CBI
Ministry of Foreign Affairs of the Netherlands

Tailored intelligence: the Sustainable Design market for Home Decoration and Home Textiles

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Content

1. Introduction

This module explains what Sustainable Design (**SD**) is, it describes the market for SD Home Decoration and Home Textile products (**HD-HT**) in the EU and how this market will develop in the coming years. In most EU countries, the awareness of SD is still low and SD is interpreted inconsistently. However, this is changing because more companies and consumers are embracing this new concept. This implies opportunities for DC exporters, especially if they can recognise the nuances in consumers' interpretations of sustainability and their respective needs, and offer products of high design aesthetics that incorporate sustainable dimensions.

1.1. What is Sustainable Design?

There are several definitions of sustainable design, all of which have been defined from different points of view (producers/exporters, importers, retailers, consumers, experts, academics etc...).

To date, still no generally agreed or 'official' definition of the term 'Sustainable Design' exists. In our definition, we try to narrow down by focussing on the sort of products that are designed according to the sustainable dimensions being available on the Home Decoration and Home Textiles market.

Below we present one simple definition suitable to clarify what sustainable designed products are and how they can be made within the Home Deco and Home textiles sector.

> ***Definition***
> ***Sustainable design products*** are aesthetically appealing products with a clear identity and usability. These products thoroughly integrate social and environmental dimensions in their complete life cycle from production through to consumption and end of life.

Design itself refers to a level of sophistication, a clear identity and distinctive style in a product. In design, signature, statement and story are important. These are often related to a specific design or production technique, a brand, an exporter/producers or a designer.

Sustainability in product design is used in order to deliver value in accordance with two dimensions: Environmental and Social.

Table 1 Environmental and social dimensions within sustainability

Environmental dimensions	Social dimensions
Raw material • Products made of organically produced raw materials • Products made of materials from sustainable sources/plantations • Products made of materials that take into account the protection of biodiversity • Product made of recycled material • Products made from novel materials that have an overall near Zero impact.	**Fair trade** Products that are Fairtrade WFTO certified or produced following fair trade principles which implies that they are: • Made according to the fair trade principles • Made by transparent suppliers • Made by suppliers who invest in their communities.
Production process • Products that are made in a cleaner process (less waste, cleaner materials, less energy) • Products that are made in a leaner process (faster, more lightweight, less transport) • Smart products that use parts that can be reused/used in other products.	**Cause * Trade** • Products made by (disadvantaged) communities or minorities • Products that support a good cause • Products that are made locally.

Product life cycle	**Cultural * Trade**
• Products that are recycled • Products that are re-used or up-cycled • Products that are easily recyclable after use • Products that are Cradle-to-Cradle. *Note: See Figure 1.1 in the 'Supplement 1' for a visual explanation*	• Products that reflect cultural values • Products that show special skills • Products made to preserve and further local skills and techniques.
Product use • Products that are smarter. Multi-purpose, modular, detachable • Products that are more durable. Made to last longer • Products that are simpler. More timeless, less trendy, have a versatile design.	***Note:*** **Difference between 'cause' and 'culture' is whether or not origin is showing or used in marketing.*

When combining 'sustainability' and 'design' there are:

- **Sustainably designed products** whereby design is a process to make a product sustainable. Design and sustainability are of equal importance and of a high quality.
- **Design products with sustainability attributes:** Products with a high design value, where sustainability is incorporated whenever possible. Design takes precedence over sustainability

In this Tailored Intelligence study, we will cover both combinations.

The role of Sustainability, Sustainable design, its growing importance among consumers, and the main differences in consumer perceptions in different EU countries, is further highlighted in *Supplement 1 - Sustainability in the EU market'.*

1.2. The market for sustainable design products in Home Deco & Home Textiles

Market description. 'The market for sustainable design (SD) Home Decoration & Home Textiles' is represented by those consumers who are aware of - or who subscribe to - sustainable objectives and regard design as important in the products they buy. They try to fulfil primarily their desire to surround themselves with beautiful, comfortable, convenient, durable, objects that carry a meaning/story.

Market size

Total market.
According to the CBI Modules 'Trade watch for Home Decoration' and 'Trade watch for Home Textiles' the total EU market for Home Decoration & Home Textiles was € 40 billion in 2010, derived from Eurostat/ProdCom statistics. This figure was divided as follows:

- ***Home Decoration*** represented 67% of the total EU market.
- ***Home Textiles*** represented 33% of the total EU market.

SD market.
Based on sales statistics of SD fashion in France and the UK (see Supplement 1 – section 4.1), we roughly estimate the market for SD Home Decoration & Home Textiles at around 1% of the total Home Decoration & Home Textiles market in Europe in 2010.
This rate is based on estimations by IFM (Institut Français de la Mode). For the French market, SD fashion rate was only 2.0% of the total French apparel market in 2010. It can be assumed that the consumer awareness on SD apparel (fashion) is much higher than on SD Home Decoration & Home Textiles. This implies a much lower rate. The same applies to the UK, Germany (no statistics available), Scandinavia (no statistics available), as well as in Southern EU countries and Eastern EU countries where the awareness about SD is relatively low. Based on these assumptions, we estimated the SD rate at around 1% of the total EU market for Home Decoration & Home Textiles.

Given a total HD-HT market of € 40 billion, this gives us a rough figure of € 400 million. When taking the above division into account, the EU consumption of *SD Home Decoration products* amounted to € 132 million (33% of € 400 million) and of *SD Home Textiles* € 268 million (67% of € 400 million) in 2010. We assume that most of this sales was generated in the large EU markets and Scandinavia where consumers are well aware of sustainable issues.

Market development

No specific statistics about realised past sales of SD Home Decoration and Textile products are available. It is though reasonable to conclude that such sales have followed the fast growing market trends of other sustainable goods such as fashion and food. The current share of SD products within each key segment is low, but the relative growth has been substantial in the last few years, and the potential is important. See also Supplement 1 – figure 4.2 with good prospects for the French SD fashion market, which expected to grow fast from 2013 onwards.

Growth in sustainable consumer goods

Consumption of sustainable consumer goods and commodities has been increasing steadily in the last 5-6 years across Western Europe - especially during recession times. This trend is expected to continue, and strengthen, over the coming years. For example, in the UK sales of ethically sourced products (food and non-food) were € 64 billion in 2011. This market value has risen by 39.2% between 2006 and 2011, and is expected to increase by 40.5% between 2012 and 2016 according to projections of the research agency Key Note. See also Supplement 1 – section 4.1 under 'United Kingdom'.

Quotes:

"End consumer for now assume that companies do a proper job in ensuring that 'things are in order and properly produced' – the moment they catch on that this is not always the case, the tide will no doubt change [and they will ask for proofs."
Home interior retailer, Germany

"The market for sustainable design products is very big in potential"
Wehkamp, the Netherlands

"It is happening in some stores. We can see that the provenance of a product is important and in certain markets there is a growing interest in products that have longevity rather than cheap and disposable"
Authenic, UK

"In France and Europe, we experienced this year a double negative effect in demand: firstly - the recession, as the negativity by the French media discouraging consumers, and secondly the higher price level of our products. We expect the large home retailers (IKEA, Zara home, H&M...) recognise the market opportunity for SD products. They will come with their own SD collections, which will drive the market, and will be of help for our business. However, SD will stay a niche market".
Ekobo, France

Future market drivers

In the coming years, the SD market for Home Decoration and Home Textiles will become more transparent. The future market will mainly be driven by:

- An increase in awareness and understanding of SD that will result in a shift in consumer attitudes. See Supplement 1 – section 4.2 (Scandinavia, Germany and the Netherlands).
- There will be more innovation in Home Decoration and Home Textile products, such as new materials, and production techniques.
- The large retailers (Zara Home, John Lewis or IKEA) do not regard SD as a fad, but as an important niche that will develop and will stay in the coming years. See Supplement 1 – Table 4.1.
- Emulation: SD products that are introduced by brand leaders, will be followed by non-leader market players (the "followers") and hence led to market growth.

It can be expected therefore that the market for SD Home Decoration and Home Textiles will grow substantially in the near future.

Details on future developments in the total market and in the identified key segments can be found in the CBI Module 'Segments for the SD Home decoration and Home Textiles' and in the CBI Module 'Trends in the SD market for Home Decration and Home textiles'.

1.3. Market opportunities

SD can be an opportunity for DC exporters if:

- → Products are designed in a way that they are appealing to EU consumers as Western EU consumers are very design conscious at all market levels.
- → Manufacturing processes are clean and transparent.
- → Product performances and ethical credentials are communicated clearly, simply and factually (verifiably) to consumers and buyers.
- → Facts are accompanied with stories that involve consumers rationally as well as emotionally.

For DC exporters, sustainability is a tool to make their businesses financially and economically sound and efficient in the mid and long run because it will allow them to:

- → Lower staff turnover.
- → Lower manufacturing costs (e.g. energy savings, material waste reduction etc.).
- → Higher productivity and product quality thanks to more efficient processes and highly satisfied staff
- → Stronger relations with trade buyers due to increased transparency and thanks to exceeding their expectations regularly.

2. Segments for the SD market Home Decoration & Home Textiles

The number and kind of consumers for sustainable designed (SD) products is increasing. There is a large group of consumers that is concerned with environmental aspects; they are interested in products that last longer and have a lower impact on the eco system. Other consumers find social dimensions more important, and choose products that have been made under sound circumstances or that have a distinctive cultural background. Both consumer groups value design very much, as it delivers identity and aesthetics. For your market entry strategy (B2C), it is crucial to target (one of) the three consumer key segments. In the B2B segment, SD is a powerful tool to enter into new contract markets and to establish long-term relationships with customers by sharing common goals.

2.1. Segmentation in the EU SD market for Home Decoration and Home Textiles

The group of consumers attracted to SD is no longer a small group of people leading an alternative lifestyle. SD consumers can now be found in any age group, on different levels of income, and with different lifestyles. Their reasons to buy sustainable design products varies.

Based on their attitude towards both design and sustainability, we defined three major key market segments:

- ***Trendy Creatives***
- ***Smart Affluents***
- ***Design Purists***

These key segments encapsulate more precisely the specific and main types of consumer needs and preferences, attitude towards consumption and being ethical, shopping behaviour and lifestyle.

SD consumers can be clearly distinguished from mainstream consumers because they are *aware of* sustainability and they are *motivated to* buy SD Home Decoration & Home Textiles. They have a higher sensibility to design and know more about it. They find sustainability principles (environmental and/or social) quite important and they are curious how this is reflected in the product design.

Figure 1.1 (later on in this module) clarifies how SD consumers in these three segments value design and sustainable objectives, and Figure 1.2 shows how these segments are expected to grow, as more consumers become aware of sustainability and will be attracted to SD products.

In fact, these key segments are driving the SD market in Europe. Most of them live in the UK, Germany, Scandinavia, Netherlands, France and Italy.
Each of the three key market segments is described in detail as follows:

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Key segment 1 - TRENDY CREATIVES

Market share	**Approx 35%** of the *sustainable designed* Home Decoration and Home Textiles market in the EU
Consumer behaviour	This consumer is looking for **enjoyment** in life, and wants to have a warm social life and create a good **atmosphere** at home. Family is important and so is caring for others. All in a **fun**, uncomplicated and positive way. Consumers in this group are very **sensitive to fashion- and product trends**. They are eager to acquire new **experiences** and to make a creative statement. They are open to new and **expressive** products, and choice is very important to them. They admire creativity and craftsmanship, and enjoy fascinating **stories attached** to brands and products. They are aware of sustainability issues, especially the **social aspects**. They want to see these aspects expressed in products. Products can be visibly ethnic (in a **quirky**, but not traditional way), or **recycled** or clearly supporting a good cause.
Consumer description	20-45 year old, urban and semi-urban, professionals, students, singles, couples, small families, mid level education, low-average income
Sustainable dimension	**Environmental**, Recycling as well as **Social** Fair Trade, Cause, and Cultural Trade
Consumer attitude towards Sustainability	**Fun-factor-consumer, about 70% of Trendy Creatives** looking for new, quirky, trendy products. Wants and expects to be surprised. Look and feel is very important. Sustainability is important, and needs to be visible in the product and the brand communication. This consumer will actively express their dedication to sustainable issues, in a light-hearted way. **Cultural-consumer, about 30% of Trendy Creatives** includes some consumers that have been buying ethnic products for years. Wants to see cultural stories or creative approaches reflected in a product. Product must be visibly sustainable. This consumer will actively express their dedication to specific sustainable issues, in a personal way.
Market segment	Mid priced market segment, available through upper mid market retailers, often brands and chain retailers.
Main EU markets	UK, Netherlands, France, Italy, Germany, Scandinavia (in order of importance)
Design characteristics	Decorated, Showing origin, Looks like small run and hand-made, On Trend, Sometimes ethnic, Branding and Packaging is very important.
Main products of interest	See CBI Module 'Marketing strategy for Trendy Creatives and Supplement 2
Relevant Retailers, Brands, Importers	Anthropologie Wehkamp.nl Maisons du Monde Zara Home Home24.de Magasin du Nord Coin Lodsh House Doctor One World Interiors Po-Paris Nic Duysens

