a networking platform where real people meet in a physical place and source tangible products. What has definitely changed is the purpose of their visit (as shown in Figure 2). As one European company in our survey noticed:

Quote

" Trade shows are essential for the business but not as a buying–selling platform anymore. Three years back 40 to 50 percent of our yearly revenues was realised on trade fairs. Today it is barely 10 per cent "

Figure 9 shows that 27% of the buyers interviewed have expressed the need for trade fairs to adjust to new market requirements if they were to survive. Buyers and exhibitors alike expect shorter, smaller, more specific formats with emphasis on "event and entertainment" rather than "exhibition".

Quote:

"trade fairs are too static, they should become more dynamic, introduce new concepts based on story themes. We need attractions. In Chicago, the Table Top Fair was one big cooking event with famous chefs all over the place..."

Further comments stressed that leading European trade fairs need a sharper profile to distinguish themselves from one another either thematically or by segment. Maison et Objet, for example, has positioned itself in the high-end segment.

However, the buyers we interviewed are all aged 35+ and we reckon the inhibition threshold to substitute face-to-face communication through digital media will lower, once the Facebook generation will hit the labour market. These young people grow up moving around virtual game worlds populated by avatars and socialising in chat rooms and online communities. For these new generations computers have a much higher value than television or any other media. Another factor that could influence buyer's attitude towards digital media is the emergence of new concepts/platforms on the internet, which can impact on our habits very quickly if they manage to prevail. For the time being, as a Dutch buyer commented:

Quote:

"there are no satisfying online sourcing platforms and it is difficult to find the right people on the web…"

Indeed, the endless possibilities of the internet are undermined by the overload of information and the danger of getting lost in time-consuming research.

The way the generation of 35+ buyers use social media in their daily work reflects their reserved attitude towards digital media in general. 54 % of the buyers interviewed declared that their company was not using social media like Facebook, LinkedIn, Twitter or buyer's forums for business purposes. The other 46%, who do, mainly use it for networking reasons rather than sourcing or buying.

However the reluctance to use digital media as a sourcing or procurement tool does not mean that buyers do not use the web for business purposes. On the contrary, the web is a very efficient tool to observe competitors, find out new trends, mood boards and stories, search for new products. The use of the internet is very visual; most buyers admit searching for images on Platforms like *Pinterest* or *Etsy*

Quote:

"We use the web intensively to search for images.
Then we try to find out first information about the supplier behind the product and finally we visit him"

The search for information has shifted in the forefront of trade fair visits with the help of search engines and thus the internet has taken over certain information functions of trade fairs. The latest AUMA survey[9] shows that buyers nowadays are well prepared when they attend trade fairs: they have gathered information up-front on products or companies they are interested in from their websites and have in many cases already arranged appointments.

Quote:

"We use the web for trends, stories, new products and brands. A website is the DNA of a company"

As seen in Figure 5, corporate **websites** are the most frequently applied marketing tools for vendors. It's the most cost effective way to introduce your company, your products and your philosophy to the rest of the world. Nowadays a website is a must, it's your online business card and a sign of professionalism. Some companies not only use their corporate websites as an online catalogue but also as a sales platform to address directly the end-consumer.

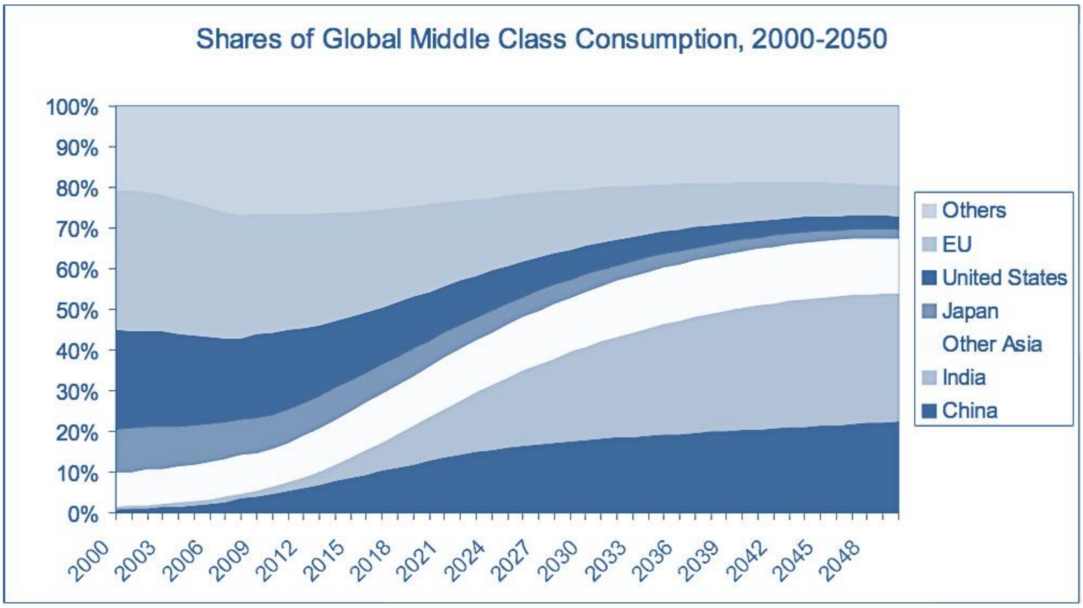
d) Scenarios for the future

Competition for European trade fair organisations has intensified over the last 10 years partly because of the growing alternative marketing tools we spoke about in the previous chapters but also partly because of the increasing number of international providers. In China alone over a thousand exhibitions take place every year. The strong economic growth and the increasing trade currents in Asia and Eastern Europe have raised the interest for trade fairs.

From China, India and to the rest of Asia, people have shifted their focus from "subsistence" to "consumption". While they are not wealthy enough to spend as much as they would like, generally speaking, they now look towards consuming beyond their basic needs. Figure 10 below shows the projected development of the global middle class until 2050 and Figure 11 their projected purchasing power until 2030.

[9] Szenarioanalyse: Messen & Live Communication 2020, Manfred Kirchgeorg, Beatrice Ermer, Martin Wiedmann, AUMA, 2012, p.27

Figure 10: India and China Make Waves in the Global Middle Class



Source: OECD 2010, The Emerging Middle Class in Developing Countries, OECD Development Centre Working Paper No.285, p.29

Figure 11: Spending by the Global Middle Class, 2009 to 2030 (millions of 2005 PPP dollars)

	2009		2020		2030	
North America	5602	26%	5863	17%	5837	10%
Europe	8138	38%	10301	29%	11337	20%
Central and South America	1534	7%	2315	7%	3117	6%
Asia Pacific	4952	23%	14798	42%	32596	59%
Sub-Saharan Africa	256	1%	448	1%	827	1%
Middle East and North Africa	796	4%	1321	4%	1966	4%
World	21278	100%	35045	100%	55680	100%

Source: OECD 2010, The Emerging Middle Class in Developing Countries, OECD Development Centre Working Paper No.285, p.28

Figure 11 illustrates the shift in demand towards Asia. "In 2000, Asia (excluding Japan) only accounted for 10 per cent of the global middle class spending. By 2040, this could reach 40 per cent, and it could continue to rise to almost 60 per cent in the long-term. The steep increase in Asian demand, and the replacement of US demand by Asian demand, is clearly seen as a trend that accelerates in the coming decade"[10]. It is therefore a natural development that B2B trade fairs take

[10] OECD 2010, *The Emerging Middle Class in Developing Countries*, OECD Development Centre Working Paper No.285, p.28

place where the market is or rather where the buyers are. If the fast growing newcomers are able to maintain a growth level as we have experienced in the past, we are likely to see the development of continental leading trade fairs for the economic regions Europe, USA Asia and the Middle East. The South American trade fair market is still of limited relevance and time will show if Brazil's economic growth will be capable of attracting global interest in the region. As for the African market there is no sign of it on the international exhibition map.

The European exhibition industry faces overcapacities. **Eastern Europe** is a young exhibition market with good development potential. Trade fairs in this region generate considerable interest because they open the doors to the upcoming markets in the East.

In the **Golf region**, the United Arab Emirates (UAE) have become an international trade hub with Dubai as its exhibition centre. The growth potential of this region is undermined by the assessment of the political and security situation by foreign visitors. With its comprehensive approach to trade fairs, Dubai has taken the exhibition industry to the level of "full-service provider", offering exhibitors a packet of services that goes beyond the traditional scope of trade fairs: from design concept and stand construction to exhibition logistics, production of advertising material and press relations support. A convenience-oriented infrastructure (proximity to airport, central location, short and easy commuting to the venues) guaranties an efficient time management and helps combine exhibition activities with entertainment and leisure. Big infrastructure projects set new standards of integrated airports, exhibition centres, hotels and shopping malls. Singapore and Hong Kong are to follow the same path.

Asia, similarly to Eastern Europe, is a relatively young exhibition market. The Asian exhibition market is literally booming with an unprecedented growth of around 20% per year, reflecting the economic growth in the region. However, China has built up overcapacities showing also the limits of such boom. In the long run, Asian trade fairs - as we know them from China and India today - are not immune to the pressure of offering visitors more than just competitive prices. They will have to compete worldwide for the increasingly limited time buyers are willing to invest in trade shows. One of the scenarios for 2020[11] foresees the establishment of various world leading trade fairs with global scope. The scenario reckons with one semi-private Chinese and one Indian leading trade fair among the top five. It is tricky though to look at Asia as one big homogeneous market. There are many trade centres like Shanghai, Guangzhou, Hong Kong, New Delhi, Tokyo, Seoul, Singapore, Bangkok all of which are subject to different business environments. With the shift of the economic centre of gravity towards the East, all these economic centres share in common their attraction for international exhibitors, offering them a massive exposure to potential buyers. China is of course a major key player in the region and the Canton Fair (Phase II for furniture and decoration) is a must for big international buyers, in particular for the low and middle segment. However Phase II of Canton Fair is exclusively designed for Chinese exporters and therefore fails so far to attract exhibitors from other Asian countries. In contrast, a lot of efforts and investments have been put in making Singapore an exhibition centre for South East Asia, focusing on a more sophisticated and design oriented clientele. Besides being a hub for numerous destinations in the region and an international banking centre, Singapore has a state of the art infrastructure and political stability. An integrated and convenience-driven approach to exhibitions, based on the Dubai model, provides visitors with the expected combination of event, entertainment and leisure. It comes as no surprise that Maison et Objet has chosen Singapore as a base for its international development strategy targeting fast growing Asian markets. The show will take place for the first time in March 2014 in conjunction with the International Furniture Fair Singapore (IFFS). It would certainly make sense if the smaller fairs in the region[12], which have been struggling for years, would join forces in one big fair in Singapore. For the international buyer this could be a one-stop fair, where they could source from different countries in one place. We should also mention here the Hong Kong Gift Fair, which has gained in importance for the HDHT sector moving away from the mere corporate and promotional gift sector towards a more lifestyle approach. The Gift fair has been often mentioned by the buyers we have interviewed in this survey.

[11] Szenarioanalyse: Messen & Live Communication 2020, Prof. Dr. Manfred Kirchgeorg, Beatrice Ermer, Martin Wiedmann, AUMA, 2012

[12] Manila FAME, BIG Bangkok, IFFINA Jakarta, LifeStyle Vietnam

For the home textile sector India remains an important destination and Heimtextil Frankfurt has established a foothold in New Delhi, although still small. Finally, the Indian Handicraft and Gifts Fair is the largest trade show in India for HDHT.

The exhibition industry in the **USA** has faced some turbulent times since the recession of 2008/2009. American trade fairs now strongly emphasis the "event" and "show" character of their exhibitions and have adopted the full service model for their exhibitors as well as the convenience oriented approach for their visitors. The leading trade shows in the USA are NY Now (formerly called New York International Gift Show) and Atlanta International Gift & Home Furnishings Market. NY Now, drawing 35,000 attendees from all 50 states and 80+ countries, is the largest temporary show in the USA. It takes place bi-annually and hosts 2,800 exhibiting companies, emphasizing on premium fashion forward and design-driven home, lifestyle and gift resources.