Key segment 2 - SMART AFFLUENTS

Market share	**Approx 40 %** of the *sustainable designed* Home Decoration and Home Textiles market in the EU
Consumer behaviour	This is a **mature** and experienced consumer, who knows brands and is well informed. S/He has a strong opinion on benefits that products offer, and is used to high levels of **design**, service, **quality** and **convenience**. This consumer is often deprived of time and budget to do thorough research or compare products. Therefore, they buy increasingly online. They expect a **solution** from brands and retailers, wants brands to understand their **everyday needs**. They are open to new ideas and innovations, as long as those are **clever**, convenient and offer value for money. They are very price conscious, but that does not mean products need to be cheap, but rather 'worth their money'. Is aware of a wide range of basic sustainability issues. Expects initiative and **transparency** from brands.
Consumer description	30-50 year old, urban, professionals, committed, ambitious, singles, couples, small families, mid-high level education, home owners, average income.
Sustainable dimension	**Environmental**, Raw Material, Production Process, Product Life Cycle, Product Use
Consumer attitude towards Sustainability	**Clever-n-convenient consumer, about 60% of Smart Affluents.** Makes fast and calculated buying decisions and expects the best value for money. Expects sustainable objectives to be included in the whole brand/ product package. Is willing to pay a reasonable price for that package. Status is in the brand, not in the sustainable statement. **Eco consumers, about 25% of Smart Affluents**. They make a conscious and rational decision to buy sustainable products. Have been buying these products for years, go for labels and certificates and are used to paying a higher price. That does not mean they are very well off. **Buy Less-but-better consumers, about 15% of Smart Affluents** are making a statement by minimising. They have a more extrovert approach, and go for brands that promote this conscious lifestyle. Aware of trends and brands. Status driven. Will be different from country to country; this consumer in the UK will buy local, in Denmark will buy heritage.
Market segment	Low- Mid- priced (and part of High) Market Segments – across all price segments
Main EU markets	Germany, Scandinavia, UK, Netherlands, France, Italy (in order of importance)
Design characteristics	Innovative, Modern, Clever, Clear, Minimal, Basic
Main products of interest	See CBI Module 'Marketing strategy for Smart Affluents' and Supplement 2
Relevant Retailers, Brands, Importers	Ikea John Lewis Hema Manufactum Habitat Hay Royal VKB Yumeko Zuperzozial Artecnica Muji Perigot JIA

Key segment 3 - DESIGN PURISTS

Market Share	**Approx 25 %** of the *sustainable designed* Home Decoration and Home Textiles market in the EU
Consumer Behaviour	This is a group of very **conscious** consumers. 'Who I am is what I buy'. They are well informed, are aware of brands, designers, background stories and heritage. They buy products for a lifetime, and take time and energy to make a buying decision. They expect nothing but the **best of the best and are** looking for **timeless** and outstanding design. They are willing to save up money and pay a higher price. **Aesthetics** in design or outstanding materials and finishing are leading the buying decision. Appreciation for materials, techniques, designers and makers. Aware of sustainability issues, and looking for the best **quality**.
Consumer Description	35-65 year old, urban, professionals, committed, singles, couples, high level education, home owners, average-high income.
Sustainable Dimension	**Environmental** Raw Materials, Production Process, Product Use as well as **Social,** Cause Trade (locally made, using outstanding craft techniques)
Consumer Attitude towards Sustainability	**Best-of-the-best-consumer, about 50% of Design Purists** Makes careful and considered buying decisions, looking for timeless and outstanding design. Will buy local products, made by outstanding craftsmen, made of the best materials. They feel different, and express this in an extrovert way. Not necessarily looking for information on sustainable objectives, but assume them as a given. **Pure-consumer, about 50% of Design Purists** A conscious consumer, many of whom have been buying sustainable products for years. Is concerned about health and well-being. Focusing mainly on environmental objectives. Wants to feel good and do good. Expresses this in an introvert manner. Is used to paying a higher price for sustainable products. Brands or products should not be visibly sustainable. Information must be transparent and labels and certificates must be in order.
Market Segment	High priced market segment, available through speciality stores, concept stores and department stores
Main EU markets	France, Italy, Germany, Scandinavia, Netherlands, UK (in order of importance)
Design Characteristics	Sophisticated, Statement pieces, Designer signature, Well Considered, Pure, Natural, Pared Down
Main products of interest	See CBI Module 'Marketing strategy for Design Purists' and Supplement 2
Relevant Retailers, Brands, Importers	La Rinascente KaDeWe De Bijenkorf Selfridges Ay Illuminate Nanimarquina Vitra Iittala Wonderable Toast Muskhane Coco-Mat

Positioning of the key segments
The three key segments are characterised by a high level of ***design sensibility*** that is combined with awareness and adherence to their ***sustainability principles*** (Figure 1.1).
Each key segment values 'design' or 'sustainability' in a different way. For example, Trendy Creatives often lack in the design component, as they buy for the sustainability principle first and for design second, whereas Design Purists think the opposite way. Figure 1.2 shows how these key segments will develop in the coming years (2015).

Figure 1.1 Positioning of key segments in the SD Home Deco & Home Textile market, 2010

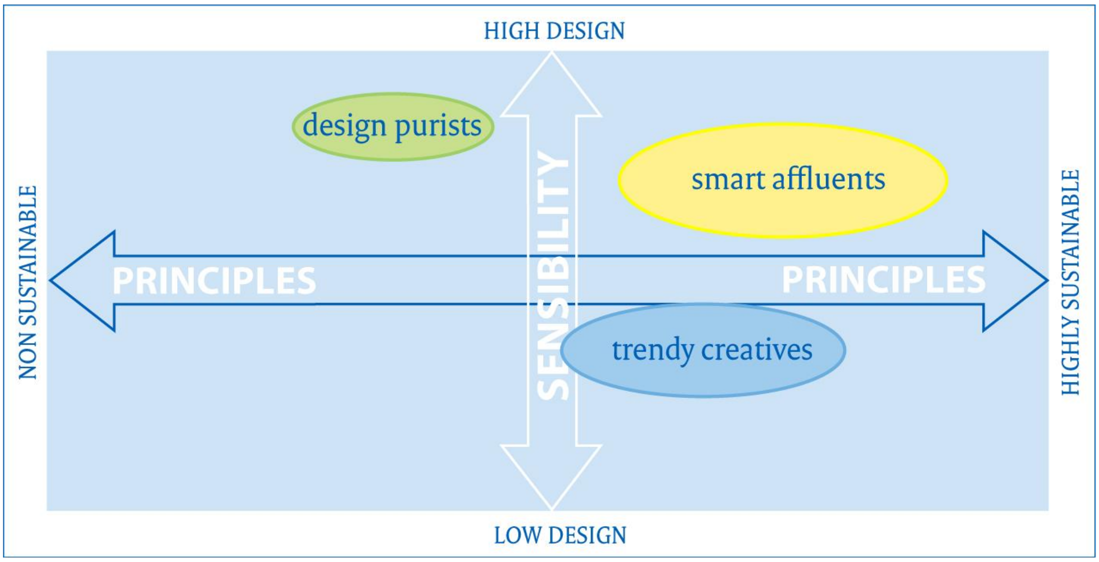
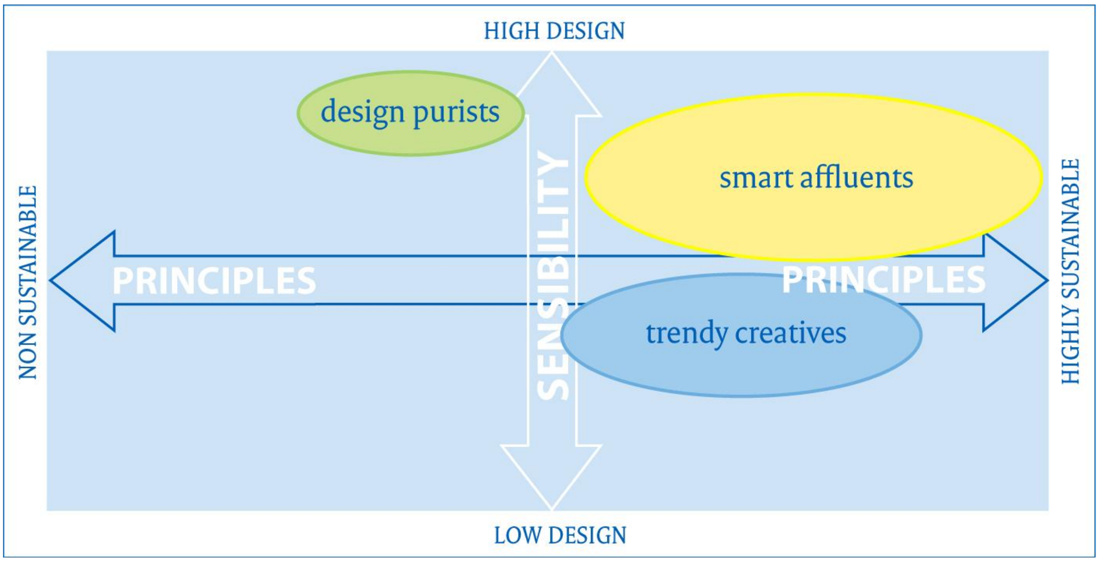


Figure 1.2 Positioning of key segments in the SD Home Deco & Home Textile market, 2015



Development of the key segments:
Smart affluents is the largest key segment, worth approximately € 160 million (40% of € 400 million) in 2010. Smart affluents are well informed and have already bought SD products for a while. They have a strong opinion particularly on environmental issues that even will become more recognised in the coming years. Smart affluents will grow fast and drive the SD market. They expect more clever innovations (environment) and transparency (social) from retailers such as IKEA, John Lewis, M&S. These mainstream retailers increasingly are investing in SD products and are improving their SD credentials.

Quotes:

"By 2015, 50% of our own-brand indoor furniture ranges (Living and dining, Bedroom, Nursery, Fitted furniture and Upholstery) will be Forest Stewardship Council-certified."

John Lewis

Trendy creatives will remain the second largest key segment. Its estimated market value in 2010 of € 140 million (35%), is expected to rise as well in the coming years.
Currently, Trendy creatives are mainly young people and have a 'fresh look'. They are open to *new products*. Being increasingly influenced by the Design purists, new product offers and by the media, they will develop a more distinctive taste are become more knowledgeable on sustainability issues.

Quote:

"We will be promoting the consideration of eco-friendly alternatives in the development of new products and ancillary materials in the period 2011-2015".

Inditex, Zara Home

Design purists is the smallest key segment. Its estimated market value in 2010 of € 100 million (25%) is expected to rise marginally in coming years. Design purists are likely to remain the opinion leaders for the other two key segments. They are expected to become more aware and critical about environmental and social issues.

Details on future developments in the total market and in each key segment can be found in the CBI Module 'Introduction to the SD market for Home decoration and Home Textiles' and in the CBI Module 'Trends in the SD market for Home Deciration and Home textiles'.

New segments?
This SD market for Home decoration and Home textiles is still developing and is driven by the three key segments. New segments might develop in future, as a result of emulation. SD products will increasingly be introduced by large retailers and brand leaders. Depending on its success, other players are likely to enter this niche market. Emulation could generate a growing diversity in consumers who are likely to buy SD products. Most consumers in this growing niche market buy SD products because they meet to their sustainable principles or their design sensibility. More emulation implies more consumers who will be exposed to SD products. Some of these consumers buy SD products impulsively or unintentionally at mainstream retailers, while other buy them, but are still unaware about their difference with mainstream Home decorations and Home textiles products. The question 'how and how fast new segments will emerge in the coming years', mainly depends on the success of the SD market and marketing strategies of the large players.

B2B segments for SD products

The importance of sustainability
Sustainability has become a business megatrend with more Codes of Conduct (CoC), certification organisations, labels, education and verification tools. Environmental and social dimensions are increasingly a central part of companies' corporate policies and in their brand positioning to consumers (B2C) and, more importantly, to their suppliers (B2B). In B2B, sustainability can be an invaluable tool for generating and retaining business with customers. This applies also to the contract market or industrial market for Home decoration & Home textiles.

Considerations for action:

- ***Do some research*** and try to find out on their websites which sustainable dimensions are most important to your B-to-B customer. For example, if you find that carbon reduction is a priority of your most critical customers, think creatively about how reducing your company's carbon might influence your customers' footprint.
  Look for 'best practices', make a proposal and open up a discussion with your customer leading to further brainstorming and creative solutions.

Sustainability may become a more powerful tool for B2B companies compared to B2C companies. In B2B the size of the purchases are greater. Therefore, buyers of B2B wholesalers or public sector organisations are often quite demanding. In addition to low price and high service, compliance with their Code of Conduct and full transparency has become more important. For example, most pots should be biodegradable in natural resorts, small carpets must be made of natural/recycled material in health care centres, or pots by catering services should have a multi-purpose use.

The B2B segment for SD products
The B2B segment can be reached though its specialised trade fairs such as Contract Creations (Heimtextil) and Equip Hotel, via specialised wholesalers or via tenders.
The B2B segment is not directly related to each of the key consumer segments described earlier in this module. In fact, sustainable designed products (cooking and table top, home accessories, bed and bath, garden and outdoor and decoration textiles) could be used by many different B2B customers depending on their principles on sustainability and their level of design sensibility.
The most important potential B2B customers include: design hotels, natural resorts, tourist sector, sports centres, hospitals, lodging homes, garden designers, office interior designers/decorators, office furniture suppliers, recycling consultants, carpet and floor fitters, catering services, armed forces and office maintenance specialists.

What does this mean for DC exporters?
As a DC exporter, you can expect from B-to-B customer to show that actors in your value chain (your suppliers, employees, forwarders...) follow similar environmental objectives to those of your customer (lower energy usage, reduce carbon emissions, reduce re-packing etc...). If you are able to demonstrate this in the design of your product and in your value chain, this implies a good opportunity to enter into a long-term relationship with this customer as this contributes to share common goals, to co-create products, to share potential risks and to generate higher profits.

Considerations for action:

- ***Come up with initiatives.*** After finding out your potential buyers policy (or CoC), you can come up with new initiatives that help them to achieve their sustainable objectives. For example, special designed small furniture made to preserve local skills from your country to be used in libraries, museums or universities that comply with the social objectives of your customer to preserve culture and trade.