Western enterprises exhibitors as well visitors have recognised the fundamental changes in the commercial landscape and are eager to penetrate these new markets, shifting their distribution strategies towards the new market centres. Further growth and attractive yields are first and foremost to be realised through a stronger presence on foreign mainly Asian markets. Leading foreign trade fairs are used as stepping-stones to reach potential buyers, promote their products and set up distribution channels abroad. While global enterprises have always operated on international markets, small and medium enterprises (SMEs) will have to follow this internationalisation trend to make up for the decline in demand on their domestic market and to secure their market share in the new economies. Due to their insufficient financial and human resources, SMEs have traditionally focused their activities on national and regional trade fairs. To develop their foreign market, SMEs will have a growing interest in leading European trade fairs that are able to attract international buyers. But according to an AUMA-survey from 2007[13] SMEs need to consider a participation in foreign trade fairs as well. Globalisation does not only imply western companies expanding their business overseas but also overseas exporters forcing their way into the European and US markets through their increased presence on trade shows. The confrontation with their Asian competitors has lead western companies to shift the allocation of their marketing resources towards intensified customer retention and consequently to the reduction of their budget on domestic fairs. While some fairs, like Maison et Objet or NY Now have managed to restrict the access of Asian manufacturers through a strict selection process and high concept requirements Hall 10 on Ambiente has developed to a "Chinese Pavilion", as some visitors have put it politely. However, Asian exporters have discovered the wide potential of their own regional market and are adapting their strategies from a focus on Europe and North America towards a more continental approach, which could have fatal implications for the European economy. Although the EU and the USA are China's largest trade partners for the year 2012, among China's top ten trade partners are 5 Asian markets (ASEAN, Hong Kong, Japan, South Korea and Taiwan). Whereas for India, the United Arab Emirates, China and the USA are the largest trade partners but among India's top ten trade partners one third of the trade flows to and from Asian countries (China, Singapore, Hong Kong, Singapore).

i) Consequences for western trade fair organisations, buyers and exhibitors

1. B2B trade fairs take place where the market is or rather where the buyers are. If the fast growing newcomers are able to maintain a growth level as we have experienced in the past, we are likely to see the development of continental leading trade fairs for the economic regions Europe, USA Asia and the Middle East.
2. Rising number of foreign exhibitors and declining number of inland exhibitors on EU trade fairs
3. Buyers focus on few strong Asian trade fairs
4. Trade fair organiser invest in quality rather than quantity (capacities), which means a higher degree of specialisation and a clear profile, a full-service provision including stand design, logistics, promotional activities for the exhibitor, integrated concepts embedded in convenience, entertainment and leisure for the visitors, identifying future

[13] Veränderte Weltwirtschaftliche Gravitationskräfte, Horst Penzkofer, Dr. Uwe-Christian Träger, from *Messewirtschaft 2020, Zukunftsszenarien*, AUMA 2007, p.74

needs, trends and themes and leading the way for the HDHT industry through educational programmes like seminars, trend shows, conferences, blogs throughout the year.

5. A stronger focus on SMEs and their needs: while larger companies can afford to exhibit on foreign trade shows to tap new sales markets and will most probably increase their participation on these shows in the future, SMEs depend on the global reach of national trade fairs to do so. Leading international trade shows are therefore.

4. How do buyers source today?

The following chapter is based on the interviews carried out with buyers in this survey. We will try to show what changes have occurred in buyer's behaviour over the last 10 years by using the data collected. We have asked the question to the buyers directly and were surprised to hear that over 30% felt they were still operating in the same way as they always have. Actually, we think that things have changed even for those buyers but they have integrated these changes in their daily business life without being aware of it.

a) Changes in the preparation phase of the purchase: the power of information

One of the major changes is the access to information. Economic uncertainty, a higher level of competition on the market and cost efficiency have increased the buyer's appetite for information. As we have already seen earlier buyers use the internet extensively to gather information beforehand on potential new suppliers, to observe trends and their competitors and get inspired for their product development. Information helps reduce risks and increase efficiency. The Buyersphere Report 2012[14] stresses that "87% of buyers go out and look for advice before choosing. Social media plays a role but more than two out of three start with a search on Google". Is the buyer planning to purchase a completely new product, his research will intensify. The Buyersphere Report found out that the main two channels used to find information were web research (71%) and word of mouth (56%). Whether buyers source on trade fairs, on business trips or private events, they come prepared and often have already done a pre-selection of the suppliers they want to meet.

- 38% buyers (94% below 35years but no difference by region) have mentioned that they primarily search for pictures, when identifying their needs for the new season. Pinterest is a great source of inspiration and has become very popular with buyers. It is a pinboard-style photo-sharing website that allows users to create and manage theme-based image collections. Buyers can browse through the images according to the type of product they are looking for until they find something they like. Then they can track the source of the photo and eventually the manufacturer of the product.

- Buyers also use trade show catalogues - either online or printed versions - to prepare their visits. Since their time budget on the shows is limited, the catalogues help them make a pre-selection before they finally visit the trade fair

[14] The Buyersphere is an annual report of changing B2B buyer behavior, exploring how B2B decision-makers use social media tools and channels to help them in the process of refining their needs and identify suitable suppliers for major business purchases. The 2012 survey was carried out with 800 decision makers, 500 in the UK and 100 each in France, Germany and Italy

b) Supplier: Considerations for Action

To influence his buying decision, the supplier needs to increase his visibility in the planning phase of the buyers purchase.

How can a supplier increase his visibility in the planning of the purchase?

- a professional website is an absolute must. In a creative sector like the HDHT styling is as important as the product. The styling of a website and the quality of the pictures will decide in the first few seconds whether the visitor will continue browsing or not. Too many information and stimuli on one page will overstrain him while a clear structure, short texts and professional lifestyle pictures will make him want to see more. The HDHT buyer is visual so it is worth investing in good photos and unless you are involved in e-commerce – where every product needs to be clearly pictured on a neutral background – it is preferable to have fewer pictures but engaging ones. An introduction of the company helps him understand the people behind the product and if special techniques or materials are involved it is worth documenting them without being too scientific.

- accurate key words and a good ranking in search machines will increase your chances to be seen
- using social media where you can post pictures of your products, like Pinterest or Facebook, can help increase your visibility.

- It is again important to invest some time in choosing the right picture to introduce your company. While the text should emphasise on what makes the company special compared to its competitors (e.g. technique, material, tradition) rather than listing some company data.

- Instead of leaving it up to the buyer to find you, you can approach the buyer yourself by sending an invitation to a trade show or a private event or through direct email marketing. The message should be concise and clear and contain one or two good pictures embedded in the text and not as attachment. The idea is to sparkle an interest and increase brand awareness, avoiding an overload of information and details. Ultimately the buyer needs a reason to return your message. Sending a large amount of pictures in high resolution will overload the mailbox of the recipient and havs a negative effect. The success will not depend on the number of buyers you have targeted but if you have targeted the right buyers for your products and if the email has been successfully delivered. Fluctuation among buyers is high so customer data needs to be updated regularly. Also approaching a big company without knowing the personal address of the relevant buyer(s) is pointless, given the number of emails they receive on a daily basis.
- Suppliers put a lot of efforts in winning a new buyer but unfortunately not as much to keep him satisfied on the long run. A good customer service can lead a customer to recommend your company to another buyer. Such a “tip” is very valuable because it relies on the positive experience this customer has had with you and thus reduces the risk associated with a new supplier. We tend to underestimate the fact that despite competing with each other buyers also exchange information and share their experience with their peers.

c) Where and when do buyers source?

Figure 12: Channels used for sourcing

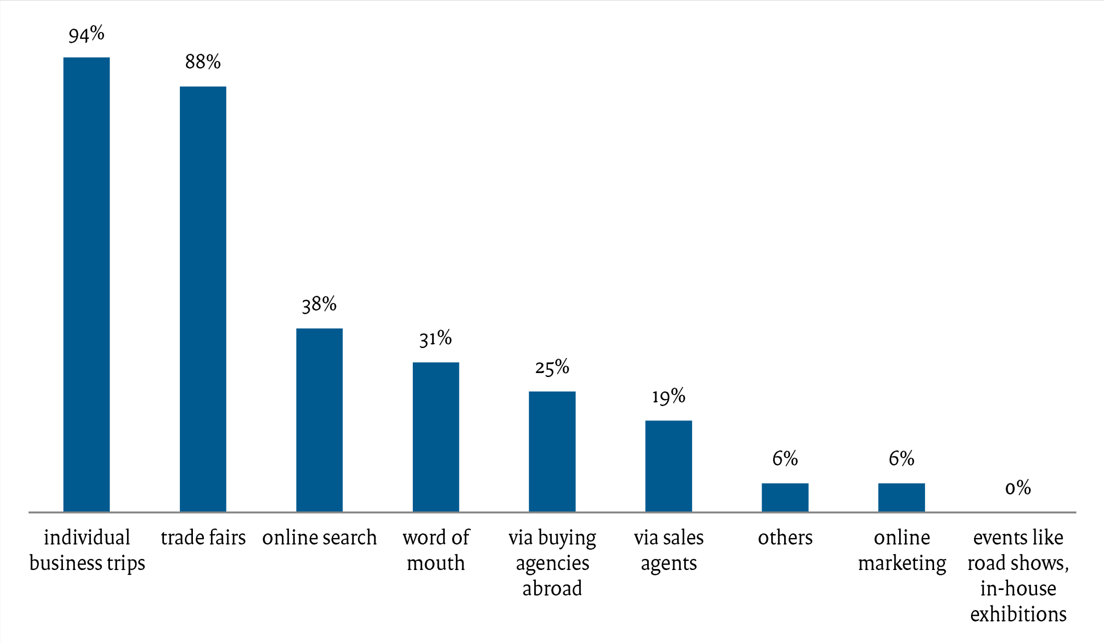


Figure 12 shows that the main channels used by buyers today to source new products/new suppliers are individual business trips and trade shows. Although in this place we have to say that the definition of sourcing is rather vague. By *sourcing* some buyers mean *purchasing* while others mean *looking for*. We have seen in chapter 1 that buyers use trade fairs to network rather than complete a commercial transaction. More than one third of the interviewees also declared using the internet to source but most of them went on specifying that it was rather to observe their competitors' range and track down the manufacturer or search for product pictures but not for buying purposes.

We were surprised about the ratio of buyers (31%) mentioning the "word of mouth" as a source. Some buyers rely on trade promotion agencies, such as CBI, or business networks like "fair trade" to source new suppliers. These institutions act like a filter and guarantee that the exporter meets certain criteria.

We have observed that the larger the company, the more channels the buyers tend to use for *sourcing*. Buying agencies, for instance, are only used by companies with more than 50 employees. This can be explained by the fact that the range of products is much wider and cannot be managed by one single buyer. In a previous survey carried out on behalf of Lifestyle Vietnam were the focus was on multinational global HDHT buyers like Carrefour, Metro or Tesco, we have observed that these companies have their own buying offices in various countries and the buyer would not travel that much. The local representations source on their behalf on smaller regional trade shows, without showing in the statistics.

Figure 13: From which countries do they buy?

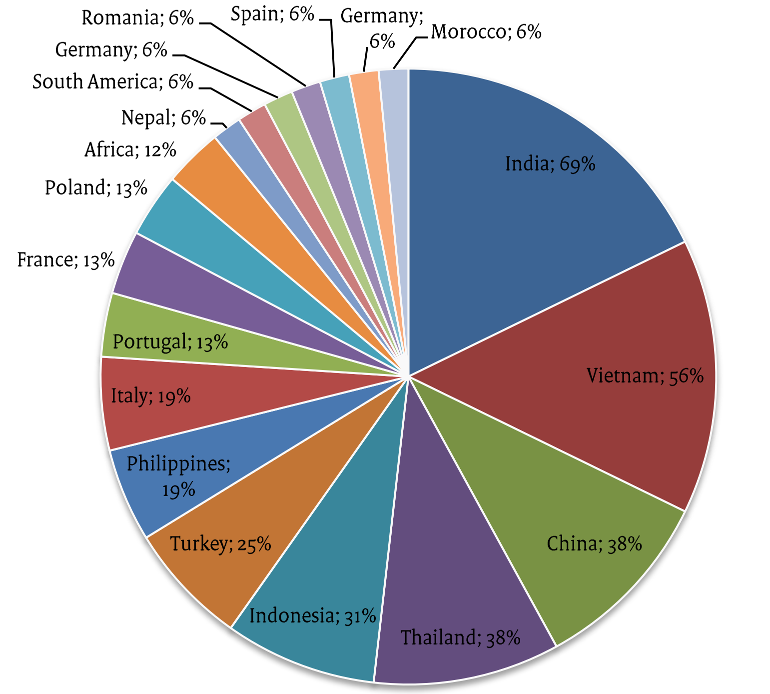


Figure 13 reflects the breakdown of imports by country but not the volume of imports from these countries. It underpins the forecast that the economic centre of gravity is shifting towards Asia: the top five sourcing countries are all Asian countries, with India (69%), Vietnam (56%), China (38%), Thailand (38%) and Indonesia (31%). There are a few interesting observations we could draw from our interviews:

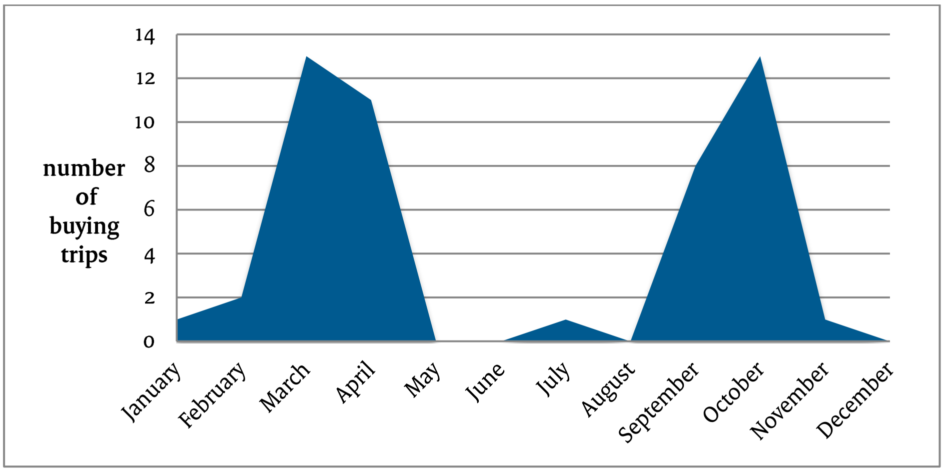
- While more importers tend to buy HDHT products from India than from China, the volumes imported from China are much higher than the volumes imported from India[15]. This is due to the minimum requirements involved. While China stands for bulk orders and attracts larger buyers with 50+ employees, India has an export structure that is more diversified and caters to importers from all sizes.
- Africa and South America have only been mentioned by two fair trade importers as sourcing destinations. The countries comprised under the umbrella "Africa" in Figure 13 are South Africa, Kenya and Ghana. The countries comprised under the umbrella "South America" are Columbia, Chile, Argentina, Ecuador, Peru and Mexico.
- Fair trade organisations or CSR conscious buyers do not import from China
- Buyers who source from European countries are mainly ranging in the middle to high-end segment. Many of them buy brands in Italy, France or Portugal. One high-end buyer mentioned that the tendency within his company was to shift more and more to Europe because of the lower minimum quantities and lead times. "We would rather pay a higher price and reduce the risks of the high minimum order quantities," he said.

The number of buying trips can vary from 0 because the suppliers comes to Europe to visit the buyer to more than 30 trips in large companies, where each department plans its own trips according to the product categories and materials involved. The overseas trips are most of the time

[15] We were not able to calculate the ratio of imports between India and China, due to the lack of accuracy in the data collected. Some buyers were not able to estimate the volume of their imports by country.

planned in combination with trade fairs in Asia. All companies travel at least twice a year, in spring and autumn, to make their purchase for the next season. Figure 14 shows the times of the year, when buyers are abroad.

Figure 14: Periods of the year when buying missions take place

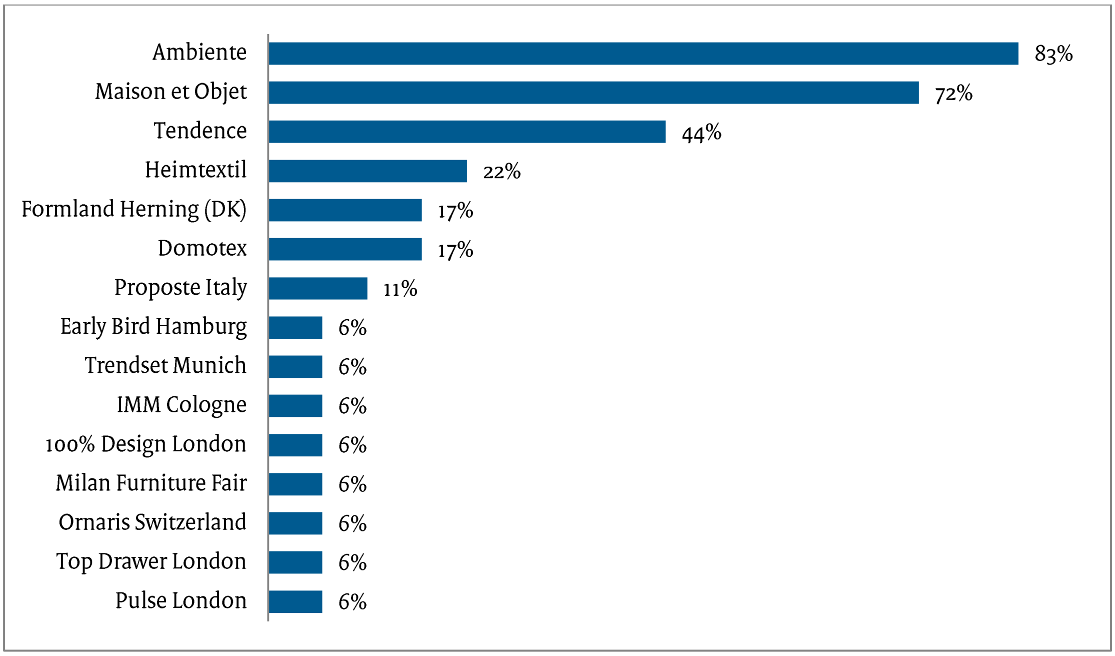


The largest concentration of buying missions takes place in March and October, just after the leading European trade shows ended. As we have shown in chapter 1, buyers visit European trade fairs to seek for inspiration, observe the market and the trends. They head then to Asia or other developing countries to meet their suppliers and make their actual purchase. Some buyers even admitted to sample order on European trade shows and then take the samples to Asia to have them slightly modified and reproduced.

Trade fairs

Fig. 15 and 18 below show which trade fairs European buyers visit on a regular basis. We would like to stress that these data do not reflect the habits of buyers from Southern Europe, who were not included in this survey. Those buyers would have listed different regional trade shows, in Spain, Italy or France but the leading international shows – in Europe and in Asia – would have remained in all likelihood the same. Due to historical ties to North and West Africa, French buyers would be more inclined to source in these regions than any other country in Europe. Figure 16 and 17 also reflect the size of CBI companies. Most of the global companies – with more than 50'000 employees - refused to participate in our survey. Their habits would have impacted on the statistics in favour of bulk orders from China and a higher rate of visitors on Chinese trade fairs.

Figure 15: Trade shows in Europe



Ambiente with 83% buyer attendance and Maison et Objet with 72% are the leading international trade shows in Europe for the Home Decoration sector. Heimtextil is the leading trade fair world wide in the Home Textile sector, with branches in Russia, India, Guangzhou, Shanghai and Tokyo. Figure 16 shows clearly that small regional trade shows don't represent a real threat for the international leading fairs, which remain the meeting point of the industry. With the largest concentration of key players in the HDHT sector, they guarantee for a high level of quality and the latest developments in the business. Regional fairs rather cater to a local demand, representing the local handicraft, taste, lifestyle and traditions (e.g. nautical themes for regions by the sea, alpine themes for mountain areas, bold and minimal design for Scandinavia, etc.). The exhibitors are usually smaller designers and craftsmen producing high quality goods in small quantities. This attracts buyers from the middle to high-end segment, who are looking for special items that cannot be found anywhere else. Insofar Regional fairs are complementary to international leading shows.

We also wanted to know from the interviewees if they attended major European trade shows, like Ambiente or Maison et Objet, to meet with European or overseas exhibitors. 78% replied that they came to see overseas companies, 44% to see European companies and 28% to see both[16]. Again, buyers who came to see European companies were middle to high-end sector. One buyer noted that he did not want to see his overseas suppliers exhibit on European trade shows, thus giving his competitors the chance to buy the same products.

Finally, we asked the buyers which halls they visited on Ambiente and Maison et Objet. Figure 17 shows the halls visited on Ambiente and Figure 18 the halls visited on Maison et Objet. In Hall 10 Frankfurt and Hall 1 Paris buyers found DC exhibitors. Independent of the segment the buyers represent they visit Hall 11 and 9 Ambiente and 5, 6 and 8 Paris for trends in the high segment of the market. Hall 2 at M&O is mainly for textile buyers.

[16] 50% visit exclusively overseas companies and 17% only European

Figure 16: Halls visited at Ambiente, in Frankfurt[17]

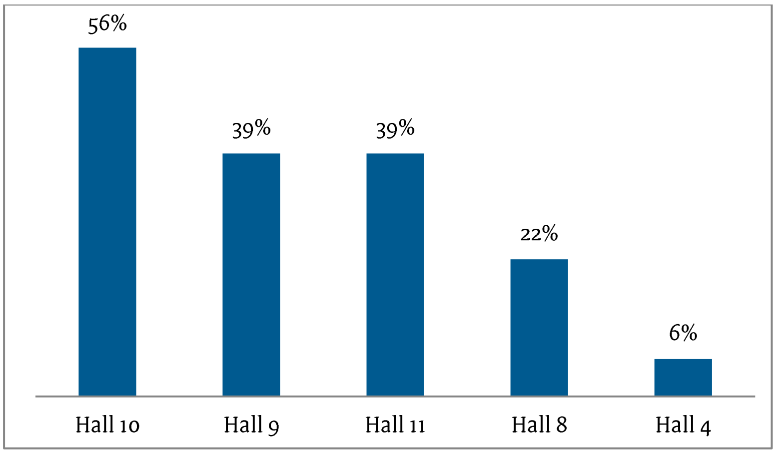
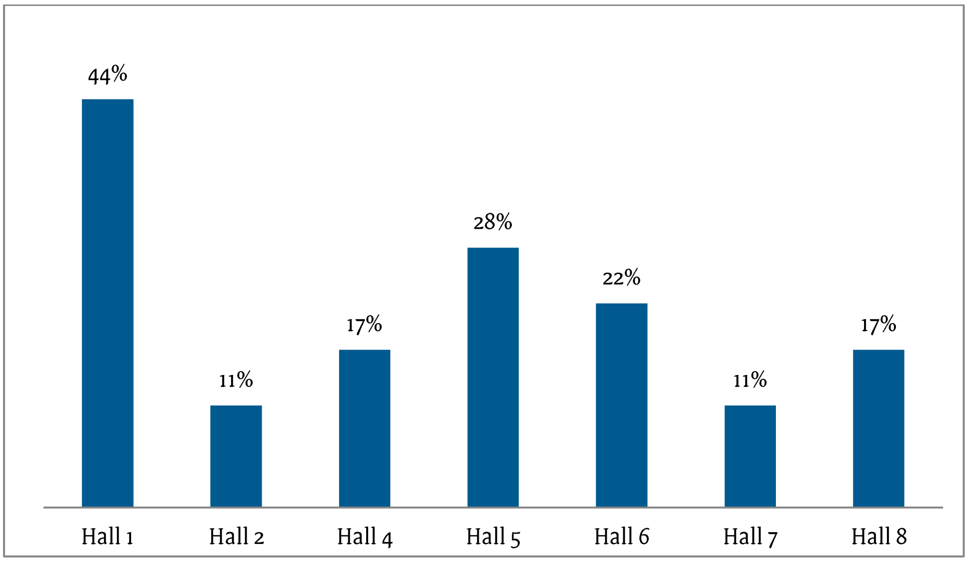
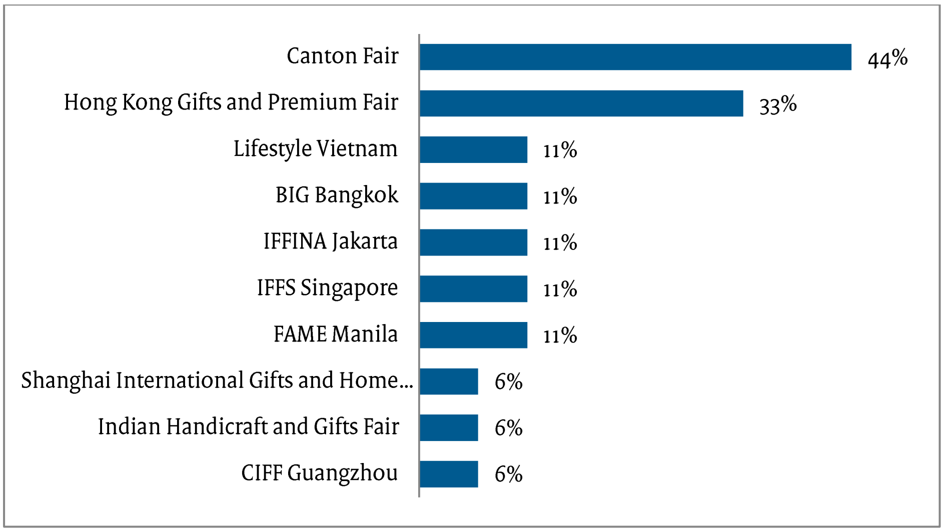


Figure 17: Halls visited at Maison et Objet, in Paris[18]



[17] product per hall see annex
[18] product per hall see annex

Figure 18: Trade Shows in Asia visited by EU buyers



Canton Fair is definitely *the* destination for the majority of price-conscious importers (all interviewed volume and lower segment buyers visit the Canton fair) of home decoration and household articles, kitchenware bath and furniture. In terms of visitors, it is the largest trade fair in the sector worldwide. However, the statistical data published by the organisers of the Canton fair document the outputs of the fair as a whole, without giving a breakdown for each of the existing three phases of the trade fair[19]. For the HDHT sector only Phase II is relevant but it must be assumed that this is not the most significant consumer good sector of the Chinese industry hence it is not the one that attracts the largest number of visitors. Contrary to our expectations, the same rule applies on overseas trade shows as in Europe: no direct orders are placed on the shows. Products often have to be customised or adapted to the buyer's requirements and cannot be bought from the shelf, besides that tight budgets leave no room for spontaneous purchases. What is most striking in Figure 19 is how little interest Indian trade shows arouse among European buyers, given the size and importance of the market. On the other hand, little regional shows in South East Asia have been struggling for attention from western buyers.