- ***Tenders.*** Note that often public sector organisations, local authorities or housing associations ask potential suppliers (contractors) to participate in tenders in which often compliance to sustainable objective or standards is required. You will have to demonstrate such compliance in your a formal proposal.

- ***Launch ideas to save money.*** For example, to design packaging that are lighter saving money on shipping and fuel costs, or to propose new products with a lifecycle according to the Cradle-to-Cradle concept (see Figure 1.1. in the *Supplement 1 - Sustainability in the EU market'*).

- ***Stay informed and communicate.*** Do not forget to stay informed about sustainability by keeping up with industry issues, regulations, legislation and national and global trends. If you hear of a new regulation that will affect your customers, explore ways you might help them comply with these regulations.

3. Trends in the SD market for Home Decoration and Home Textiles

The EU population is ageing, is more highly educated, has access to more information. Lifestyles and life/work balance are changing, and the majority of people live in urban areas. Many people are increasingly concerned about the climate change and travelling to developing countries has become more widespread.
In addition, a recession continues to affect the EU, resulting in a weak housing market, raising unemployment rates and less disposable income. Consumers have become more critical towards the impersonal throw-away culture. These developments made consumers more aware and interested in sustainable designed products. This explains why SD products are taking up a larger part of the total market. This module gives you the trends, opportunities and ideas how you can benefit.

3.1. Market directions and trends

For the total EU market for Home Decoration and Home Textiles, CBI has identified three main directions in the module ***'Trendmapping for Home Decoration & Textiles'***. In the coming years, differentiated marketing will accelerate by the rising of more niche markets such as the market for SD products (Direction 1). More importantly, conscious consumption is going mainstream (Direction 2). This will drive consumption of SD products.

This section reviews two important trends that relate to these future Directions and which have an impact on the development of SD Home Decoration and Home Textiles market in the EU.

3.1.1. Trend 1: SD is not a silent development any more

Sustainability has been a slow but steady development in the past 10 years, and many consumers are now starting to embrace the concept. The future SD market for Home Decoration and Home Textiles will gradually become more transparent and visible to consumers. The main reasons for this are:

Growing awareness among consumers
This implies that consumers are increasingly aware and interested in ecological and social aspects that is reflected in innovative products. However, at present a variety of labelling and certification is available, some of which confuse consumers. Sustainability is perceived in different ways by different consumers groups, and for many it is new. Nevertheless, green, fair trade, recycled, organic and reusable products increasingly find their way into the market.

Considerations for action:

- Create a clear product offer matching and communicate clearly about the benefits for the consumer to prevent any misunderstandings.
- Target a specific market segment and carefully choose which dimensions of sustainability suit your strategy and your ability best.

Retailers start to communicate SD better
Brands, importers, retailers, exporters need to stand out in order to succeed in getting the sustainable message across. The major retailers and brands incorporate more sustainability credentials in their new products, and their presentation aims at creating (brand) loyalty in this way. In fact, consumers expect more and more transparency from them.
This implies that differentiation can be achieved not only by product design, but also by a focus on communication to buyers (and to consumers). Selling under a brand that stands for an identity or that can convey (some) sustainable dimensions, might be useful.

Considerations for action:

- When exporting SD products, retailers expect from you to be able to clearly describe how you integrate sustainability in your processes and in your product development. Communicate this clearly to buyers.
- In addition, describe the stories attached to your product. If difficult, try to find someone in your (target) country with good communication skills.
- Ask retailers and importers for their brand values, and how you can add to their success.

3.1.2. Trend 2: Consumer needs are more and more diverse

The changes in demography, lifestyle, social values and income level in Europe have affected consumers attitude to consumption, the need that are related or derived from this, and their buying decisions. This has also affected the trade. Large parts of the new SD consumers are mainstream consumers, who still find e.g. their 'well-being' or 'comfort' important. This implies that needs will even be more diverse in future. Understanding the needs of SD consumers is crucial for you as a DC exporter in order to develop new product ranges and concepts for the EU market. We have identified 9 needs that are related to Sustainable Design:

1. **Expressive:** Need for excitement and experience. In a saturated market, consumers appreciate creative statements with stories attached.
2. **Unique:** Need for a personal and meaningful product. If and when they spend money, people want to buy something with emotional appeal, a product they can call their own, and different from what is available on the market.
3. **Fun:** Need for surprise and light heartedness. Mature consumers are tired of mediocre products, and shops that all look alike.
4. **Solution:** Need for smart and sensible solutions. People conduct busier lives; they want 'instant solutions' buying brands that immediately understand their everyday needs.
5. **Clever:** Need for convenience. People are living in small houses. They want flexible and durable products.
6. **Everyday:** Need for simplicity and flexibility. Lifestyle of consumers is changing, homes need to be flexible to work in, to eat with family in, to relax in.
7. **Timeless:** Need for products that last. Consumers are more aware of the impact of consumption and are looking for products that are sober, last longer and have a timeless style.
8. **Buy Once:** Need for quality. People are aware of the impact of consumerism, and are looking for products that have a high design quality as well as a high functional quality.
9. **Essence:** Need for well-being. Consumers are concerned about their health and the environment. In products, they are attracted to natural materials and a sober and timeless style.

Considerations for action:

- **Expressive:** Make information on materials, techniques and the creative process part of your communication to buyer and end-user.
- **Unique:** The market for gifts is big. Offer ranges for special occasions or products people can personalize.
- **Fun:** Collaborate with designers in creating a clear and quirky product offer for your target market.
- **Solution:** Communicate product benefits clearly, show how your product will make people's lives' easier or better.
- **Clever:** Invest in product innovation rather than variation; make your bestseller product even better, more durable, more efficient.
- **Everyday:** Research the lifestyle of your end-user by investigating the offer of your target (or existing) buyer
- **Timeless:** Handmade products are often valued highly for a long time by consumers, so offering carefully crafted ranges is an opportunity.
- **Buy once:** Understand what iconic design is in different EU markets, and in which context it is sold and marketed.
- **Essence:** Do not compromise on quality, use the best materials and finishes available. Communicate benefits clearly to your target buyer.

Below we show how these consumer needs match with the three market segments in Sustainable Design. For each need, a related product trend is visualized.

3.1.3. Consumer needs and trends that can be associated with Trendy Creatives

Trendy Creatives may grow into the *second most important segment* for SD products. It is here where new trends, product designs, as well as materials and techniques are tested, whose exact use and quality are not fully known yet.

Consumer need	Main related product trend (for example)
1. Expressive	Recycling gone wild
2. Unique	Tweak your own product
3. Fun	Alphabet Mania

The Trendy Creative is already a very adventurous segment, and will become even more so.

On a 5-year term, this means that:

1. ***Distinctive identity and style*** will become a main reason to buy for consumers in this key segment.
- There will be ***experimental designs*** with new materials, adventurous techniques and uses.
- Many more designs will appear ***inspired by communities*** around the globe.
- ***Brands will become storytellers***, and invite consumers to engage and share ***experiences***.
- ***Sustainability values*** will be cleverly incorporated in the ***brand identity***, communication and products.

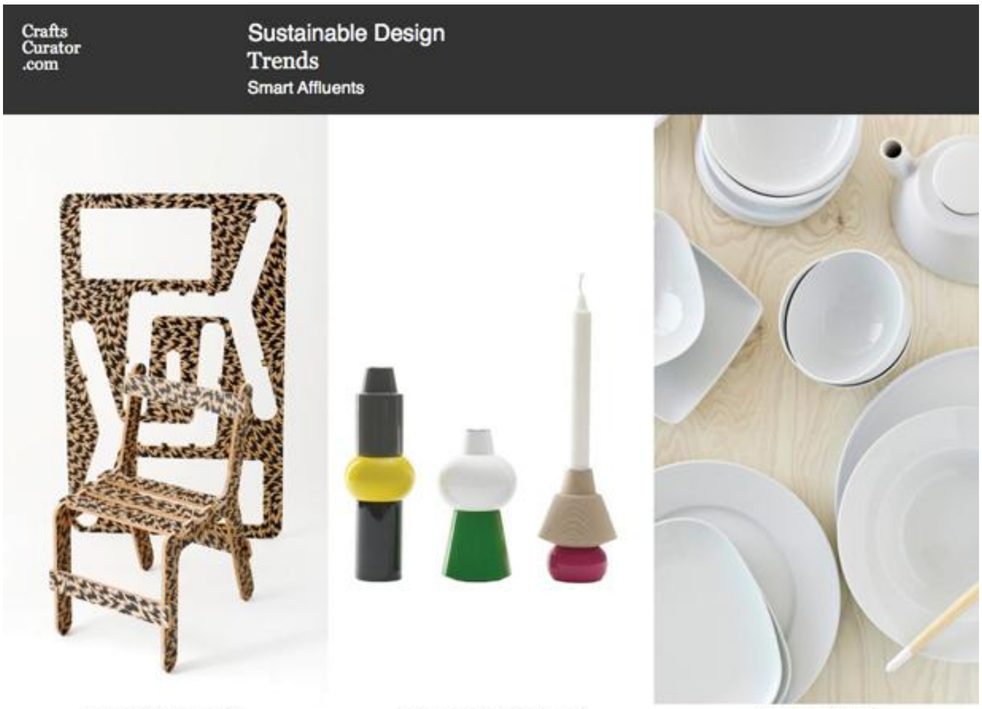
On the mid to long run, age will not play a role in this segment any more. From currently primarily young consumers, the segment will expand into more mature age brackets without losing its characteristic 'young and trendy' signature. However, usability of products will, as a consequence, become progressively more important, although by far not as pronounced as with the Smart Affluents. Trendy Creatives will increasingly develop a more distinct and finely tuned taste and are expected to become more flexible in their spending, if they can afford it.

Further details on this target group and considerations for actions can be found in the CBI Module 'Marketing strategy for Trendy Creatives'. *More examples of trends and products for Trendy Creatives can be found in Supplement 2.*

3.1.4. Consumer needs and trends that can be associated with Smart Affluents

The Smart Affluent segment is *the largest segment* and is heading towards taking over the mass market.

Consumer need	**Main related product trend** (for example)
4. Solution	2D & 3D
5. Clever	Like Lego
6. Everyday	All white



2D & 3D (Rafa kids) | Like Lego (Helgo Astak) | All white (Ikea)

Large retailers in this market segment such as IKEA – who take up very high shares in the EU Home Deco & Home Textiles market– are already pro-actively engaging in sustainable designed products.

On a 5-year term, this means that:

- Many ***more products*** with SD credentials will become ***available***.
- The ***level of design*** will become very ***high***: in product identity, quality and usability.
- ***Product innovation*** will be driven by the need for differentiation.
- ***Consumers will expect more products*** to comply with SD requirements.
- ***SD credentials will be verified*** more carefully.
- Their ***share will increase*** relatively quickly as it is a high opportunity niche.

> ***Quote:***
>
> *"Our biggest impact on the environment and society come through the products we sell and the way they are used- so we want to make it easier for our customers to live more sustainably."*
>
> Marks & Spencer, UK

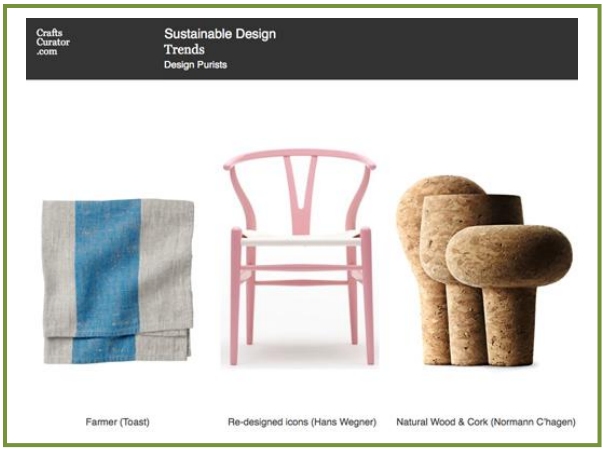
On the medium to long run, the greater part of the large retailer's ranges probably have some SD credentials, even those at the very low price edge. Higher priced products may be expected to comply with (most of) the available SD credentials.

The Smart Affluents will become increasingly label-savvy. Products on offer for this target segment may become even more usability oriented, i.e. their practicality will be under ongoing, stronger scrutiny. Products with unclear use benefits will make space for products with very clear, highly specialist, convenient applications. Competition between brands will be fierce. Further details - see the CBI Module 'Marketing strategy for Smart Affluents'. *More examples of trends and products for Smart Affluents can be found in Supplement 2.*

3.1.5. Consumer needs and trends that can be associated with Design Purists

This market segment is the *trend leader* in every aspect. They are the early adopters of new designer trends. Design Purists are at the forefront of the conscious consumption movement, and will have a big impact on the way sober, timeless and well-considered products will be marketed in the future. Some of the design trends that will mature within this segment, will eventually seep into the other two segments.

Consumer need	Main related product trend (for example)
7. Timeless	Farmer (rustic)
8. Buy Once	Re-designed icons
9. Essence	Natural Wood & Cork



This market segment is the trend leader in every aspect. They are the early adopters of new designer trends. Design Purists are at the forefront of the conscious consumption movement, and will have a big impact on the way sober, timeless and well-considered products will be marketed in the future.

Some of the design trends that will mature within this segment, will eventually seep into the other two segments. Given the fact that they overall shop in the higher priced bracket, SD credentials will be assumed as a given - or a basic ingredient - although they will not usually check this.

On 5 -year term, this means that:

- They are the ***'show case consumers'*** for visually highly aesthetic designs.
- Their market share will expand slowly to the degree that SD credentials will seep into 'mainstream' high-end products.
- In product design, the best-of-the-best materials and techniques will be used and tested.

On the medium to long run, the Design Purist segment is the smallest in terms of market share, but at the same time, it is the most important segment in order to create a name and a brand. By pushing the boundaries in product design, new applications for sustainability will be tested and found. Price will remain largely irrelevant provided product and design quality as well SD credentials are at the cutting edge. Further details - see 'Marketing strategy for Design Purist'. *More examples of trends and products for Design Purists can be found in Supplement 2.*

4. Market competitiveness for SD Home Decoration and Home Textiles

Understanding your competitors in the EU market for SD products is an essential pre-requisite to exporting. Although, other supplying developing countries that 'grade up' by moving away from standardised production are your main competitors, the EU itself remains also a relevant supply base. This module gives an analysis of the major competitive forces that preside the market. Understanding your position among them will help you strengthen it, stand out and build up a stronger relation with buyers. While price competition may increase to some degree due to resources scarcity on world markets, the power of retailers has reached its peak and it is bound to diminish in the mid to long run.

4.1. Sourcing competition

The most common (competing) sourcing countries for EU retailers and importers of SD Home Decoration and Home textile products are China, India, Pakistan, Cambodia, Thailand, Turkey, Bangladesh, Nepal, Philippines, Indonesia, Vietnam, and Northern Africa. Portugal and Eastern Europe are popular for quality linen. For specific products categories, sourcing destinations are virtually interchangeable:

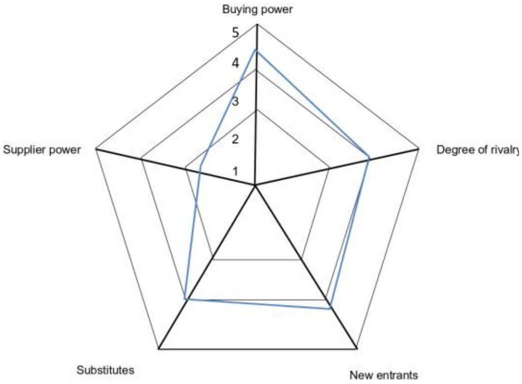
- ***Bed and bath***: For linen - China, Pakistan, Portugal, Eastern Europe
- ***Home accessories***: For basketry - India, Indonesia, Cambodia, Northern Africa, Vietnam.
- ***Wooden objects*** (candle holders, small food containers), lamp shades - India, Thailand, Indonesia, Northern Africa, Vietnam.
- ***Decoration textiles***: Indonesia, India, Philippines, South America, Northern Africa, Nepal.
- ***Rugs and carpets:*** India, Pakistan, Northern Africa, Nepal.

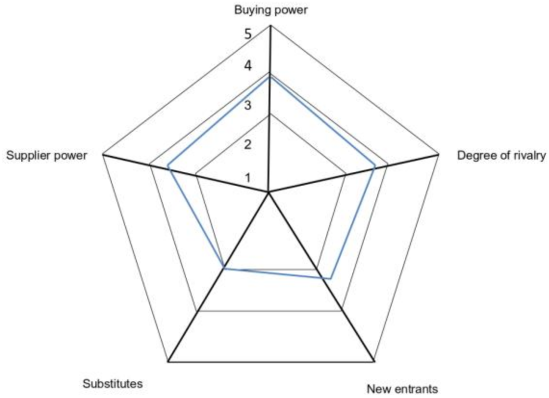
4.2. Competitive forces – Porters' Analysis

Comparing the five forces (figure 2) that act in the mainstream (non-SD; total) market and the SD market, it becomes clear that when DC exporters focus on developing SD products with high design aesthetics, the market could become more favourable to them.

Buyers of retail chains or designer brands currently still have an extremely high power across the Home Decoration and Home Textile market as a whole. This at the disadvantage of DC suppliers, specifically of undifferentiated products with average design and no ethical credentials. These suppliers risk to be interchangeable and compete merely on price. Existing DC suppliers risk also to see many new entrants that produce in their region (they have access to the same raw materials and workforce) or from competing regions and countries.

Figure 2 Competition and Forces Analysis for Home Deco and Textile Products





As a DC exporter, when focussing on developing SD Home Deco and Home Textile products, you can see your market position and prospective improve, by gaining a higher power on buyers because:

→ Your product would be more unique, not only in terms of aesthetics but also for the intrinsic value (quality and ethical credentials).
→ Therefore, your potential replacement will become more difficult, also because your relationship with buyers will be stronger thanks to increased transparency.
→ The number of potential entrants will be lower because SD is a concept and process that needs time to mature and properly be implemented.

1. Buying power of customers (importers/retailers)

- ***Increased pressure from buyers:*** Especially retailers put DC exporters increasingly under pressure. The main reasons are: the price sensitivity in their market; the growing retailer concentration (fewer and bigger buyers); their buying volume, and the availability of product substitutes. In the lower and middle range price segment of the market, buyers will switch easily from one supplier to the other.

- ***Continued innovation:*** To strengthen their position in the market, importers and wholesalers continue to innovate in new recyclable (as well as natural) materials that are lighter and less harmful to the environment. There will be more innovation in multi-use and longer lasting use of products that are attractively designed and which can be cleaned or maintained easier. Being able to supply these products could re-balance the power of suppliers.

- ***Lowest possible prices:*** Even if buyers look for SD products, they still want to maximise their profits, especially in a period of recession (weaker demand → lower volumes → higher profit per product). The attempt to reduce supplier margins by importers will be particularly prevalent in Southern EU countries, as they are more affected by the financial crisis.

Considerations for action:

- ***Increased pressure from buyers:*** Focus on the high-end market segment, where buyers are less price-sensitive, and are looking for unique quality design. Note: They order smaller quantities.
  Please remember: for brand labels, signature, high quality and transparency are important.
- ***Continued innovation***: Stay ahead through a constant innovation process. Work with professional designers, or with students in your own country or in your target market. They can bring a different point of views and innovative ideas to the table. Stay inspired and NEVER copy what you see e.g. on websites.
- ***Move up the value chain*** by selling direct to retailers, to Internet sellers so that you can offer a more competitive price (you can in fact absorb the margins of absent intermediaries, at least partially). Note that retailers have their own requirements (look at their Codes of Conducts) in addition to the EU legislative requirements.

2. **Competitive rivalry**

- ***Intense rivalry***: Due to the recession in the EU, and increasing interest of buyers in SD products (including organic cotton), the rivalry is likely to intensify. This particularly among suppliers of big brands that are trying to clean up their supply-chains. As a consequence: There will also be a tougher competition at a level of *raw materials* for suppliers, in order to secure reliable supplies of alternative materials (e.g. recycled, grown and harvested with certification).
- ***Optimization:*** EU buyers are optimizing their supplier bases. They do this reducing the number of suppliers and improving the work with fewer, more reliable suppliers that become like partners. This will mean increased standards for suppliers.
- ***Geographic competition:*** In the *high-end* of the market there is competition from European producers, while in the *medium-lower end*, DC producers/exporters from China, India, Pakistan and Turkey are dominant. Producers of southern EU countries, affected by crisis, are offering more competitive prices to receive orders. In addition, there is a tendency to buy locally as this reduced shipping costs and ways (e.g. Made in France, Made in Italy, Made in Germany etc...) and is more eco-friendly.
- ***Differentiation:*** A wide price range and an oversupply makes it easy for consumers compare products, and to either trade down to cheaper items, but also to trade up to more expensive items but for the lowest possible price.

Considerations for action:

- ***Intensified rivalry:*** Identify new promising retail channels for example via marketing companies that sell under their own label and sell in various EU countries. In addition, multi-channel (online and offline) retailers are more likely to preside the market.
- Also, try to increase your profitability as a consequence of lower costs, less waste and higher factory floor efficiencies. Do regular research on alternative materials and, when possible establish partnerships across your supply-chain.
- ***Optimisation.*** Try to establish win-win relations with your clients and be transparent as this pays off in the long run. Analyse your client base identifying who your most valuable clients are and how you can increase your work with them. While doing this, always remember to have a diversified client base to minimise your risk.
- ***Geographic competition***. analyse carefully who your direct competitors are and provide buyers enough good reasons, other than price, to work with you. Give them solutions at a sustainability levels: you may be further away than EU suppliers but maybe you can prove you can reduce their environmental footprint in other ways?
- ***Differentiation*** by introducing genuine/original products with artistic designs and focus on high-end consumers. Show that you are renowned for quality, craftsmanship and good design rather than just quality only or price level. Use this in your promotion to buyers or consumers (storytelling, original or outspoken design, ethical issues/principles).

3. **New entrants in the market**

- ***More offer of SD products:*** The market for SD Home Decoration & Home Textiles is expected to evolve and grow. Large companies are embracing the concept. Consumers look for personalised items that are well designed and expect brands to be more sustainable. However, entering SD market does not happen quickly and existing suppliers will continue to have an advantage.
  Many retailers prefer to help their existing suppliers improve rather than taking on risk by working with new, unknown suppliers.

Considerations for action:

- ***More offer of SD products:*** stay ahead of the game, research how you can develop SD products before your competitors and start with one aspect (e.g. use of less water or energy, full traceability of products) before moving to the next stage. Become known for something so that your identity is clear and strong.

- ***Lower consumption:*** Due to a fickle demand, buyers remain careful and order smaller quantities more frequently and increasingly 'just in time'. This development is an advantage for nearby suppliers e.g. from EU countries.

Considerations for action:

- ***Lower consumption:*** *differentiate by focus on niche markets*. They are attractive as they grow fast and there are fewer competitors (entrants). For example, within the SD market, you could address specifically older people, or other B2B markets such as boutique design hotels, or nature resorts. Also, buy locally and stress that your product can be made only in your country thanks to local techniques and materials. Finally, try to target your market very specifically imagining the lifestyle of your final consumer, e.g. Trendy Creatives: how do they perceive your country and your craft tradition? Where do they buy? What online blogs are they likely to read? With these insights, you can anticipate buying behaviour, and stay ahead of new entrants.

- *Stricter EU legislation and buyer requirements* will reduce the number of new entrants. It will be easier for existing suppliers to comply with these.

- ***Stricter EU legislation and buyer requirements:*** stay regularly updated on EU legislation by selecting online resources that can help you do so. Alternatively, identify a local association that can provide you with this information. Every time you decide to contact a new potential buyer analyse their requirements first by downloading their code of conduct from their web site and follow with up through an informative talk with their sourcing office. You can collect a lot of information by not trying to sell but by just getting informed.

4. Substitute products

- Consumers interested in SD products, particularly Trendy Creatives and Smart Affluents, are also open to new forms of consumption: as an example, they may decide to rent products (e.g. clothing) or swap them instead of buying, or buy second hand from online portals.
- Some producers practice ‘greenwashing’. Greenwashing refers s to competing products that pretend to be ‘sustainable’. Their producers hence make product or production claims that do not correspond with the reality. Specifically, it means market products as if they had sustainable credentials when in fact they have not. Consumers who are not well-informed regard them as a substitute (or similar) product.

Considerations for action:

- ***Several product substitutes:*** Make sure you are different from companies who practice ‘greenwashing’. Check the 10 most common mistakes of green washing, consult Futerra's 'Greenwash Guide' (http://www.futerra.co.uk).

- Try to offer your buyers solutions that prolong the life of your products (repair or substitute parts) because this can increase the value of your products and will make your product less replaceable because you will establish a relation with the product’s user. In addition, think creatively at alternative channels through which you can sell your products.

5. **Bargaining power of suppliers**
   - ***Labour market*** Fair wages attract qualified and trustworthy staff more easily, and help prevent staff migrating into other, better paid industries or geographies.
   - ***Buyer reputation:*** Good working conditions and fair wages create trust with the buyer and help these minimise their reputational risk. The home and furnishing textiles industry is highly labour-intensive, meaning that labour accounts for a large share of the production costs. Labour wages will rise everywhere, especially in China. This is also why manufacturing is increasingly being moved to low-cost production countries. But since labour-rights abuses are common in these countries, good working conditions will help you.
   - ***Suppliers of raw material:*** When materials are standardised and there are many competitive suppliers, they do not have much bargaining power. Competition over sustainable raw materials will increase and this will increase the strength of these suppliers.

Considerations for action:

- ***Labour market & Buyer Reputation:*** Try to optimize social fairness, pay living wages to workers, provide training, safe and healthy working conditions, do not use child labour and adhere to the ILO published labour standards.
- ***Suppliers of raw material:*** Some of your raw materials grow in seasons, and are prone to influences from civilisation and overuse. By sourcing your materials more carefully, and ensuring their quality and renewability, you will make it easier for you to have continued access to a steady, reliable raw material source.
- Promote a growing sense of cooperation in the value chain by ***making partnerships with your suppliers.***

Designers Quote:
"I would still want to be involved to make sure that what is produced is of the right quality, and made to ethical and sustainable standards. I would not want to give my name to anything that would not do 'a good job' in this context." Designer, UK

5. Marketing strategy for Trendy Creatives

Because the recession continues and the competition is likely to intensify in the total Home Decoration & Home Textile market, try to target your market for SD products very accurately by choosing one or two key segments - but not all. This module gives recommendations on how to implement marketing mix instruments in order to reach the Trendy Creatives as your key market segment. It briefly shows which requirements about sustainability and design, are most appealing to these consumers, as well as to buyers who operate in this segment.

5.1. Product

Trendy Creatives are the youngest consumers among the key target segments. They are open to new experiences and new products, are sensitive to (fashion) trends and do not want to belong to the mainstream. This implies that they have quite a 'fresh view' on sustainability. They want to 'do good' but in a unique or light way. Although, they are well informed. They are open to other cultures and feel closer to products that have more social sustainable dimensions with a different design from the usual.