5. Facts and Figures Trade Fairs 2012

We compare facts and figures of leading continental trade fairs in 2012. As discussed earlier leading continental trade fairs are trade fairs where world market leaders can be found and the major developments in the industry are presented; they have in general over 4000 m2 exhibition space and more than 2000 visitors; +50% of the visitors come from a distance over 100Km and +20% over 300Km: at least 10% of the exhibitors and 5% of the visitors are foreigners

[19] see chapter 3

Figure 19: Benchmarking International Trade Fairs HDHT M&O, Ambiente, Tendence, Heimtextil and Canton Fair

	M&O spring	M&O fall	Ambiente	Tendence	Heimtextil	Canton spring
visitor	68.006	85.766	138.058	45.477	67.451	202.766
Visitors overseas	37.924	49.763	65.905	9.055	43.859	202.766
In % from total	55.8%	58%	52%	21%	67%	100%
thereof EU	58.7%	60.5%	47%	55%	45%	18%
Region	Italy 10%	Italy 15%	other Europe 16%	Other Europe 21%	other EU 13%	
	Belgium 12%	Belgium 9%	Africa 3%	Asia 16%	Africa 6%	
	UK 8%	UK 8%	N-America 6%	others 8%	N-America 6%	
	Germany 10%	Germany 8%	South Am 3%		South Am 5%	
	Netherland 5%	Netherland 5%	Middle East 7%		Middle East 7%	
	Switzerland 6%	Switzerland 5%	Asia 16%		Asia 16%	
	Japan 4%	Japan 5%	Oceania 2%		Oceania 2%	
	USA 6%	USA 5%	Switzerland 6%		Switzerland 13%	
	Spain 3%	Spain 4%	Netherlands 5%		Netherland 8%	
	Russia 4%	Russia 4%	France 6%		Austria 8%	
			Italy 6%		France 7%	
			USA 4%		Belgium 7%	

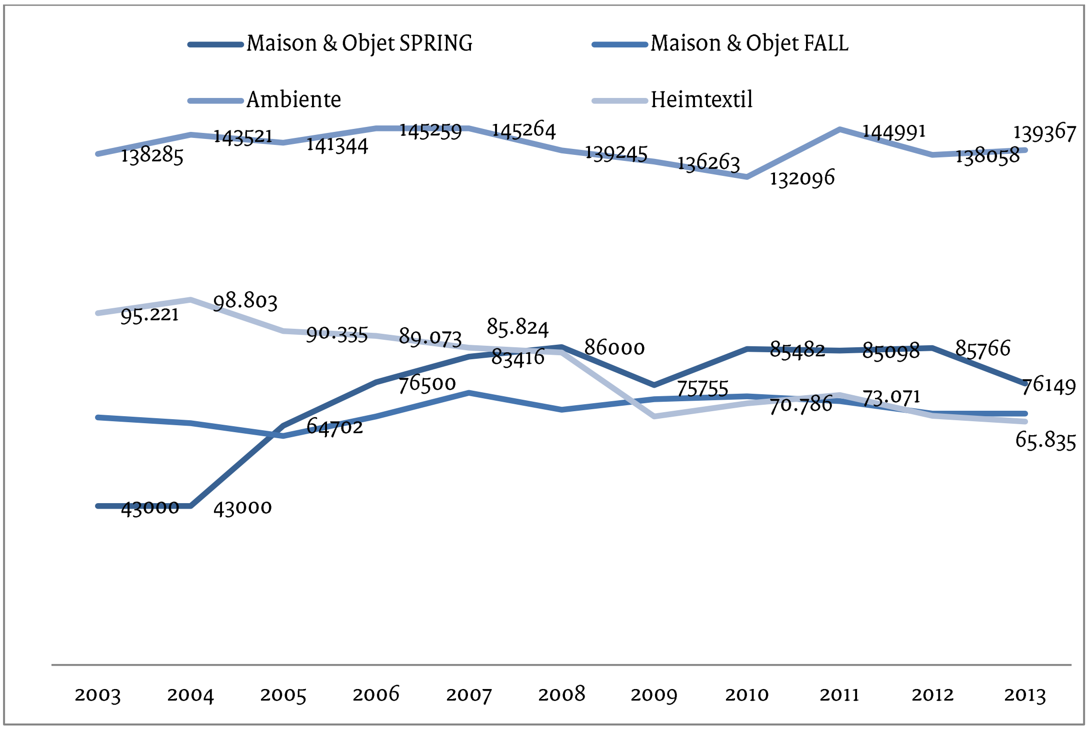
professional background of visitors	Professionals 65% thereof Retailer 55% department st/ buying group 13% manufacturers/importer 12% Specialized 11% wholesaler 8% others 1%	professionals 66% thereof retailer 54% department st/buying group 14% Manufact./importer 13% specialized 10% wholesaler 8% others 1%	Retail trade 45% Wholesale/foreign trade 19% Service 13% Industry 5% Skilled trade 4% Other sectors 9% Student 5%	retail trade 57% Wholesale/foreign trade 12% Skilled trades 6% Service 15% Industry 2% Other sectors 4% Student 4%	Retail trade 30% Wholesale/foreign trade 26% Industry 12% Skilled trades 4% Service 17% Other sectors 7% Student 4%	
Size of visiting companies – number of employees			1 – 4 34% 5 – 9 13% 10 – 49 15% 50 – 199 12% 200 – 499 7% 500 – 999 4% 1 000 and more 9% Other 7%	1 – 4 51% 5 – 9 14% 10 – 49 15% 50 – 199 7% 200 – 499 2% 500 – 999 2% 1 000 and more 4% Other 5%	1 – 4 27% 5 – 9 11% 10 – 49 22% 50 – 199 16% 200 – 499 7% 500 – 999 4% 1 000 and more 9% Other 6%	
Average length of stay			2.2 days	1.7 days	2.3 days	
Exhibitors		2303	4530	1858	2601	24644
Foreign exhibitors		994	3408	1013	2269	399

Canton fair is the one with the most visitors. Unfortunately their policy is not to give any detailed statistics. It is important to know that the Canton fair is divided into 3 phases. Only phase 2 is relevant for the HDHT sector

Phase 1: Oct.15-19, 2013	Phase 2: Oct.23-27, 2013	Phase 3: Oct. 31- Nov.4, 2013
Electronics & Household Electrical Appliances Lighting Equipment Vehicles & Spare Parts Machinery Hardware & Tools Building Materials Chemical Products International Pavilion	Consumer Goods Gifts Home Decorations	Textiles & Garments Shoes Office Supplies, Cases & Bags, and Recreation Products Medicines, Medical Devices and Health Products Food International Pavilion

There are no statistics available about visitors on each phase. Therefore it seems that Ambiente has the highest number of visitors with more than 138.000 followed by M&O fall and spring. Tendence, once a leading trade fair in the sector is down from 101.677 in 2001 is down to 45.477 although Messe Frankfurt changed to another counting methods. Messe Frankfurt used to count each visitor only once[20] but changed to count each entry i.e. a visitor coming on three days counts for three. This is different to Maison et Objet.

Figure 20: visitors M&O fall & spring, Ambiente, Heimtextil 2003-20



Over the period 2003 – 2013 the number of visitors at Ambiente are stable but the Heimtextil lost nearly 20.000 visitors. When asked Mrs Meike Kern[21] who are the competitors of Heimtextil Frankfurt

[20] Interview Mrs. Meike Kern, Director Household Textiles, Messe Frankfurt
[21] Interview Mrs. Meike Kern, Director Household Textiles, Messe Frankfurt

and if regional trade fairs become competitors, she mentioned the trend to regional and more specialised fairs but would say that these fairs are too small to be strong competitors. Some of these specialised fairs like Mood in Brussels (former Decorex) or Proposte (Cernobbio Italy) or others who took over parts of Heimtextil like Domotex in Hanover (carpets) or IMM Cologne (mattresses) weaken slightly and destroy each one another. Maison et Objet spring shows an immense increase of visitors in the period from 2004 to 2008 by 40.000. The decrease in 2013 was caused by harsh weather conditions.

Most leading fairs are visited by approximately 50% foreigners and thereof 45 – 60% European visitors. Only Tendence with 21% foreigners is becoming a more national trade fair and Canton counts 100% foreigners with 18.2% European.

Visitors of all trade fairs are professionals. M&O known as THE trend show is visited by nearly 3.500 journalists. The majority of visitors are retailers .(between 30% on Heimtextil FF and 57% Tendence, Wholesaler Heimtextil 26% M&O 8%) Buying groups and manufacturers are next. About the professionalism Mrs. Kern would say, "The Heimtextil Frankfurt is a meeting point for the whole world of the sector. It is more than only sourcing, it is about networking. In the whole world there is no other place as such."

Only Frankfurt measures the visiting companies by size. Tendence is visited by smaller companies than Ambiente and Heimtex, which are visited by the same percentage of very big companies. 34% (Ambiente) or 27% (Heimtextil) are visitors of very small companies (1-4 employees)

On these three trade fairs the average length of stay at the fair various from 1.7 days, over 2.2 days Ambiente to 2.3 days Heimtextil. Mrs Kern added that companies used to stay much longer in the past and would visit the fair with more people. As a result companies visit first their existing suppliers with limited time to discover new products and suppliers.

6. Changes in the relationship with suppliers

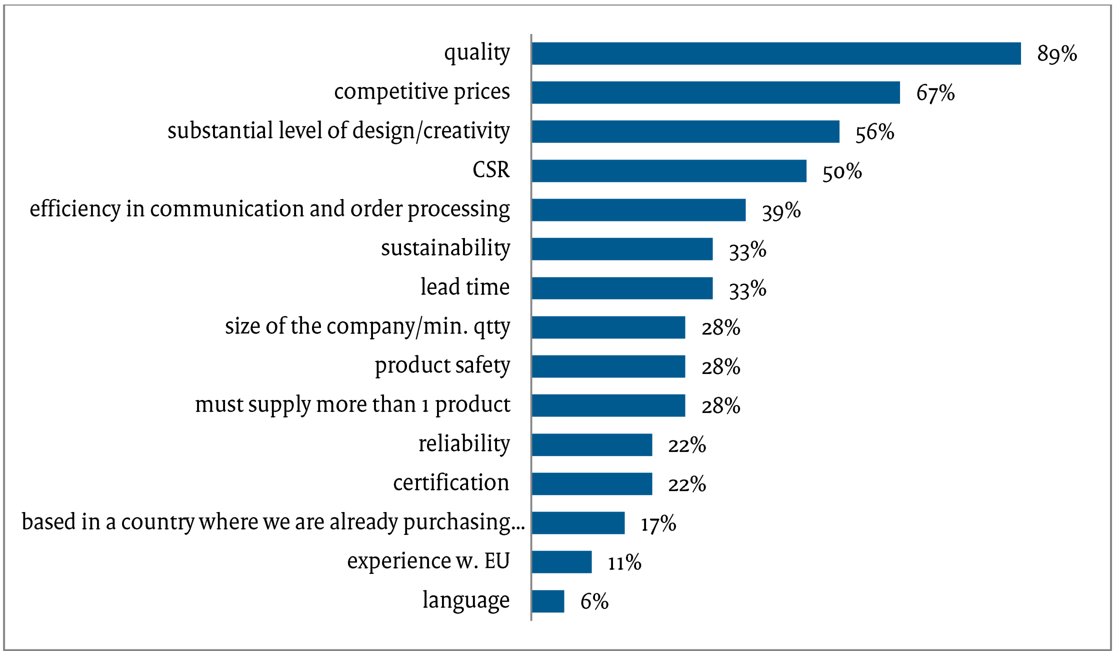
Another major development is that the relationship between buyers and suppliers has intensified in the last few years. Buyers are more and more looking for long term partners rather than interchangeable suppliers. A partnership is a well-established and concerted team that has learned to work together. Introducing a new supplier requires an investment to get the company perform to the level required; it is time consuming and a risk factor for the buyer.

"We are looking for companies committed to invest with us in a long-term relationship. We are not for a one shot business. We invest in the company's development. We help them improve their production process. It's a kind of a joint venture"

"We try to maintain our cooperation with reliable manufacturers as long as possible, adding new suppliers only when the market potential is growing"

An overwhelming majority of European companies have increased their supplier portfolio over the last 10 years but the tendency is either to maintain the current ratio or reduce it. This makes it harder today for a supplier to win a new customer. We have asked the buyers in this survey what criteria were most relevant when considering taking up a new supplier in their portfolio. The answers can be found in Figure 21.

Figure 21: Criteria for including a new supplier in a buyer's portfolio



Before even competitive prices, buyers rate the quality as the most important criteria for choosing a new supplier.

> " Global sourcing is no longer about finding cheap products quickly. We will continue to shift to a longer term vision focusing on strengthening supplier relationships based on our core values – not just costs"[1]
>
> Christophe Roussel,
> international sourcing and logistics director TESCO PLC

> " ... cost is still the key driver of global sourcing activities... {but}... the practice has become so widely embraced that the cost savings generated no longer necessarily provide a competitive advantage "
>
> Bernard Chandonnay,
> CEO Far Group Europe[1]

While cost saving is no longer a comparative advantage since everyone is sourcing in developing countries, quality emerges as the most significant concern to stand out from the crowd. The end-consumer is better informed; he has the opportunity to compare and exchange views on products online and has become more critical towards quality. Choosing the right supplier and applying rigorous quality control procedures has become obviously critical, especially for larger companies, which are more exposed to the public eye. For some it is clear that it can only be ensured through strong relationships with suppliers. After having cut the middleman in the 1980s to 1990s, buyers have realised that they need to influence the manufacturing process for the benefit of customers.

They need to source products from Asia that are not just low cost but also fit the quality and design requirements of their customers. This explains the high ranking of *the level of design and creativity* when choosing a new supplier.

However buyers find it difficult to buy in Asia from the rack. For many it has become necessary, due to the competition on the market, to customise and do their own product developments. Buyers no longer mix and match nice products sourced here and there but work around *themes* or *stories*. The products they buy - either their own developments or from the rack – need to fit in these stories. Most of the larger companies have their own designers but also buy readily available products to complement them. More than 70% of the interviewee declared to do both. The smaller the company the more they have to rely on the supplier's own product range.

Consequently, buyers have become more critical with their overseas suppliers and have raised their requirements for quality, design, logistics and CSR. It is much easier to buy from the rack from European suppliers but this is the "privilege" of the high-end buyer. Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address social needs. CSR is an important requirement for bigger companies buyers involved in fair trade. Nationally and internationally operating companies have a responsibility towards their employees, customers, as well as their supply chain They hire local agents or their local office to control suppliers. Surprisingly smaller companies are still not very much aware of CSR. When asked they still think only of child labour. Only for 33% of the interviewed buyers sustainability is an important buying criteria.

Awareness of CSR:

Another important change in the relationship between buyer and supplier is the desire to work with "equal partners" in terms of size. Many buyers in this survey stressed that they avoid working with companies that are too big for them and for which they have no relevance. Overseas suppliers often mistake the European market as one big market of over 500 million people with a strong purchasing power. However, European importers are often smaller than their American counterparts and unable to cope with the minimum order quantities required by Asian suppliers. The European market for HDHT is fragmented in many national markets each with their own specifications and taste, leaving little room for volume orders. These buyers get frustrated with the fact that their customer account is given less priority in peak times than their larger competitors across the pond.

"in the past we had stock for 3 months delivery,
today only for 6 weeks"

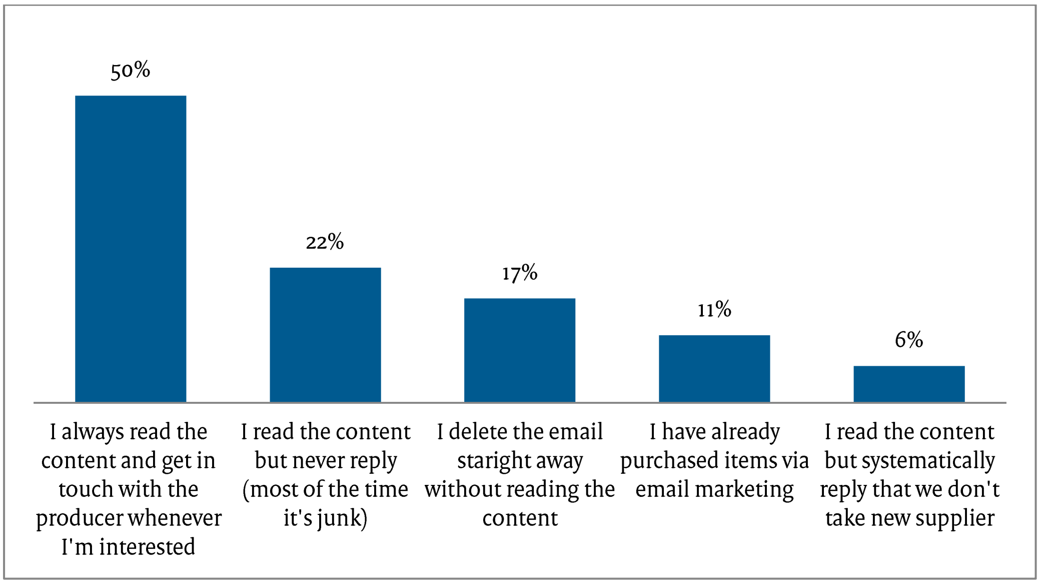
" We order more than four times a year from Europe. In Asia, we place a larger order at the beginning of each season and later on several smaller. The problem with Asia is: it's too far and the lead times too long for the following orders"

We have looked into the way buyers order nowadays from their suppliers but found it hard to identify a clear trend. Practices vary from buyer to buyer and from product to product. We have therefore focused on observations we could make from a majority of buyers. Not only have European buyers increased the number of suppliers in their portfolio over the last 10 years but a clear majority also claims to have increased the volume of their orders per supplier, which would indicate a growth of the sector. Another significant observation is how buyers rely on the flexibility of their suppliers to reduce stock and maintain a higher level of liquidity: 61% of the buyers interviewed order four times and more per year from the same supplier.

The life cycle of a good running product varies from one season to more than three years. Buyers differentiate between long-running basics - their bread and butter – and seasonal articles, which they are happy if they sold out at the end of the season.

Finally we wanted to know what a buyer's preferred way was to be approached by a potential supplier. The interviews could not point out at one specific instrument of the marketing mix that was particularly successful with buyers. We have asked buyers how they react to e-mail marketing (see Figure 22 below) and in-house visits, but also to private events, trade fairs , B2B platforms (as seen previously).

Figure 22: How do you react to email marketing?



Although 50% of the buyers tend to read the emails received and get back to the manufacturer whenever a product is interesting, only 2 buyers out of 18 (or 11%) have ever purchased that way. Email-marketing needs to be targeted at the right buyers and not just sent out randomly to as many buyers as possible to be successful. One buyer said "suppliers should learn more about us before approaching our company". Many companies have spam filters, using keywords like "India" or "Vietnam" in which case the email does not even reach the buyer, let alone it gets read.

In general, buyers find it hard to find the right suppliers: innovative, reliable, quality conscious and professional. Only larger companies can afford working with buying/sourcing agencies, which preselect potential suppliers on their behalf, help them make choices and shields them from overwhelming enquires. Smaller companies have to work their way through the jungle of possibilities and information and often lack the capacity to do so. In this respect, trade fairs narrow the choice of suppliers but remain time consuming and are not always satisfactory. Besides that, the chances that your competitors source the same products are high. A recommendation from another buyer or a third party like CBI or SIPPO are valuable because the supplier has already been screened by the person or institution, which recommends it and therefore fulfils basic criteria. A supplier who approaches a buyer through the intermediary of such an organisation – be it an invitation to a trade show, a private event or a in-house visit - has much better chances of success than if he would approach the company directly.

7. The challenges of export from an exporter's point of view

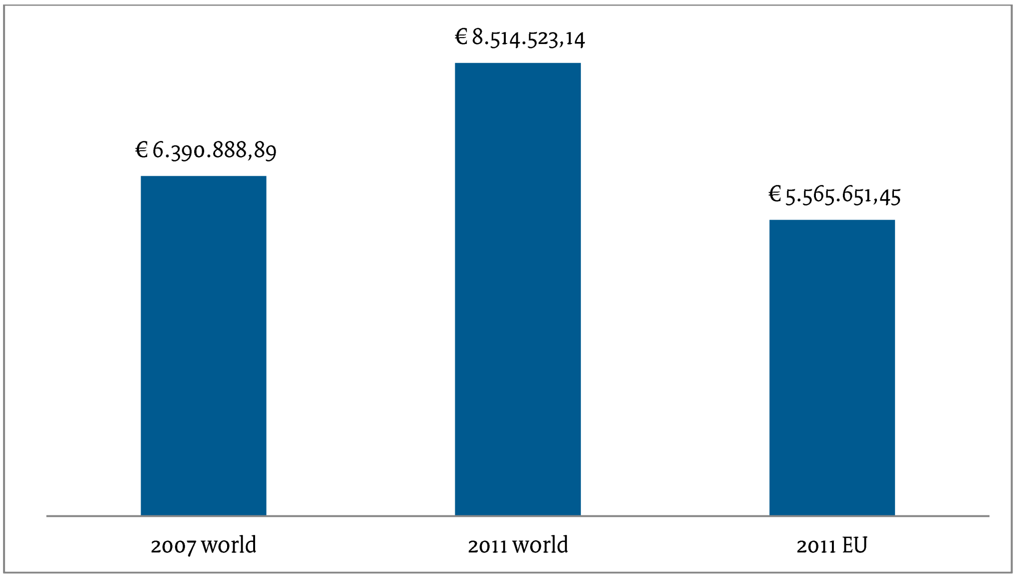
a) When you're exporting from overseas: the experience faced by former CBI-participants in the Export Coaching Program

CBI has been working for many years in the sector of Home Decoration and Home Textiles and has organized a number of Export coaching programs for the sector.
Export Coaching Programs have changed but used to be a step-by-step approach. A company, who participated in an Export Coaching Program (ECP), had a goal: to make the company export to (more) European markets. During a number of years, CBI would support the SME by:

- Assisting in meeting market requirements;
- Providing skills and knowledge on the European market;
- Providing opportunities to enter the European market mainly via European leading trade fair.

Having studied statistics of the last ECP programs HD and HT[22] 26-28 companies would give a clear and consistent picture regarding export figures over a longer period of minimum 5 years.

Figure 23: total exports in € of 28 selected SMEs from DC 2007 to 2011 beginning and end of ECP HD[23]

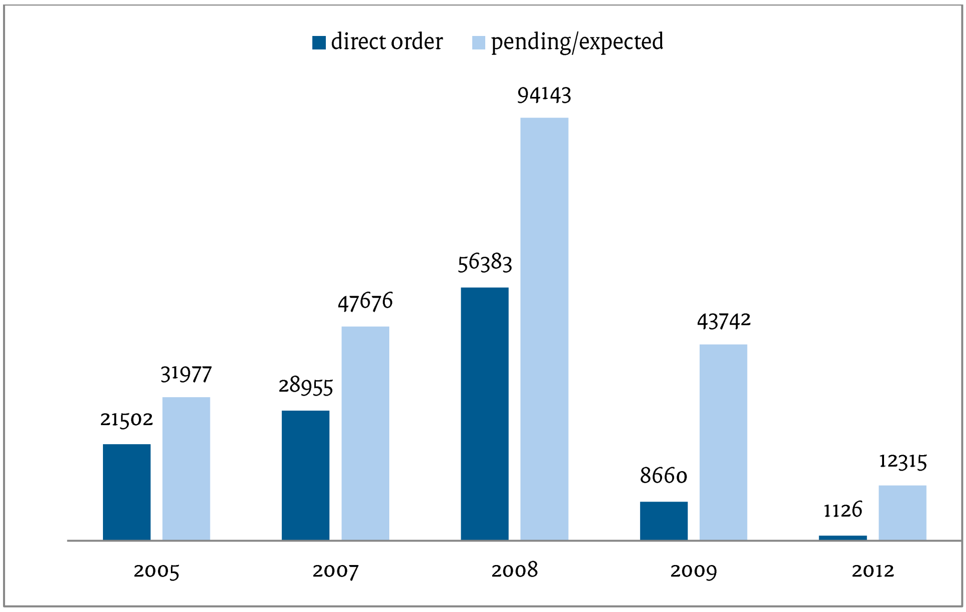


In this example 28 companies would have generated 2011 € 2.123.636 or 33.23% more export than 2007. An average increase of € 75.844

The next table shows direct order and expected orders placed on Ambiente between 2005 and 2013. From 2005 to 2008 SMEs participating at the CBI stand generated more than 160% higher direct sales on average (€ 21.502 to € 56.383), similar to expected orders. Since 2009 all companies are facing a tremendous crash in direct and expected sales.[24] The fall is not only caused by the global financial crises but very much by changing purchase behavior researched in this survey and expressed by Mrs. M. Kern from Messe Frankfurt "Frankfurt is not any more an order-fair. There are orders now and then but as a general rule orders take place at a later stage" [25]

[22] Provided by CBI competentiveerklaringen040 and general reports Ambiente 2006,07,09,12,2013
[23] CBI ECP HD 2006-2011
[24] Figures on M&O are even smaller
[25] Interview Mrs. Meike Kern, Director Household Textiles, Messe Frankfurt

Figure 24: direct and expected orders of CBI ECP SMEs on Ambiente 2005 - 2012 on average



We asked 10 former ECP SMEs about their export experiences after the program and wanted to know if they still export or participate in European trade fairs and how has their export developed. Are they going for other market access tools? What are their experiences with CBI and do they think market access should be different. [26]

The size of the companies interviewed range from 6 fixed employee (plus 40 seasonal) to 290 fixed employees and from € 184.000 to € 1.700.000 sales. 80% do have export activities during the last 2 years. 9 out of 10 deliver to an EU customer with strong focus on 10 countries (DE and NL each 8, France 6, Italy 5, BE and UK 4. East Europe was not mentioned. All 10 SMEs deliver to non-EU countries, 70% to the USA and 3 exporters also to South America. 6 to 7 companies counting the European market for their strongest market, one company from South America considers South America their strongest market. Eight companies are only focused on export (between 95 - 100%), 2 companies have a strong (45%) national market. For only 40% export has continuously increased since the end of the program, for 20% export is less than at the beginning of the program.