> ***Quote:***
>
> *"Anything exotic or somehow unconventional will be even more interesting to consumers looking to escape bland, boring offerings and stand out."*
>
> Trendwatching.com Trend Report 2012

For you as a DC exporter this means the following product opportunities:

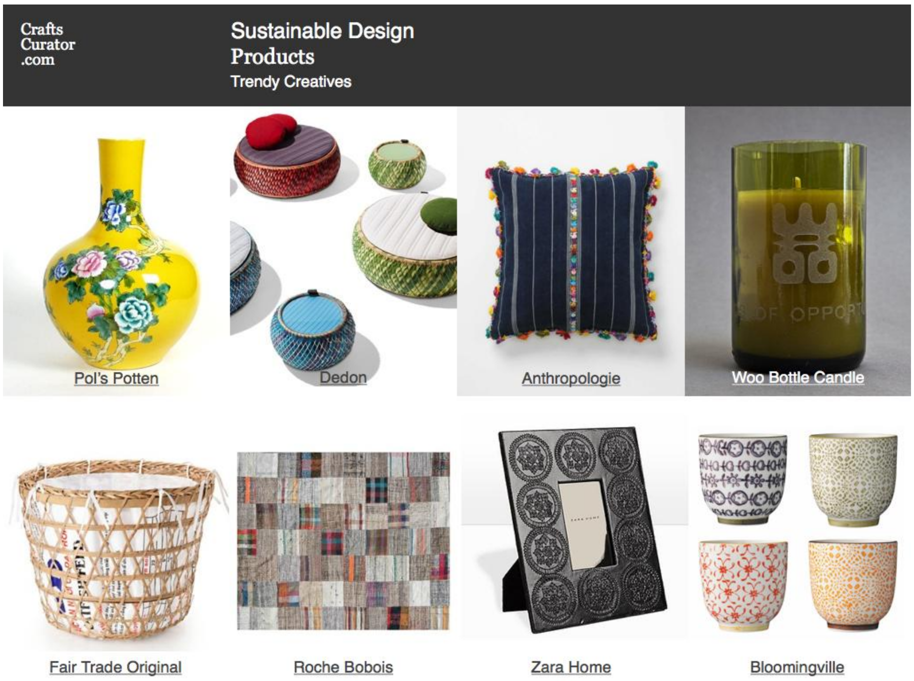
- ***Products showing origin.*** As Cultural globe trotters, they are interested in products from other cultures.
- As craftsmanship lovers, they look specifically at ***traditional products*** from a more creative perspective.
- ***Product stories*** help to more distinctive products: Trendy Creatives look for products with a unique, engaging *story*. For example, they are curious about the background of traditional craftsmanship technique, or about details of the artisan.
- Offer SD products as ***gift items*** during Christmas, just after (summer) holiday seasons.

Considerations for action:

- ***Products showing origin:*** Try to avoid an ethnic look. Highlight creativity by adding a subtle twist to traditional products. Show origin in a new way e.g. by different patterns, or by fashionable, pastel, retro or vintage colours.
- ***Product stories*** need to be truly different, compelling, individualised and easy to memorise.
- ***Distinction*** can be achieved by offering a unique product with high craftsmanship. This will justify its high value.

By having more respect for other cultures, Trendy Creatives like being held in high esteem by their private social circles. They tend to look for products at mid-upper market retailers who increasingly offer SD Home Decoration & Home Textile products. Based on their needs (see CBI Module 'Trends in the SD market for Home Decoration & Home Textiles'), the following sustainable designed products might be of interest to them:

- **Decorative home accessories;** vases, bowls, candles, candle holder, photo frames and small furniture.
- **Storage items;** laundry baskets and boxes for magazines or jewellery. Mainly decorative.
- **Tabletop items;** mugs, cups, bowls, plates, glasses and server ware.
- **Decorative home textiles;** kitchen and table textiles, cushion covers and throws.



As a DC exporter, you could benefit from the following strengths when approaching Trendy Creatives:

1. ***Materials.*** Your SD products can be made from a large range of pleasant, attractive natural raw materials.
   Techniques. Your SD products can show outstanding skills that are unique to your country.
2. ***Design originality***. You can evoke interesting historic as well as cultural influences.
3. Some simple SD products (e.g. picture frames) could be made in larger production runs, if your capacity allows this. Or, you could consider ***sub-contracting.***
4. SD products can also be made on small, community-based quantities. This give an interesting dimension and evokes sympathy or feelings of doing good.

Considerations for action:

- ***Materials.*** Try to avoid the use of use of rare, sometimes endangered natural raw materials, some of which have limited supply.
- ***Design originality.*** Optimize your design originality through working with design schools in your own or in your target country.
- ***Subcontracting.*** Side effects of sub-contracting: no quality control, no control of labour, environmental standards.

Some examples of Do's and Don'ts in product design for Trendy Creatives can be found in Annex 2.

More examples of trends and products for Trendy Creatives can be found in Supplement 2.

5.2. Buyer requirements

Quality, reliability, and price are as important for SD products as they are for non-SD products. This section refers to the specific requirements for SD products you can expect from an EU buyer operating in the Trendy Creative segment.
They can be divided into three groups:

1. **Legal requirements** - EU27 legislative regulations. These laws are related to a variety of areas, such has chemical treatments and content of restricted chemical substances, carbon footprint measurements, product labelling and care instructions, inflammability of the product. More details can be found at www.cbi.eu/marketinfo

2. **Codes of conduct**
When receiving an order, you are required to sign up to the retailer's (brand's) Code of Conduct and/or Code of Ethics that cover social and environmental standards that are set by the retailer. This differs per retailer and per EU country. These documents are an integral part of any contract with such a retailer, and cannot be negotiated at any one time. *Compliance is hence mandatory.*

3. **Third party certifications** (of independent companies) and **Voluntary standards** that are reflected in the product itself, its production methods, social and environmental dimensions, testing procedures and product packaging.

   For example, BSCI (Business Social Compliance Initiative), SA 8000, WFTO Fair Trade, ETI (Ethical Trade Initiative), Oeko-Tex and FSC (Forest Stewardship Council) and EU Organic labelling Regulation are all important voluntary standards for buyer who operate in the Trendy Creatives segment. Please note that some of these standards (OekoTex100, BSCI, FSC) become compulsory.

Considerations for action - Building up SD credentials

Buyers will require proof of the DC exporter by:
- Compliance to legal requirements and Codes of Conducts.
- You can build up more credentials by *Certifications and comply* to widely accepted *Voluntary standards.* This entails a lengthy, and relatively costly, initial certification process, as well as regular audits which by every year or every 2 years (announced or unannounced). This is interesting if you produce large quantities.
- *Show your full-depth transparency.*
Like certifications, this approach also includes the option for the buyer to get to production facilities without previous appointment or notice. In addition, you have to prove best practices about:
  - compliance to all legal requirements.
  - health & safety best-practice
  - payment of a living wage to workers
  - no child labour
  - rights to workers assembly
  - no discrimination (gender, age or ethnicity)
  - training and up-skilling of workers
  - implementation of environmental best-practices (raw materials, waste, water, energy use of chemicals, etc.).

By this, you can build a lasting collaborative trust. This is most suitable if you cannot afford the cost involved in the certification against a standard.

Try to be pro-active, and suggest improvements (e.g. materials, processes etc.). This will help your customer to remain competitive in this evolving market. Also, consider to use a track-and-trace system as your proof of credibility.

Most buyers will require proof of the DC exporter by compliance to legal requirements and most large retailers have their Codes of Conducts. You can build up more credentials by *Certifications* and comply to widely accepted *Voluntary standards.* With regards to the ***Voluntary standards*** for Trendy Creatives, the BSCI (Business Social Compliance Initiative), WFTO Fair Trade, ETI (Ethical Trade Initiative), Oeko-Tex and FSC (Forest Stewardship Council) are all important to buyers who operate in this segment. Please note that some of these standards (OekoTex100, BSCI, FSC) become compulsory.

A few recommendations on what you should be doing more
- *Know exactly where your raw material is coming from, and how it is being processed:*
- *Avoid Greenwashing*: This means that you make direct or indirect claims that do not correspond with your reality as a producer. Specifically, it means marketing products as if they had

sustainable credentials when in fact they have not. It is therefore a form of deceptive communication (lying). Check the 10 most common mistakes on the downloadable guide (http://www.futerra.co.uk/downloads/Greenwash_Guide.pdf).

- *Do not do SD for just marketing purposes to Trendy Creatives.* Retailers and consumers will be wary and suspicious if they realise, and it is difficult to build steady relationships.

5.3. Pricing

For Trendy Creatives, pricing, together with country of origin, is an indicator of authenticity. These consumers want to be cultural products with stories. They are ready to pay a fair price or reasonable price for products with an artisanal content (e.g. handmade) and that they can use longer. They often do not try to find a cheaper equivalent elsewhere.

This implies that price is of lesser importance to many Trendy Creatives, and they are prepared to spend more on outstanding products, if they are convinced that the price is justified. As they become more aware about SD products, Trendy Creatives will increasingly develop a more distinct and finely tuned taste for well-crafted, carefully finished products with 'avant-garde' and 'extravagant' characteristics.

Considerations for action:

- ***Consider the market value of your product.*** Check retail prices of similar products – from other DC countries in order to set reasonable price that can be justified.
- ***Do not forget to check your own costs***. E.g. variable production costs, portions of overhead costs etc.) to set your products' prices that are still profitable.
- ***Try to stick to the reasonable price level*** for your products that have recognised unique qualities. *For example*, sophisticated design, innovative concept, high performances and qualities (e.g. handmade), high-end materials can be sold at premium prices, even if you are new to the market.

Please note that consumer behaviour among Trendy Creatives still is not fully consistent and can be fickle.
Some Trendy Creatives are prepared to save money to buy the right SD product. However, in the current climate of austerity, other Trendy Creatives tend to trade down to less expensive stores, or buy mainstream products, especially during sales seasons. This implies that some buyers, particularly leading ones, may expect you to contribute financially to their end of season sale or their start of season promotions. In this case, they will ask you for discounts.

Considerations for action:

- ***Consider the type of buyer*** before starting up price negotiations (importer/wholesaler or retailers) being more demanding. You also could consider online sales giving you more flexibility in pricing and seasons.
- ***Use your SD Credentials in negotiations.*** Raise the importance of your SD credentials to buyers that making you different from lower priced (substitute) products. This will justify its higher value that can be communicated by the buyer to his key segment (Trendy Creatives).

5.4. Trade channels

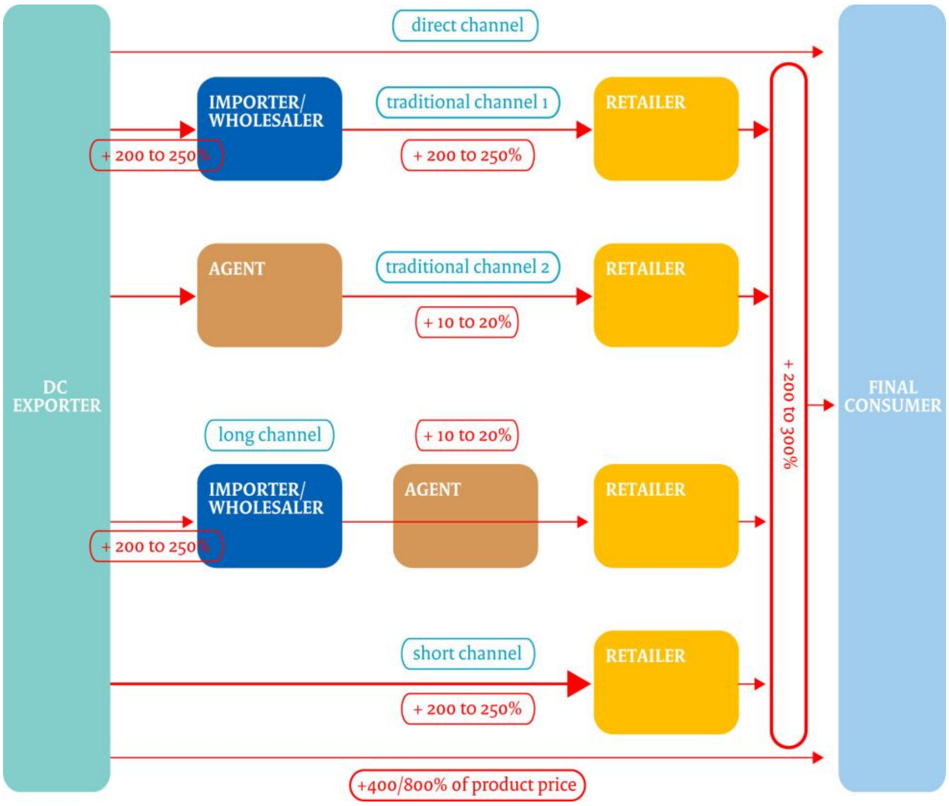
Many of the Trendy Creatives tend to buy SD products from specialised larger chain stores or in upper-mid market - some examples of EU retailers and importers were given in the CBI Module 'Segments for the SD market Home Deco & Home Textiles.

Channel selection. As a DC exporter, you will have to carefully select the channel(s) that is most suitable to your type of business, the segment, the country, your product mix and your scale of operation. Below we discuss some options, each having their pros and cons.

Traditional channels. As shown in figure 3, specialised retailers buy via the *traditional channel* (1) through specialised importers/wholesalers. Here the margins are high, and the power and knowledge of importers about the market and target group are high. Please note, that large importers often share little information with you as a DC exporter. This means that you will make little progress in understanding the mechanisms and preference of your target market.

Alternatively, you could decide to hire agents to sell your products to wholesale/retail. They are normally paid with a commission between 10 and 20 % on generated sales (*traditional channel 2*). Agents usually want the exclusivity in sales in your target country.