"We started our export operation in 2005 – market introduction. When we joined the Coaching program, we were able to jump start our orders from zero to US$250,000 more or less. Then, global business started to have problems during the last quarter of 2007 due to the financial crisis in the Wall Street. Then, we saw improvement at the start of Q2 of 2009 up to Q3 of 2011. Then, export business is now depressing due to very slow orders and demands of our products brought by the Sovereign Debt problem in the Eurozone. The business landscape of export has changed dramatically."[27]

60% do have a growing customer base but this does not mean they are satisfied with their current export activities (only 40% are satisfied).

"We would like to see more local and regional business and to explore business in the Far East and South America" [28]

Nevertheless 70% met their expectations at the end of the program and they would suggest:

[26] A general overview can be found in the annex:

[27] Exporter from The Philippines
[28] Exporter from Kenya

"The ECP should focus more on helping find the right market and trade fair for each participant. We should not be limited to Ambiente, Tendence or Maison & Objet."[29]

"I believe CBI has done an excellent job on their ECP. The Global economic slowdown has affected the export performance of ECP participants. However, CBI has to conduct comprehensive study if the existing ECP is still applicable to the present business landscape of doing export business in Europe. Has buying behavior of buyers changed due to the present economic problem in the Eurozone? What are the preferences of the European consumers given the persistent economic slowdown in the Eurozone. Will home decoration be a thing in the past? Is there other substitute or alternative home decoration products European buyers want? What are the new products that will strive in European countries given the low consumer confidence? Will trade show is still the best avenue to meet buyers? Has there been any major change in the channel of distribution of Home decoration?"[30]

100% are convinced that trade fairs are the most sufficient marketing tools. By surprise only two companies mention one additional tool namely personal visits and sending samples. Therefore 9 out of 10 companies continue to participate at trade fairs but only one company on EU trade shows if not invited by a donor organization. All other companies take part in Asian shows (FAME Manila, Hong Kong Gift Show, BIG Bangkok, Tokyo, Indian Gift Show Noida or Lifestyle Vietnam. One *reason is high costs in Europe but also bad experiences and the assumption that "The quality of European buyers in European Fairs is not as good as those who come to Hong Kong"*[31]
By great surprise no other e-business tools is considered successful. Not one buyer has contacted an exporter through email marketing; only 20% have ever been successful in gaining new clients through a b2b online platform or any professional forums? Only 30% have been approached by clients or potential clients through their website. As a result SMEs do not update their website regularly.
It seems nearly all ECP participants using only very traditional marketing tools instead to invest time and efforts in much cheaper and probably more successful e-business tools.

b) Examples of market access

Some case studies of market access Trade fair participation under a donor organisation at Ambiente FF 2009 10sqm

trade fair participation under donor organisation	**Euro**
travel 2 people	€ 2,000.00
hotel and daily allowance 7 days	€ 1,750.00
sending samples	€ 1,000.00
promotional material	€ 500.00
total	**€ 5,250.00**
sales within 12 months	€ 52,000.00
profit margin 15%	€ 7,800.00
profit before TAX	€ **2,550.00**

Former ECP company participating on their own at Ambiente 2013. More sqm but now promotion through donor organisation

[29] SME from Manila
[30] SME from Cebu
[31] SME from Manila

trade fair participation under own name	Euro
travel 2 people	€ 2,000.00
hotel and daily allowance 7 days	€ 1,750.00
sending samples	€ 1,000.00
promotional material	€ 500.00
stand 20sqm rent	€ 3,200.00
additional stand equipment	€ 4,000.00
total	€ 12,450.00
sales within 12 months	€ 65,000.00
profit margin 15%	€ 9,750.00
profit before TAX	-€ 3,700.00

In 2011 an US organisation did a private event for 3 days in Paris and invited 30 EU buyers to meet 6 companies from DC. Most of the buyers were offered a free ticket. Buyer spend long hours with the potential buyers and an average of € 80.000 sales per company was generated after 12 months.

US organisation doing private event for 6 companies in Paris 2011 for 3 days	Euro
travel 6 companies	€ 6,000.00
hotel and daily allowance 4 days 6 people	€ 6,000.00
sending samples	€ 6,000.00
promotional material	€ 2,000.00
stand 80sqm rent 3 days	€ 3,000.00
additional stand equipment	€ 4,000.00
local experts matchmaking and decoration	€ 8,000.00
transport and catering 30 buyers	€ 6,000.00
total cost	**€ 41,000.00**
total per company	€ 6,833.00
sales within 12 months per company	€ 80,000.00
profit margin 15%	€ 12,000.00
profit before TAX	**€ 5,167.00**

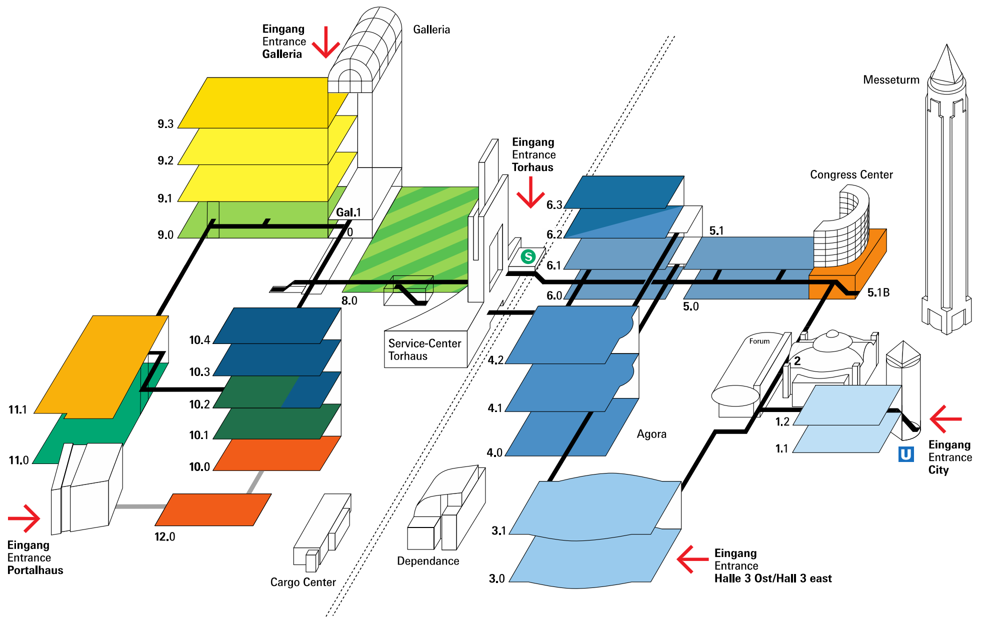
This survey was compiled for CBI by Werner Consult Ltd
in collaboration with Samridhi Chauhan

Disclaimer CBI market information tools: http://www.cbi.eu/disclaimer

Annex 1: Products per Hall M&O Ambiente

ambiente

7. – 11. 2. 2014



Living

Interiors & Decoration	8.0, 9.0
Seasonal Decoration, Outdoor Living	8.0
Loft	11.0
Sourcing	
Passage Home	10.1
Passage Home & Garden Select	10.2

Giving

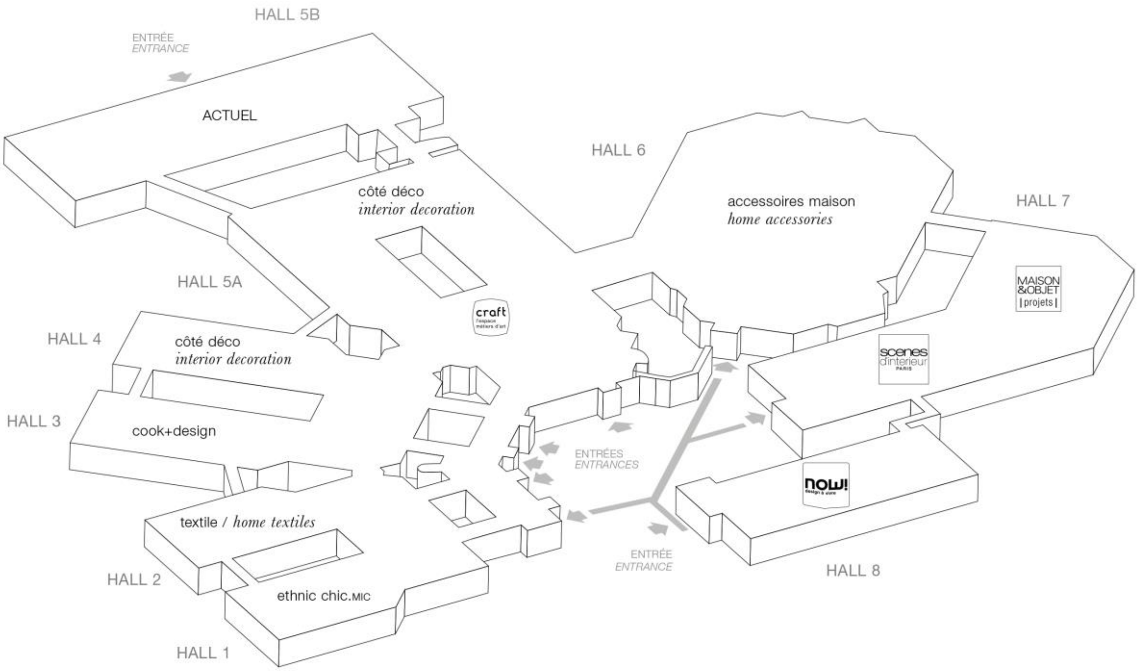
Gifts Unlimited	9.1, 9.2
Beauty & Bath	9.2
Carat, Personal Accessories	9.3
Young & Trendy	11.1
Smoking Accessories	5.1 B
Sourcing	
Passage Gifts	10.0, 12.0

Dining

Kitchen Trends	1.1, 1.2
Kitchen	3.0, 3.1
Houseware & Storage	5.0, 5.1, 6.0, 6.1
Table Contemporary Design	4.0
Table Prestige	4.1
Table Daily Life	4.2, 6.2
Table Top Trade	6.2, 6.3
Sourcing	
Passage Table & Decoration	10.2
Passage Table & Kitchen Select	10.3
Passage Dining & Houseware	10.4

messe frankfurt

Annex 2: Trade Fair M&O Paris floor plan



Annex 3: Questionnaire for buyers/importer

Questionnaire for Buyers/Importers

Company Name:____

Type of company:

☐ importer/wholesaler ☐ department store
☐ chain store ☐ boutique

What is the size of your company?