Figure 3: Channels to market and their respective mark-ups



Short channel – selling to retailers. You could also consider taking the short channel by selling direct to large retailers such as houseware chains (e.g. Maison du Monde), departments stores, variety stores, clothing chains (e.g. Zara Home), Garden Centres, lifestyle chains etc.. Many large retailers have their own (SD) product collections and buying stores. For Trendy Creatives, these retailers look for unique products at a competitive price.

Table 2: Main Trade channels to reach Trendy Creatives

Price segment	Channel	Description	Examples	Collaboration options	Benefits for DC exporters
Medium-low	*Importers*	They sell branded (their own or others' brands) or unbranded products to large retailers and independent boutiques	Bitossi, Novità Import	As producers for their line and exporters of your line for their unbranded or branded lines (depending on if you have a brand or not)	Have access to market relatively fast as their buying potential can be high.

Medium - high	***Retailers*** Chain stores	Stock brand labels but have also their in-house brand	John Lewis, Anthropologie Lafayette, KaDeWe, Rinascente, Zara Home	***2 types***: - As producers for their in-house brand -With your own designer brand	– Build own reputation in export market – Gain better understanding of export market characteristic, the final market

As demand is fickle, they often order small quantities on a regular basis and require shorter lead times. Regarding SD products, they need suppliers to comply with their Code of Conduct and to allow audits. They normally request for production under their own private label. The average mark up in importing/wholesale is 100 to 300% of the wholesale prices.
Working together with retailers implies risks for you as a DC exporter, especially in the initial stages of the collaboration. High up-front investments from your side are needed and large leading retailers could also ask you to share the commercial risk with them through e.g. contributions to their promotional initiatives or to take back unsold goods.

Direct channel - Online sales. Younger people tend to buy smaller SD products on-line, Internet selling will further increase, as more details on the material, product and production methods can be explained. This implies a good opportunity for you by creating a more informative and sophisticated website. You margin of this *direct channel* will be high, but you will have to take care of sales, logistics, administration, service etc..
In addition, *smartphone ownership* continues to rise. Retailers find constantly new ways to reach young people via their mobile phones by creating fun or interactive games with prizes. This implies that retailers expand their mobile offering with new & interesting (SD) products, interesting stories, connectivity with DC exporters/producers, discussion forums, blogs etc..

5.5. Promotion

Trendy Creatives need excitement, experience and appreciate creative statements and stories. Therefore, they expect a clear message about your SD product and that you can show your transparency. This must be communicated in a comprehensible and attractive manner.

This means that you should have a ***promotional plan*** every year that details: who you want to reach, and what resources you have (e.g. financial resources and/or staff time). What you are going to say on your ***website***

In your message, claims have to be *credible and verifiable*. Communicate measurable credentials. For Trendy Creatives, style can add an emotional dimension. Emotion can generate good word-of-mouth communication for your product or company.

Message. Tell fascinating stories and communicate areas of improvements as an opportunity. If possible, seek the collaboration and inputs of the buyers and other stakeholders.

Considerations for action:

- ***Promotional plan.*** Consider which Trendy Creative people you want to reach e.g. the fun-factor consumer or the cultural consumer. Use sales and incentive techniques for buyers e.g. free sampling, trial orders or volume discounts.
- ***Story telling*** is the technique to use to talk to these consumers. *Stories can be about* the journey of products, people who made them, origins of materials, techniques and traditions embedded in the products etc.
- ***On your web site.*** The stories should be able to be visualised in videos of production processes, interviews to workers, communities, designers.
- ***Message.*** Trendy Creatives often like to talk with others. They can be product 'evangelists'. It is therefore important to give them enough good reasons to generate word-of-mouth e.g. exemplary story, one-of-a-kind product. Use an emotional over factual *communication style*.
- ***Photos should talk without the use of words***. They have to be highly professionals and focus on products' details. Use good quality photo's for your promotion and for the buyers' promotion.

6. Marketing strategy for Smart Affluents

Because the recession continues and the competition is likely to intensify in the total Home Decoration & Home Textile market, try to target your market for SD products very accurately by choosing one or two key segments - but not all. This module gives recommendations on how to implement marketing mix instruments in order to reach the Smart Affluents as your key market segment. It also shows the requirements about sustainability and design being most important to them, as well as to buyers who operate in this large and most promising segment.

6.1. Product

Smart Affluents are 'affluent' from a more sustainable point of view. Sustainable design for them is related to: environmental concerns, buying better, good product functionality, outstanding design - that all fit well in comfortable surroundings combined with doing good.
This implies that smart affluents are more aware and have more knowledge on the sustainable dimensions in products. They have a strong opinion about product benefits and take a well thought over decision when buying a SD product. They tend to shop around in the mainstream or specialist home retailers and look for SD products that offer them the best value.

Quote:

"'People are feeling the pinch' says Katrin Magnussen, senior retail analyst at Mintel, 'but they want the things they buy to last. They want more quality, and they are prepared to go up in price. They are very conscious of getting better value for money'."

Heimtex Trendbook 2011-2012

For you as a DC exporter this means the following product opportunities:

- *Products made of materials from renewable sources*. Originally, these products were sourced without considering sustainability, and sources could potentially be over-exploited. The sourcing process in the recent past has adjusted. It includes now a clearer focus on management with best practice.
- *Decorative products and objects*. The focus here is on:
  - made from sustainably managed renewable resources (e.g. wild bamboo).
  - elaboration through artisanal processes, often in benefit of small rural communities.
- *Linen goods*. Social compliance (fair pay, labour conditions) followed by the use of organic materials (cotton, linen, silks) are important focus areas.

Considerations for action:

- ***Traditional products:*** Demonstrate that your products are innovative e.g. modular use of small furniture. Show that they are cleverly designed to make live better in your own country/community. Show that they are durable and meet the environmental dimensions.
- ***Decorative products***. Give more information on your raw material. Show how you managed to reduce the use of pesticides. Show how the forests in your area are well-managed (FSC), or how well or unique the quality of your linen or silk is.

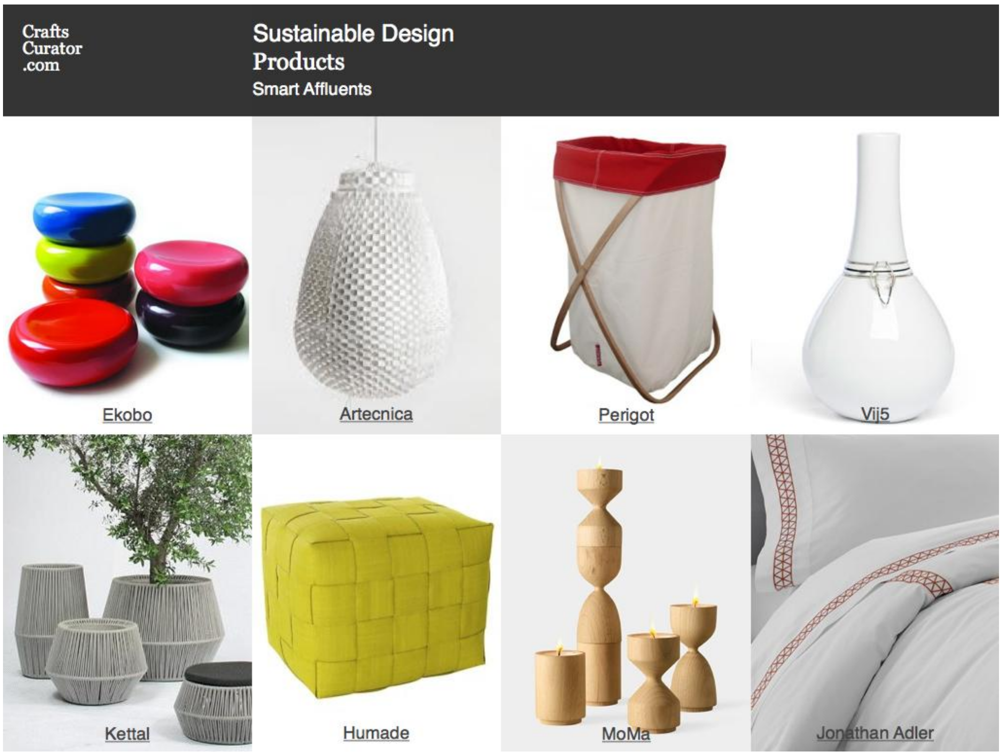
Smart Affluents are often busy, want smart solutions and have high expectations from large retailers and companies to do more on sustainability. Once they are convinced, they continue to buy from these large retailers (IKEA, M&S, Habitat) who mainly focus on the mainstream market. These retailers gradually change their policies on sustainability and sell more SD products. This explains the high potential of the future SD market that is in fact 'driven by Smart Affluents'.

Based on their needs (see CBI Module 'Trends in the SD market for Home Decoration & Home Textiles'), the following sustainable designed products might be of interest to them:

- **Home accessories**; pots, vases, bowls, lamps and small furniture. Must be highly innovative.
- **Storage items**; baskets. **Functional** comes first.
- **Tabletop and kitchen items**; mugs, cups, bowls, plates, glasses and serve ware.

Outstanding cookware.

- **Bed and bath textiles;** duvet covers and towels. Quality comes first.
- **Kitchen and table textiles**; dish and tablecloths.



Some examples of Do's and Don'ts in product design for Smart Affluents can be found in Annex 3.

More examples of trends and products for Smart Affluents can be found in Supplement 2.

6.2. Buyer requirements

Quality, reliability, and price are as important for SD products as they are for non-SD products. This section refers to the specific requirements for SD products you can expect from an EU buyer operating in the Smart Affluents segment.
They can be divided into three groups:

1. **Legal requirements** - EU27 legislative regulations. These laws are related to a variety of areas, such has chemical treatments and content of restricted chemical substances, carbon footprint measurements, product labelling and care instructions, inflammability of the product. More details can be found at www.cbi.eu/marketinfo

2. **Codes of conduct**
When receiving an order, you are required to sign up to the retailer's (brand's) Code of Conduct and/or Code of Ethics that cover social and environmental standards that are set by the retailer. This differs per retailer and per EU country. These documents are an integral part of any contract with such a retailer, and cannot be negotiated at any one time. *Compliance is hence mandatory.*

3. **Third party certifications** (of independent companies) and **Voluntary standards** that are reflected in the product itself, its production methods, social and environmental dimensions, testing procedures and product packaging.
For example, BSCI (Business Social Compliance Initiative), SA 8000, WFTO Fair Trade, ETI (Ethical Trade Initiative), Oeko-Tex and FSC (Forest Stewardship Council) and EU Organic labelling Regulation are all important voluntary standards for buyer who operate in the Smart Affluent segment. Please note that some of these standards (OekoTex100, BSCI, FSC) become compulsory.

Considerations for action - Building up SD credentials

Buyers will require proof of the DC exporter by:

- Compliance to legal requirements and Codes of Conducts.
- ***You can build up more credentials*** by *Certifications and comply* to widely accepted *Voluntary standards.* This entails a lengthy, and relatively costly, initial certification process, as well as regular audits which by every year or every 2 years (announced or unannounced). This is interesting if you produce large quantities.
- ***Try to be pro-active***, and suggest improvements (e.g. materials, re-cycling, processes etc.). This will help your customer to remain competitive in this evolving market. Also, consider to use a track-and-trace system as your proof of credibility.
- ***Show your full-depth transparency.***
Like certifications, this approach also includes the option for the buyer to get to production facilities without previous appointment or notice. In addition, you have to prove best practices about:
    - compliance to all legal requirements.
    - Health & safety best-practice
    - payment of a living wage to workers
    - no child labour
    - rights to workers assembly
    - no discrimination (gender, age or ethnicity)
    - training and up-skilling of workers
    - implementation of environmental best-practices (raw materials, waste, water, energy use of chemicals, etc.).

By this, you can build a lasting collaborative trust. This is most suitable if you cannot afford the cost involved in the certification against a standard.

A few recommendations on what you should be doing more

- *Know exactly where your raw material is coming from, and how it is being processed:*
- *Avoid Greenwashing*: This means that you make direct or indirect claims that do not correspond with your reality as a producer. Specifically, it means marketing products as if they had sustainable credentials when in fact they have not. It is therefore a form of deceptive communication (lying). Check t the 10 most common mistakes on the downloadable guide (http://www.futerra.co.uk/downloads/Greenwash_Guide.pdf).
- *Do not do SD for just marketing purposes to Smart Affluents.* Retailers and consumers will be wary and suspicious if they realise, and it is difficult to build steady relationships.
- *Try not to get done too much too quick.* SD is not an overnight change that will happen immediately. It takes time to change people's mind (whether it is your worker's or that of your previous customers). SD is an investment in the stability of your business, not a short-termed marketing activity. Plan every SD related change and activity carefully – then implement it, and stick to it while sorting out initial problems.

6.3. Pricing

Smart Affluents do not look for a cheap thrill. They want to pay a fair price for what they buy. The SD product should be worth its price. The price has to be balanced by effective product's performances e.g. durability, although there are differences by the three groups within Smart Affluents:

1. Whereas the *clever-n-convenient* wants the best value for money. The take up the largest part of this key segment (60%).
2. The Eco-consumers trust on labels and certificates and are willing to pay for it. SD labels are expected to consolidate, so this group becomes more important.
3. The ***less-but better*** might be prepared to pay more for a branded SD product that corresponds to his conscious lifestyle.

The first two groups are most interesting for you as a DC exporter, especially the Eco-consumers are consumers that are more loyal. The third group could be of interest, if you make private labels for a well-known local retailer.

Value for money is becoming more important. In the current climate of austerity, squeezed disposable incomes means that more people hunt out for the ultimate bargain with more Smart Affluents trading down to less expensive stores.

Seasons can have an influence on price. *The time of the year* could affect your pricing strategies: some buyers, particularly leading ones, may expect you to contribute financially to their end of season sale or their start of season promotions. In this case, they will ask you for discounts.

Considerations for action:

- ***Consider the sub-group*** before starting up price negotiations with buyers.
- ***Use your SD Credentials in negotiations.*** Raise the importance of your SD credentials to buyers that making you different from lower priced products. Talk with your customers, and ask them.
- ***Consider the market value of your product.*** Check retail prices of competitors – from other DC countries in order to set reasonable price that can be justified.
- ***Carefully calculate your own costs***. E.g. variable production costs, portions of overhead costs etc.) to set your products' prices that still give you a good margin. Your margin also depends on your sales channel.

- Use pricing as a tool to ***retain loyal consumers***: it is far more expensive to acquire new consumers than to retain existing ones.
- ***Do not use discounts too aggressively***. *Even in times of austerity, discounting* does not mean that you automatically sell more, or more profitably. It may reduce your credibility with buyers. Remember that price is also an indicator of quality.
- ***Do not sell at any cost e.g. at selling out seasons.*** This may affect your profitably negatively on the short, mid and long-run. Buyers never pay more for a product later on, once they have paid a low price in the beginning.

6.4. Trade channels

Most Smart Affluents tend to buy SD products from specialised larger chain stores across all price segments. As a DC exporter, you will have to carefully select the channel(s) that is most suitable to your type of business, the segment, the country, your product mix and your scale of operation. Some of the options are:

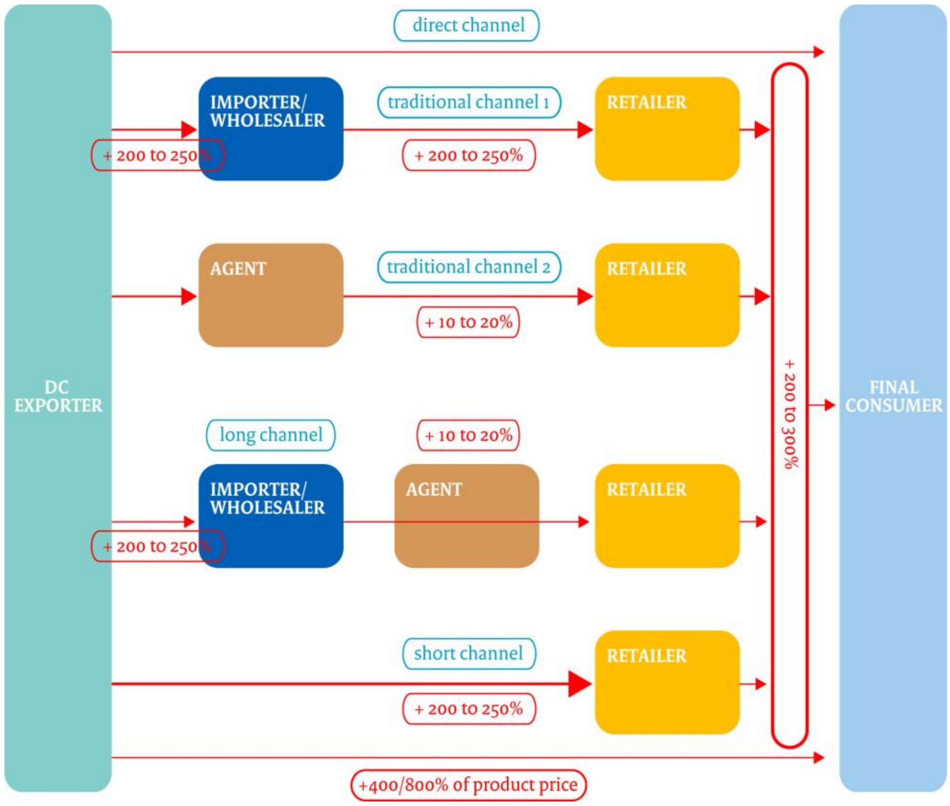
Traditional channels. As shown in figure 4, specialised retailers buy via the *traditional channel* (1) through specialised importers/wholesalers. Here the margins are high, and the power and knowledge of importers about the market and target group are high. Please note, that large importers often share little information with you as a DC exporter. This means that you will make little progress in understanding the mechanisms and preference of your target market.

A considerable part of the sales to Smart Affluents goes via importers who sell to retailers (houseware stores, interior deco stores, furniture stores, lifestyle stores etc...), or ***specialised importers*** who sell to specialised smaller sized boutique retailers. Examples: Bizzotto and Novità Import (Italy). This is and has been the traditional buyer segment addressed by DC exporters.

Alternatively, you could decide to hire agents to sell your products to wholesale/retail. They are normally paid with a commission between 10 and 20 % on generated sales (*traditional channel 2*). Agents usually want the exclusivity in sales in your target country.

Short channel – selling to retailers. You could also consider taking the short channel by selling direct to large retailers such as houseware chains (e.g. Maison du Monde), departments stores, variety stores, clothing chains (e.g. Zara Home), Garden Centres, lifestyle chains etc.. Many large retailers have their own (SD) product collections and buying stores. For Smart Affluents, these retailers look for unique products at a competitive price.

Figure 4: Channels to market and their respective mark-ups



Another large part of the sales to Smart Affluents goes through:

- ***Medium to large (chain) retailers*** with their own buying stores and collections. Examples: John Lewis and Habitat in the UK; Poco and XXXL Lutz in Germany; IKEA in Scandinavia; Coin in Italy.
- ***Designer brands and specialist boutique retailers*** who source their products directly from suppliers. Examples: Bibol (France).
- ***Internet selling which will further increase.*** This is still growing and SD companies' websites become more sophisticated.

Working together with retailers implies risks for you as a DC exporter, especially in the initial stages of the collaboration. High up-front investments from your side are needed such as: repeat series of samples developed and produced; business trips to Europe for meetings; pre-production factory audits etc. Another risk is that there is no guarantee that these efforts will be fruitful. Large leading retailers could also ask you to share the commercial risk with them through e.g. contributions to their promotional initiatives or to take back unsold goods.

As demand is fickle, retailers often order small quantities on a regular basis and require shorter lead times. Regarding SD products, they need suppliers to comply with their Code of Conduct and to allow audits. They normally request for production under their own private label. The average mark up in importing/wholesale is 100 to 300% of the wholesale prices.

A brief overview when selling SD products via retailers is shown in Table 3.

Table 3: Trade channels to reach the Smart Affluents

Price segment	Retailer type	Description	Examples	Collaboration options	Benefits for DC exporters
Medium - low	Large multi-national or national retailers	Stock large variety of products at affordable prices. Leaders in their segment. Tend to have a more structured SD sourcing strategy.	Ikea, Hema, Manufactum	Suitable only to very large-scale manufacturers with substantial economies of scale.	Learning opportunities are a lot.

The Smart Affluent segment is heading towards taking over the mass market. Large retailers in this market segment such as IKEA – who take up a very high share in the EU Home Deco & Home Textiles market–, are already pro-actively engaging in sustainable designed product. These days many retailers buy SD product directly from manufacturers. Moreover, the big Home Interior chains even have their own dedicated manufacturing facilities.

6.5. Promotion

Smart Affluents need clear information on the product performance, advantages, maintenance, as well as information on how clever design is being used to comply with the sustainable objectives. If you make a claim, this has to be backed up with proofs.

Therefore, it is essential to consider the following in your promotional plan:

- Claims have to be *credible and verifiable*.
  If certifications are not available in your country or too expensive, you have to find alternative ways to communicate your credentials. It is extremely important to be *honest* state about what is true and what is measurable.
- *The language used has to be factual*
  Communicate measurable credentials, but style can add an emotional dimension.
- *Communicate areas of improvements as an opportunity*
  Not as a problem or lack. If possible, seek the collaboration and inputs of the buyers and other stakeholders.

Considerations for action:

- *Inform thoroughly* an about the product use and maintenance; *Stress the product's performances* and advantages in a rational way.
- *Communicate your message clearly and transparently.*
  Buyers do not have time for complicated and long texts and appreciate honesty.
- *Back your claims with proofs.*
  Always provide additional information proof your claims. Verifiability is essential.
- *Have your web site always updated and active and always be accessible even online.*
  Think about including Q&A on your website, and forms that end-consumers as well as buyers could fill in to ask for more details and information.
- *Do not be quiet about what you do with regards to SD.*
  Talk about it openly. But don't force it unto clients Just keep them regularly informed and ask for their feed-back. SD is also a collaborative process, even if some SD objectives have not been achieved yet.

7. Marketing strategy for Design Purists

Because the recession continues and the competition is likely to intensify in the total Home Decoration & Home Textile market, try to target your market for SD products very accurately by choosing one or two key segments - but not all. This module gives recommendations on how to implement marketing mix instruments in order to reach the Design Purists as your key market segment. It briefly shows the requirements about sustainability and design being most important to them, as well as to buyers who operate in this smaller segment.

7.1. Product

Design Purists are well-informed consumers who are the opinion leaders for the other segments. They take time and energy to make a buying decision. They are very aware of brands, designers, background stories and cultural heritage. Sustainable design for them is related to: environmental concerns, excellent raw materials, good product functionality, timeless - outstanding design and perfect finishing.

The SD products need to incorporate emotional, durable, and quality aesthetics. They are made by using processes, techniques, materials that are appealing and that are 'intelligent' on every level.

For you as a DC exporter, you should bear in mind that for this key segment:

- ***Design is king:*** SD features with outstanding design and uniqueness.
- ***Quality is queen:*** products made through best-in-class manufacturing, and from best available materials.
- ***Craftsmanship in noble***: one-off hand-made products of a high design value.
- ***Intricate, localised***: knowing their consumption needs is difficult. Preference for local products.
- ***Difficult to reach***: high quality branding and communication is needed. Investments may be quite high.

Quote:

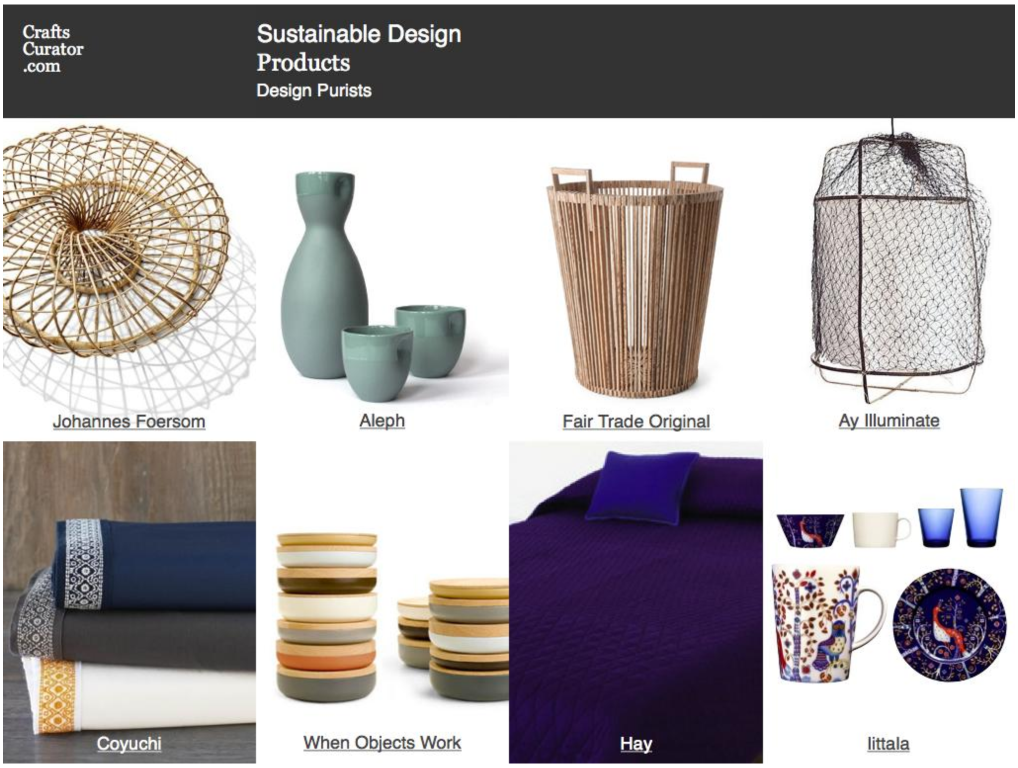
"These spending-savvy consumers are complex animals: unwilling to give up the luxuries they have grown to value, they are adjusting their buying patterns but not their standards. Indeed, for many, shifting to a 'better and less often' approach enables them to maintain their ethical and ecological values."

Heimtex Trendbook 2011-2012

Considerations for action:

- ***Demonstrate your design originality***. Work with well-known (EU) designers. Show that you are innovative.
- ***Use attractive raw material.*** Introduce SD products that are made from a large range of pleasant, attractive natural raw materials.
- ***Quality of finishing is equally important.*** They may potentially justify higher prices.
- ***Evoke interest by your historic as well as cultural influences***, for example the Inca culture, Egyptian culture, unique tribes etc...

Based on their needs (see CBI Module 'Trends in the SD market for Home Decoration & Home Textiles'), the following sustainable designed products might be of interest to them:
Home accessories; pots, vases, bowls, lamps and small furniture. **Statement pieces.**
Tabletop and kitchen items; mugs, cups, bowls, plates, glasses and serve ware.
Luxury home textiles; throws, carpets.
Bed and bath and spa textiles; duvet covers, towels. Outstanding quality.



Some examples of Do's and Don'ts in product design for Design Purists can be found in Annex 4.