☐ 1-10 employees ☐ 51-250 employees
☐ 11-20 employees ☐ 251-500 employees
☐ 21-50 employees ☐ +500 employees

job role within the company?____

Personal involvement in the purchase process?______________________________________

Age:____

1. Where do you source new products/new suppliers?
   ☐ trade fairs
   ☐ individual business trips
   ☐ online search
   Which platforms?____
   ☐ via sales agents
   ☐ via buying agencies abroad
   ☐ online marketing (email offer)
   ☐ events like road shows, in-house exhibitions
   ☐ others: ____

2. What are the most important criteria when considering to take up a new supplier in your portfolio (in order of importance)?
   ☐ competitive prices
   ☐ quality
   ☐ substantial level of design/creativity
   ☐ certification
   ☐ sustainability
   ☐ corporate social responsibility
   ☐ lead time
   ☐ language
   ☐ efficiency in communication and order processing
   ☐ product safety
   ☐ must supply more than 1 product
   ☐ based in a country where we are already buying from
   ☐ others:____
   ____
   ____

3. Do you have different criteria for European and overseas companies?
   ☐ yes ☐ no

4. When you’re out sourcing do you have a specific product in mind – possibly your own developments and target prices – or do you pick items that strike your eye and are readily available?
   - ☐ generally we come with our own developments
   - ☐ mainly picks that are readily available
   - ☐ a mixture of both

5. Has your buying behaviour changed over the last 10 years and how?
   ____
   ____
   ____

6. Which trade fairs do you visit on a regular basis?
   - ☐ none -> go to straight to Q.13
   - ☐ Ambiente
   - ☐ Tendence
   - ☐ Maison et Objet
   - ☐ Heimtextil
   - ☐ Domotex
   - ☐ MACEF
   - ☐ Canton Fair
   - ☐ ☐ HK Gifts and Premium Fair
   - ☐ New York Intern. Gift Fair

☐ others:____

7. What are your intentions when you visit a trade fair?
   - ☐ seek inspiration and look out for the latest trends (no intention of purchase)
   - ☐ maintain business contact with existing suppliers
   - ☐ source new products with existing suppliers; by sds (no intention of pu
     - ☐ sampling
     - ☐ direct order
   - ☐ source new products with new suppliers:
     - ☐ sampling
     - ☐ direct order
   - ☐ collect information and compare suppliers for later buying decision

8. When you attend large European trade shows, like Ambiente, Tendance or Maison et Objet, do you mainly come to find European or overseas companies?
   - ☐ European ☐ overseas

9. What are the halls you must have seen on your visit to these shows?
   ____
   ____

10. With how many persons from your company do you travel to trade shows?
    - ☐ 1
    - ☐ 2
    - ☐ 3
    - ☐ 4
    - ☐ more than 4

11. What is your time budget per trade show?
    - ☐ 1 day
    - ☐ 2 days
    - ☐ 3 days
    - ☐ 4 days
    - ☐ 5 days

12. Would you be more incline to place a direct order on a foreign trade show than on a European show?
    - ☐ yes
      why? ____
      ____
    - ☐ no

13. Do you prefer to order:
    - ☐ directly with the producer/wholesaler
    - ☐ or through the sales agent

14. Trade fairs used to be ***the*** place for companies to showcase their products and interact with customers. In the era of digital media showcasing and networking can be done online at much lower costs. Do you think there is still a need for trade shows in the future or is your company prepared to shift completely to digital?
    - ☐ trade shows are essential for the business and cannot be replaced by digital media
    - ☐ trade shows will only have a relevance in the future if they manage to adjusted their formats to new market requirementsWhat changes do you expect?______________________________
    - ☐ Trade shows and digital media are complementary tools and will coexist
    - ☐ There is no need for trade shows in the future, everything can be done or sourced online at much lower costs

15. Does your company make use of social media, like linkedIn, facebook, twitter, buyer's forums, etc. for networking or sourcing purposes?
    - ☐ yes
    - ☐ no

16. Has your company already subscribed to any b2b online marketplace like Alibaba, Tradeget, Kelly's Directory or any other platform or do you intend to in the near future?
    - ☐ yes, we are member of____
    - ☐ yes, we intend to subscribe to_____________________________________
    - ☐ e-commerce is the future but we haven_______________________________
    - ☐ e-commerce is not a safe marketplace and we________________________e Alibaba, Tradeget, Kelly's Directory to Q.18

17. Have you already purchased new products sourced from the internet?
    - ☐ yes
      which platform(s)?____
    - ☐ no

18. How do you react to email marketing?
    - ☐ I delete the emails straight away without reading the content
    - ☐ I read the content but never reply (most of the times itntent___
    - ☐ I read the content and systematically reply that we dontntent_________Alibaba, Tradeget, Kell
    - ☐ I always read the content and get in touch with the producer whenever I'm interested in a product
    - ☐ I have already purchased items I have come across via email marketing

19. Are you involved in direct import or is direct import an option for you?
    - ☐ yes, we import on a regular basis from overseas
      which countries?____
    - ☐ yes, we are seriously considering to import directly from overseas to cut the middle man
    - ☐ yes, we have had some experience with direct import in the past but cannot manage the large volumes required
    - ☐ no, we have no interest in direct import

20. How many buying trips do you usually plan per year and at what times of the year?
    ____
    ____
    ____

21. What are the countries you usually visit on your buying trips and what percentage do these countries represent from your total buying volume?
    - ☐ China ____%
    - ☐ India ____%
    - ☐ Vietnam ____%
    - ☐ Indonesia ____%
    - ☐ Thailand ____%
    - ☐ Philippines ____%
    - ☐ Italy ____%
    - ☐ France ____%
    - ☐ Spain ____%
    - ☐ Portugal ____%
    - ☐ UK ____%
    - ☐ Sweden ____%
    - ☐ Denmark ____%
    - ☐ others:____

22. What is the ratio of European companies to non-European companies in your portfolio?
    ____
    ____

23. How has your supplier portfolio evolved over the last 10 years?
    - ☐ it has remained unchanged
    - ☐ we have increased the Nr. of suppliers in our portfolio
    - ☐ we have reduced the Nr. of suppliers in our portfolio

24. Has your yearly order volume per supplier changed in the last 10 years?
    - ☐ it has remained unchanged
    - ☐ it has increased
    - ☐ it has decreased

25. How many times a year do order from one supplier?
    - ☐ once
    - ☐ twice
    - ☐ three times
    - ☐ four times or more

26. What is the life-cycle of a good running product in your company?
    - ☐ one season
    - ☐ 2 years
    - ☐ one year
    - ☐ 3 years or more

27. Frustrated with the short face-time they get with their clients on major shows and the volatile returns on investment, many suppliers turn to road shows or in-house shows, where they are one voice instead of one of many. Under what conditions would you attend such an event? (you can tick more than one answer)
    - ☐ it comprises more than just one company/exhibitor
    - ☐ I know the exhibitor(s)
    - ☐ the event takes place before/after a fair
    - ☐ the event takes place within an easy reach
    - ☐ the event takes place in an exciting location
    - ☐ the event promises to deliver a special experience with lients on ma
    - ☐ the event is built around a theme that fits into our program (e.g. a country theme)
    - ☐ the exhibitor bares all the costs (travel and subsistence)
    - ☐ there is enough budget left to buy, in case I find something interesting
    - ☐ others:____

    ____

28. A new producer is on an acquisition trip and wants to pay your company a visit to show his latest developments. Is this a welcoming practice within your company and under which circumstances would you agree to it?
    - ☐ undesirable
    - ☐ welcoming
    - ☐ I would agree to it, provided that_______________________________________

      ____

      ____

29. Do you regard it as an advantage when a supplier is an all rounder and has various types of products on offer or is specialisation an indicator for quality?
    - ☐ all rounder is an advantage
    - ☐ specialization is an indicator for quality

Annex 4: Questionnaire for DC Exporters

Questionnaire for DC Exporters

Company Name:____

Country:____

Year of participation in CBI program:_______________________________

Nr. of employees today:_______________________________________

1. Did you have any export activities since the end of the Export Coaching Program (ECP)?
   - ☐ yes, on a regular basis
   - ☐ yes, irregularly
   - ☐ no, not in the last 2 years
   - ☐ no, not since the CBI Export Coaching Program

2. Do you export to any European country at the moment or have you exported to any European country since the ECP?
   - ☐ yes
     to which countries?__________________________________
     ____
   - ☐ no

3. Do you export to any other non-European country at the moment or have you exported to any other non-European country since the Export Coaching Program?
   - ☐ yes
     to which countries?__________________________________
     ____
   - ☐ no

4. What are your main markets?
   ____
   ____

5. What is your current turnover?__________________________________

6. What percentage of your total business volume do your export activities represent ? ____

7. How have your export volumes developed after the ECP?
   - ☐ nothing has changed
   - ☐ our export volumes have continuously increased since then
   - ☐ our export volumes have first increased and then stagnated
     how do you explain the stagnation?_______________________
     ____
   - ☐ our export volumes have first increased and then dropped
     how do you explain the fall?_____________________________
     ____
   - ☐ our export volumes have dropped below the level we used to be before the ECP
     how do you explain the fall?_____________________________
     ____

8. How has your foreign customer base developed since the end of the ECP?
   - ☐ nothing has changed
   - ☐ our customer base has grown
   - ☐ our customer base has declined

9. Have your annual sales volumes per client changed since the ECP?
   - ☐ it has remained unchanged
   - ☐ it has increased
   - ☐ it has decreased

10. Are you satisfied with your current export activities?
    - ☐ yes
    - ☐ no

    why?____
    ____

11. What were your expectations when you decided to participate in the CBI Export Coaching Program?
    ____
    ____
    ____

12. Did you meet your expectations at the End of the program?
    - ☐ yes
    - ☐ no
    - ☐ partially

    what couldn't you realise?____
    ____
    ____

13. Do you have any recommendations for the improvement of the ECP?
    ____
    ____
    ____

14. On which fairs have you participated since the end of the ECP? Please mention the respective years
    ____
    ____
    ____
    ____

15. **Only for those who do not exhibit in Europe, all others go straight to Q.17**
    You did not mention any European fairs in Q.11 why did you choose not to exhibit in Europe?
    - ☐ because of the high stand fees and travel costs
    - ☐ because we were not successful enough
    - ☐ because the European market is saturated with the type of products we manufacture
    - ☐ because the order volumes are too small
    - ☐ because our European customers come to us with their own developments anyway
    - ☐ because we are focusing on other markets at the moment

      which markets?____
    - ☐ others:____

      ____
      ____

16. How did your average turnover on foreign trade fairs develop after the ECP?
    - ☐ we were able to maintain our sales on the same level
    - ☐ our sales have increased
    - ☐ our sales have decreased

17. Who are your foreign clients in terms of size and structure?
    - ☐ small boutiques
    - ☐ wholesalers
    - ☐ e-commerce
    - ☐ department stores
    - ☐ mail order companies
    - ☐ chain stores
    - ☐ supermarkets

18. How did you gain your foreign customers?
    - ☐ on national trade fairs
    - ☐ on international trade fairs
    - ☐ through business trips
    - ☐ on b2b online platforms
    - ☐ via email marketing
    - ☐ through sourcing agencies
    - ☐ through sales agents abroad
    - ☐ through a chamber of commerce or local export association
    - ☐ others:____
    ____

19. How often do you meet your foreign clients per year and where?_______________
    ____

20. Has any client or potential client approached you through your website?
    - ☐ yes
      how often do you update your website?__________________________
    - ☐ no

21. Have you ever been successful with email marketing?
    - ☐ yes
    - ☐ no

22. Have you ever been successful in gaining new clients through a b2b online platform or any professional forums?
    - ☐ yes
      which one?____
    - ☐ no

23. What are your most efficient marketing tools?
    ____
    ____
    ____

24. In general, do you export your own designs or do your customer come to you with their own developments?
    - ☐ own designs
      who designs the products for you?_______________________________
    - ☐ customer's designs

25. How often do you change your collection or introduce new products?
    ____
    ____

Annex 5: Questionnaire for Trade Fairs

Questionnaire for Trade Fairs

Name of Fair:____

1. Werden auf der Heimtextil noch Ordern platziert oder kommen Besucher vorwiegend, um sich nach Trends umzuschauen, Informationen zu sammeln, die Konkurrenz zu beobachten?

2. Wen wollen Besucher auf der Heimtextil sehen, Europäische Austeller oder Aussteller aus Übersee, wie China oder Indien?

3. Aussteller aus China, Indien, Pakistan und der Türkei machen 46% der gesamten Aussteller aus. Die Heimtextil gibt es aber auch an anderen Standorte auf der Welt. Braucht es noch die Heimtextil in Frankfurt?

4. Ist es nicht sinnvoller für einen Anbieter aus Übersee/Entwicklungsländern auf eine Regionalemesse der Heimtextil auszustellen anstatt den teuren Weg nach Frankfurt zu wählen? Wie unterscheiden sich die dortigen von den hiesigen Besuchern?

5. Wer sind ihre Mitbewerbern und können Regionalmessen sich zu einer Konkurrenz für globale Messen entwickeln? Sie sind übersichtlicher, intimer und man kann da Produkte sourcen, die für die Konkurrenz verschlossen bleibt.

6. Sind soziale Medien für das Format Messe eine Bedrohung?

7. Was ist die neue Rolle der Messen in der Digitalen Welt? Mit welcher Intension kommen oder sollen perspektivisch Besucher auf Messen kommen? -> wird auf Messen überhaupt noch Ordern platziert oder haben sie nur noch einen Informativen Wert?

8. Der grösste Teil der Besucher in Frankfurt sind kleine Betriebe mit bis zu 50 Mitarbeitern. Wird das grosse Geschäft überhaupt noch auf Messen getätigt oder ordern globale Unternehmen auf asiatische Messen wie Kanton?

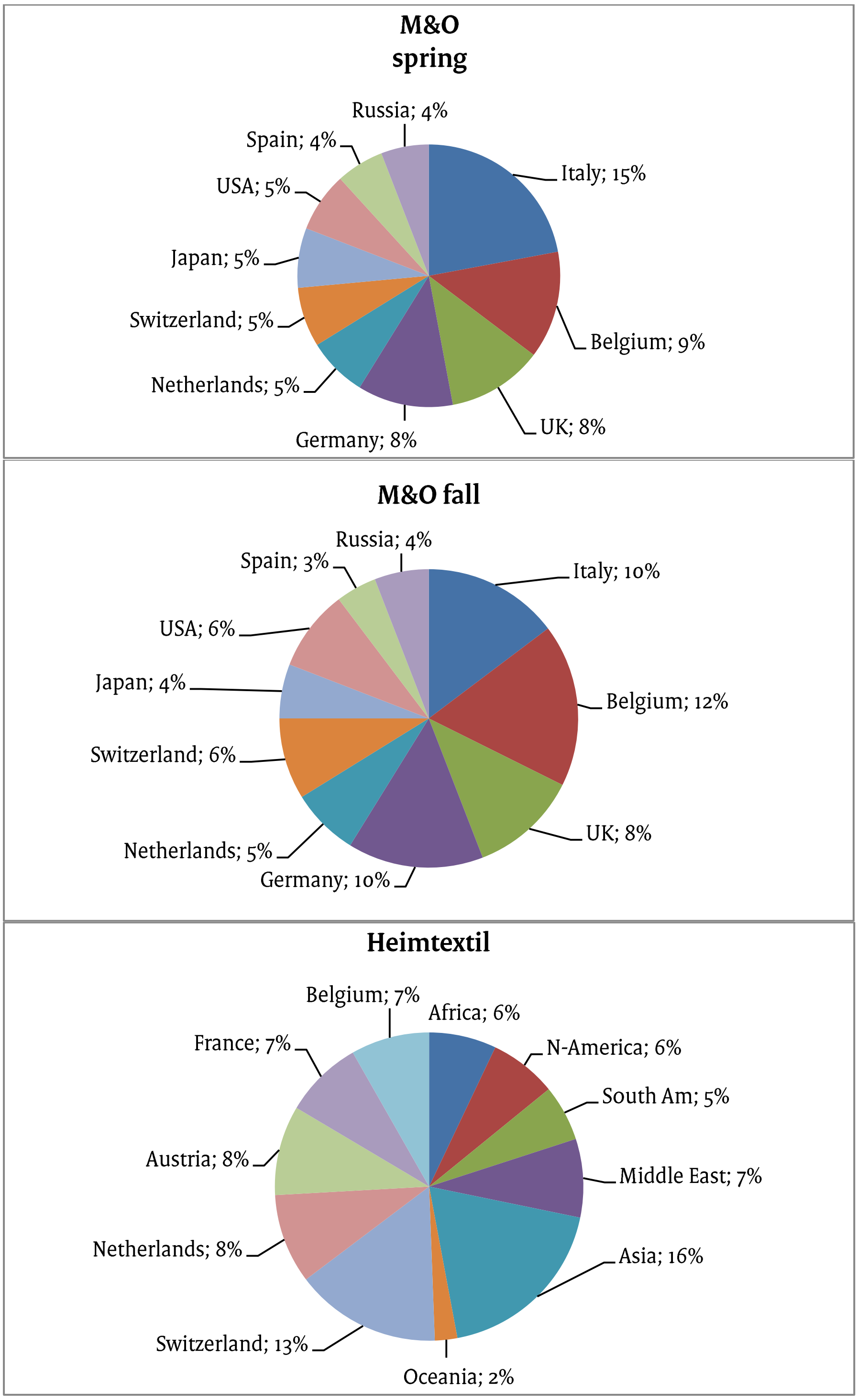
9. Werden Europäische Textilanbieter in die Luxusniche verdrängt oder haben sie noch eine Chance auf den globalen Markten mit zu agieren?

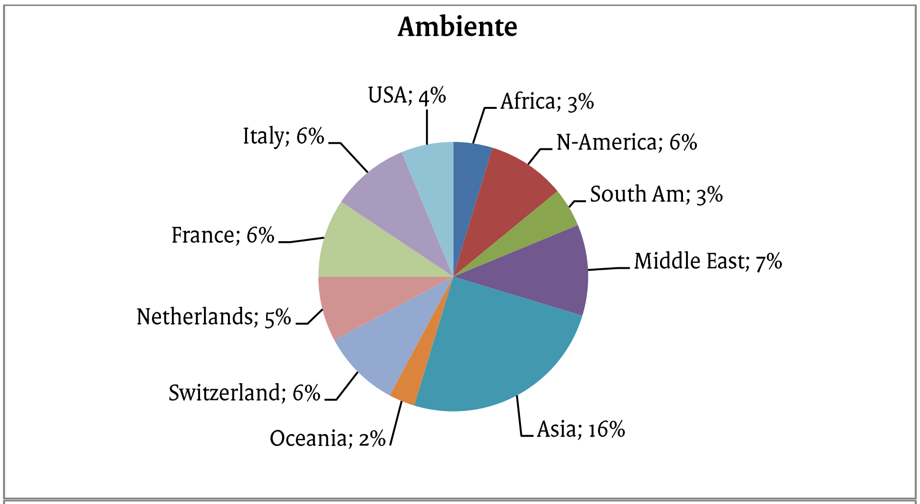
10. Wie hat sich Ihrermeinungnach das Einkaufverhalten von Einkäufern in den letzten 10J verändert?

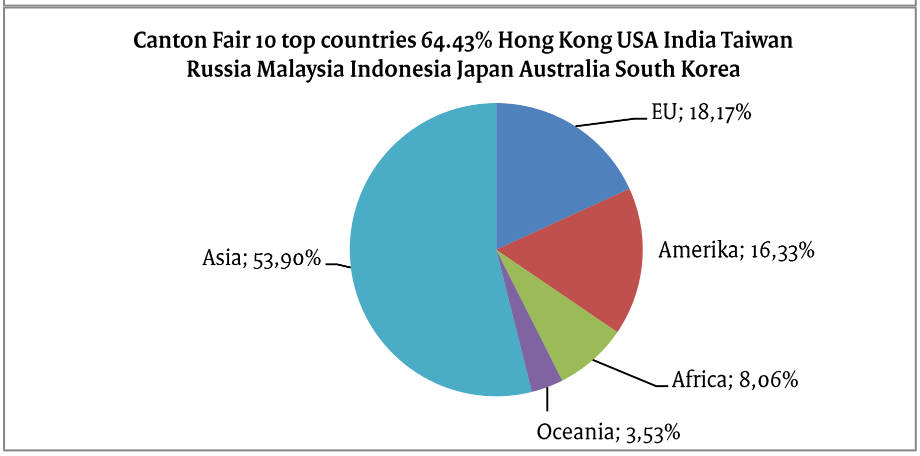
11. Über welche Kanäle - angesichts ihrer limitierten Mitteln - erreichen kleine Anbieter (v.a. aus Entwicklungsländern) am besten ihre potenzielle Kunden?

Annex 6: Foreign visitors on various trade fairs come from which countries

Figure 25: top Visitors by country/region 2012 per trade fair




Ambiente
USA; 4%
Africa; 3%
Italy; 6%
N-America; 6%
South Am; 3%
France; 6%
Middle East; 7%
Netherlands; 5%
Switzerland; 6%
Oceania; 2%
Asia; 16%


Canton Fair 10 top countries 64.43% Hong Kong USA India Taiwan Russia Malaysia Indonesia Japan Australia South Korea
EU; 18,17%
Asia; 53,90%
Amerika; 16,33%
Africa; 8,06%
Oceania; 3,53%

Annex 7: Overview of ECP SMEs companies interview

Figure 26: overview of ECP SMEs interviewed

entrance of ECP	2006	2006	2006	2006	2002	2001	2007	2007	2006	2006
employees fixed/seasonal	290	45	100	7/50	10/60	31	130	20/40	125	6/40
What is your current turnover?	€ 1,700,000	€ 923,000	€ 770,000	€ 184,000	€ 192,000	€ 545,000	€ 643,000	€ 1,000,000	1.000.000	€ 192,000
Did you have any export activities since the end of the Export Coaching Program (ECP)?										
yes, on a regular basis	x		x		x	x		x	x	
yes, irregularly		x		x						
no, not in the last 2 years							x			x
no, not since the CBI ECP										
Do you export to any European country at the moment or have you exported to any European country since the ECP?										
yes	x	x	x	x	x	x	x	NO	x	x
to which countries?	NL, DE, E, I, P	NL, DE, E, I, P, F	DE, NL, DK, UK	I, BE, NL, F, DE, UK	Scandinavia, F, NL, BE, PL	DE, NL, BE, I, F, UK	NL, DE, E, I, F		UK, F, NL, DE	NL, DE, BE
~~Do~~ you export or have you exported to any other non-European country since the ECP?										
yes	x	x	x	x	x	x	x	x	x	x
to which countries?	Asia, USA	USA	USA, Japan, Ecuador, Canada	USA, Japan, Kenya, Hong Kong, New Zealand	Turkey, Columbia, Chile, Ecuador, Japan, Australia	New Zealand, USA, Canada, Chili	ASIA,USA, AUSTRALIA ,SOUTH AFRICA	Ecuador, Venezuela	USA, CANADA	USA
What are your main markets?	EU 55%, USA 20%, Asisa 12%, Middle East 10%, local 3%	LOCAL 45%, USA 30% EU 25%	60% Europe, 40% USA and other countires	USA, Italy, Holland, France	Europe	Europe and USA	50% EUROPE, 10% US, 20% ASIA, 10 % AUSTRALIA 10% OTHERS	100% South America	USA EU	80% EU
What percentage of your total business volume do your export activities represent ?	97%	55%	96%	99%	99%	100%	95%	40%	100%	100%

How have your export volumes developed after the ECP?										
nothing has changed										
our export volumes have continuously increased since then			x			x	x		x	
our export volumes have first increased and then stagnated										
our export volumes have first increased and then dropped	x	x			x					x
our export volumes have dropped below the level we used to be before the ECP				x				x		
How has your foreign customer base developed since the end of the ECP?										
nothing has changed										
our customer base has grown	x	x	x			x	x		x	
our customer base has declined				x	x			x		x
Are you satisfied with your current export activities?										
yes			x		x	x	x		x	
no	x	x		x				x		x
Did you meet your expectations at the End of the program?										
yes	x	x	x		x	x	x		x	
no				x				x		x
partially										
On which fairs have you participated since the end of the ECP?	MANILA FAME 2010 , 2011, 2012, 2013 FURNITURE CHINA 2012, 2013 HONGKONG HOUSEWARE 2010,2011, 2012	AFRICA CHIC – FRANKFURT 2011	Ambiente, Frankfurt (2008-2013; Tendence, Frankfurt (2011-20130; Vietnam LifeStyle (2012-2013)	Bangkok International Fashion Fair 2010 – Tokyo International Gift Show March 2011 – Hong Kong April 2011, 2012 – Manila FAME International 2011,12,13 - Asia's Fashion Jewellery & Accessories Fair	Tendence 2011 2. Ambiente in 2009 & 2011 Hong Kong Trade shows every April and October – since 2005 4. Manila FAME every April and October since 2005	2011 AMBIENTE with CBI	GIFT FAIR IN INDIA –TWICE, EVERY YEAR TOKYO LIFE STYLE 2013	no	EPCH INDIA, Maison Object 2011, lifestyle accessory Tokyo 2013	Jakarta

You did not mention any European fairs why did you choose not to exhibit in Europe?										
because of the high stand fees and travel costs					x		x	x		x
because we were not successful enough								x		x
because the European market is saturated with the type of products we manufacture										
because the order volumes are too small										
because our European customers come to us with their own developments anyway							x			x
How did you gain your foreign customers?										
on national trade fairs			x		x		x	x		x
on international trade fairs	x	x	x	x	x	x	x		x	
through business trips									x	
on b2b online platforms									x	
via email marketing	x									
through sourcing agencies										
through sales agents abroad										
through a chamber of commerce or local export association		x								
Has any client or potential client approached you through your website?										
yes			x				x		x	
how often do you update your website?__NOT THAT OFTEN__	not often	not that often	1x year	2x year		x	not often			not often
no		x		x	x	x		x		
Have you ever been successful with email marketing?										
yes										
no	x	x	x	x	x	x	x	x	x	x
Have you ever been successful in gaining new clients through a b2b online platform or any professional forums?										
yes			x						x	
which one?			Alibaba							
no	x	x		x	x	x	x	x		x

What are your most efficient marketing tools?	fairs	fairs	intern fairs	International Trade Fairs, continuing update of customers with new products through photos by email or sending new free product samples every shipment	Trade show participation. Buyers' behavior of buying is still traditional. They want to physically see the products and to meet the manufacturer.	fairs	fairs	national fairs	EXHIBITIONS AND PERSONAL VISITS	fairs
In general, do you export your own designs or do your customer come to you with their own developments?										
own designs	x	x	x	x	x	x	x	x	x	x
who designs the products for you?	WE HAVE A DESIGN TEAM_	we have design team	own team	I personally and solely design my products	in house and freelanced		own	in house	in house	in house
customer's designs	x	x	x				x		x	x
How often do you change your collection or introduce new products?	1 x year	3x year		every month	2x year	2x year	2x year	2x year	2x year and more	2x year