More examples of trends and products for Design Purists can be found in Supplement 2.

7.2. Buyer requirements

Quality, reliability, and price are as important for SD products as they are for non-SD products. This section refers to the specific requirements for SD products you can expect from an EU buyer operating in the Design Purist segment.
They can be divided into three groups:

1. **Legal requirements** - EU27 legislative regulations. These laws are related to a variety of areas, such has chemical treatments and content of restricted chemical substances, carbon footprint measurements, product labelling and care instructions, inflammability of the product. More details can be found at www.cbi.eu/marketinfo

2. **Codes of conduct**
When receiving an order, you are required to sign up to the retailer's (brand's) Code of Conduct and/or Code of Ethics that cover social and environmental standards that are set by the retailer. This differs per retailer and per EU country. These documents are an integral part of any contract with such a retailer, and cannot be negotiated at any one time. *Compliance is hence mandatory.*

3. **Third party certifications** (of independent companies) and **Voluntary standards** that are reflected in the product itself, its production methods, social and environmental dimensions, testing procedures and product packaging.
For example, BSCI (Business Social Compliance Initiative), SA 8000, WFTO Fair Trade, ETI (Ethical Trade Initiative), Oeko-Tex and FSC (Forest Stewardship Council) and EU Organic labelling Regulation are all important voluntary standards for buyer who operate in the Design Purist segment. Please note that some of these standards (OekoTex100, BSCI, FSC) become compulsory.

Considerations for action - Building up SD credentials

Buyers will require proof of the DC exporter by:

- Compliance to legal requirements and Codes of Conducts.
- You can build up more credentials by *Certifications and comply* to widely accepted *Voluntary standards.* This entails a lengthy, and relatively costly, initial certification process, as well as regular audits which by every year or every 2 years (announced or unannounced). This is interesting if you produce large quantities.
- *Show your full-depth transparency.*
Like certifications, this approach also includes the option for the buyer to get to production facilities without previous appointment or notice. In addition, you have to prove best practices about:
    - compliance to all legal requirements.
    - Health & safety best-practice
    - payment of a living wage to workers
    - no child labour
    - rights to workers assembly
    - no discrimination (gender, age or ethnicity)
    - training and up-skilling of workers
    - implementation of environmental best-practices (raw materials, waste, water, energy, use of chemicals, etc.).

By this, you can build a lasting collaborative trust. This is most suitable if you cannot afford the cost involved in the certification against a standard.

Try to be pro-active, and suggest improvements (e.g. materials, processes etc.). This will help your customer to remain competitive in this evolving market. Also, consider to use a track-and-trace system as your proof of credibility.

Design Purists want transparency even if the product is not visibly sustainable. However, they expect labels and certificated to be in order. Most buyers will require proof of the DC exporter by compliance to legal requirements and most retailers require compliance to their Codes of Conducts. You can build up more credentials by *Certifications* and comply to widely accepted *Voluntary standards.* With regards to the ***Voluntary standards***, the BSCI (Business Social Compliance Initiative), SA 8000, Oeko-Tex and FSC (Forest Stewardship Council) are all important to buyers who operate in the Design Purist segment. Please note that some of these standards (OekoTex100, FSC) gradually become compulsory.

A few recommendations on what you should be doing more

- *Know exactly where your raw material is coming from, and how it is being processed:*
- *Avoid Greenwashing*: This means that you make direct or indirect claims that do not correspond with your reality as a producer. Specifically, it means marketing products as if they had sustainable credentials when in fact they have not. It is therefore a form of deceptive communication (lying). Check t the 10 most common mistakes on the downloadable guide (http://www.futerra.co.uk/downloads/Greenwash_Guide.pdf).
- *Do not do SD for just marketing purposes to Design Purists.* Retailers and consumers will be wary and suspicious if they realise, and it is difficult to build steady relationships.
- *Try not to get done too much too quick.* SD is not an overnight change that will happen immediately. It takes time to change people's mind (whether it is your worker's or that of your previous customers). SD is an investment in the stability of your business, not a short-termed marketing activity. Plan every SD related change and activity carefully – then implement it, and stick to it while sorting out initial problems.

7.3. Pricing

For Design Purists, price is an indicator of quality and exclusivity (high price=high quality/exclusivity). Pricing these products low (retail price), will decrease the interest of most Design Purists who want to own sophisticated, high-end products.

The usually shop at high-end retailers, or highly specialised shops or boutiques. They are willing to pay for an SD product as long as its design is justified based on their research.

Design Purists often have higher disposable incomes and are less likely to be affected by the economic recession. As they are more confident about their future prospects, they are an attractive key segment for DC exporters.

Considerations for action:

- ***Justify higher prices*** by higher product design and exclusivity combined with higher product performance and advantages.
- ***Use your SD Credentials in negotiations.*** Raise the importance of your SD credentials to buyers that making you different from lower priced products. Talk with your customers, and ask them.
- ***Consider the market value of your product.*** Check retail prices of competitors – from other DC countries in order to set reasonable price that can be justified.
- ***Higher customer service*** should be compensated with higher prices.

7.4. Trade channels

The most important sales channels are via specialised importers, exclusive agents, brand stores, higher-end department stores and (on-line) retailers who buy direct from DC exporters. Small specialised shops/boutiques also sell to Design Purists via the traditional channels.

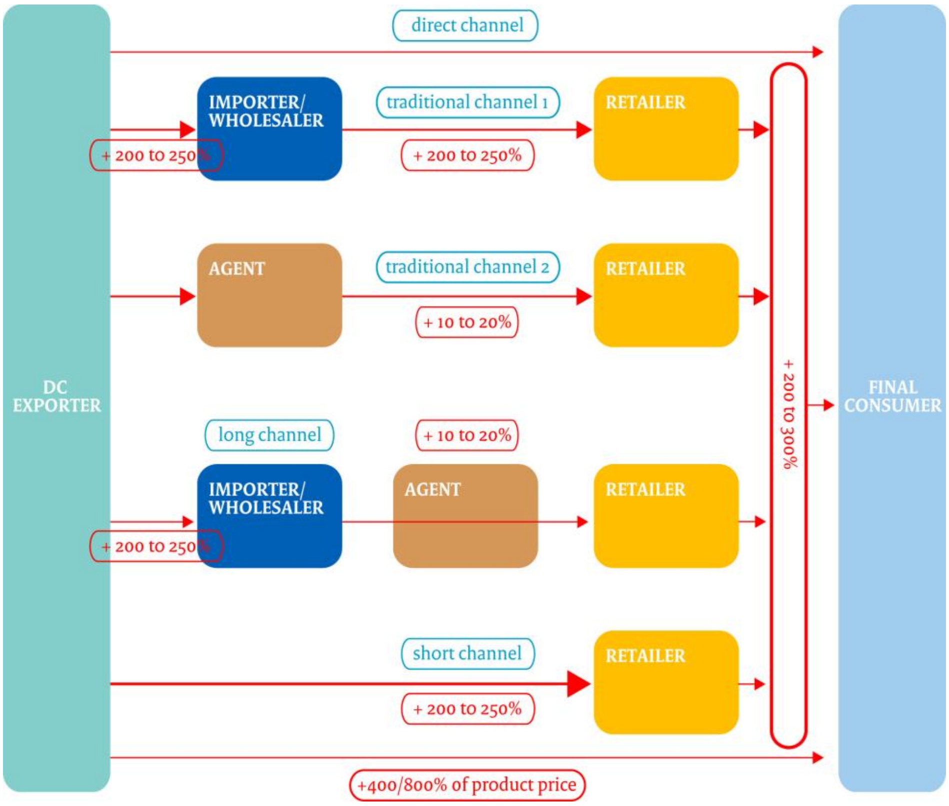
As a DC exporter, you will have to carefully select the channel(s) that is most suitable to your type of business, the segment, the country, your product mix and your scale of operation. Some of the options are:

Traditional channels. As shown in figure 5, specialised retailers buy via the *traditional channel* (1) through specialised importers/wholesalers. Here the margins are high, and the power and knowledge of importers about the market and target group are high. Please note, that large importers often share little information with you as a DC exporter. This means that you will make little progress in understanding the mechanisms and preference of your target market.

Alternatively, you could decide to hire agents to sell your products to wholesale/retail. They are normally paid with a commission between 10 and 20 % on generated sales (*traditional channel 2*). Agents usually want the exclusivity in sales in your target country.

Short channel – selling to retailers. You could also consider taking the short channel by selling direct to large retailers such as department stores, home or lifestyle chains etc.. Many large retailers have their own (SD) product collections and buying stores. For Design Purists, these retailers look for unique products at a competitive price.

Figure 5 Channels to market and their respective mark-ups



Working together with retailers implies risks for you as a DC exporter, especially in the initial stages of the collaboration. High up-front investments from your side are needed such as: repeat series of samples developed and produced; business trips to Europe for meetings; pre-production factory audits etc. Another risk is that there is no guarantee that these efforts will be fruitful. Large leading retailers could also ask you to share the commercial risk with them through e.g. contributions to their promotional initiatives or to take back unsold goods.

Regarding SD products, they need suppliers to comply with their Code of Conduct and to allow audits. They normally request for production under their own private label. The average mark up in importing/wholesale is 100 to 300% of the wholesale prices.

A brief overview when selling SD products via retailers is shown in Table 4.

Table 4: Trade channels to reach Design Purists

Price segment	Retailer type	Description	Examples	Collaboration options	Benefits for DC exporters
Medium - high	Chain stores	Stock brand labels but have also their in-house brand	John Lewis, Anthropologie Lafayette, KaDeWe, Rinascente, Zara Home	2 types: - As producers for their in-house brand -With your own designer brand	– Build own reputation in export market – Gain better understanding of export market characteristic, the final market
High	High-end brands	Develop collections targeted at high-end independent boutiques or department stores. But: these buyers are very demanding at design level.	Alessi, Vita, Ittala, Mushkane, Toast	As manufacturer. Through them your products will reach high-end outlets	– Raise the profile of your company – Develop design expertise

Small specialised designer and specialist boutiques are primarily interested in very unique products, at a reasonable price and flexibility during production processes (typically on minimum orders and repeated samples production).

Reliability in terms of quality, finishing and delivery schedule is absolutely key and very high on the priority list. They are the least powerful with regards to buying power. Very high-end boutiques with a national or international reputation may have more power than the average independent boutique. They are the most reliable clients if the relationship is managed well, and repeat orders are highly likely. In addition, design collaborations for ranges and collections are highly likely and are a typical work approach.

Please note that:

- ***These buyers require a high level of aesthetic*** and emotionally engaging look and feel of the product that can differentiate them from bigger retail chains. They will only maintain relationships with DC exporters who can create such products.
- ***Before you make any decisions on trade channels***: Know exactly how you want to position yourself on the market and which consumers you want to reach. If, for example, you position yourself in the high-end market targeting Design Purists, you should not have an extensive presence in stores. Instead, you should opt for a selective strategy (i.e. being stocked in only a few, but very well reputed stores in selected, exclusive locations).
- ***You should not underestimate the importance of good quality product photos.*** They have to show the product in the post possible light. This is of extreme importance particularly for exporters addressing the Design Purist and Trendy Creative market segments.

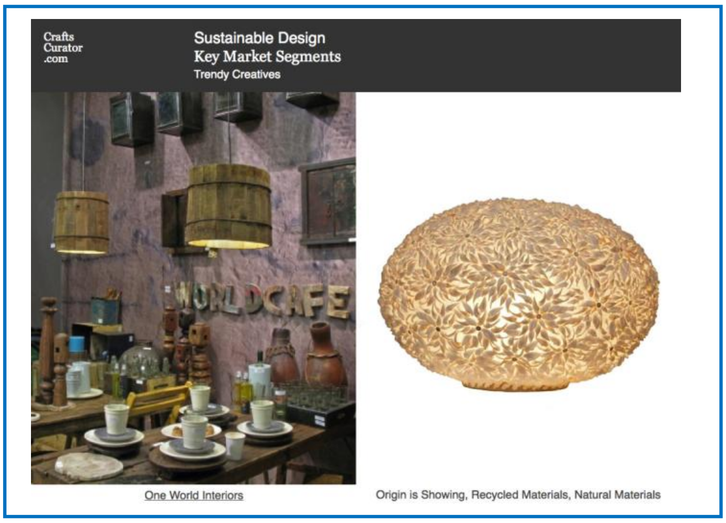
7.5. Promotion

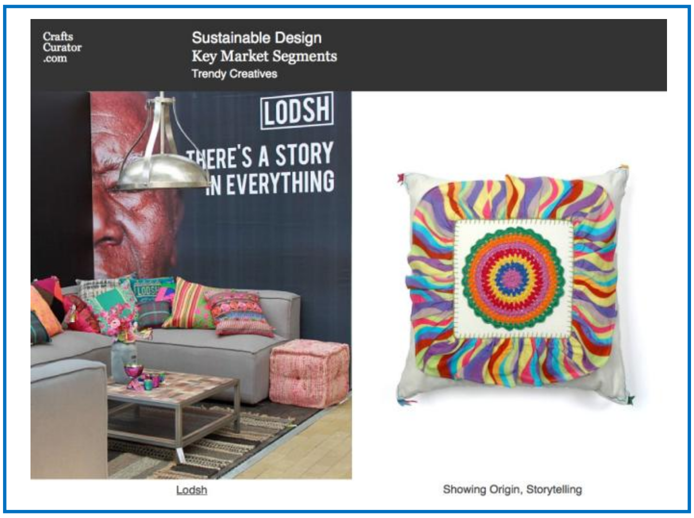
In addition to the considerations in promotion to Smart Affluents (see CBI Module 'Marketing Strategy for Smart Affluents'), Design purists expect need very clear information and expect the following in communication:

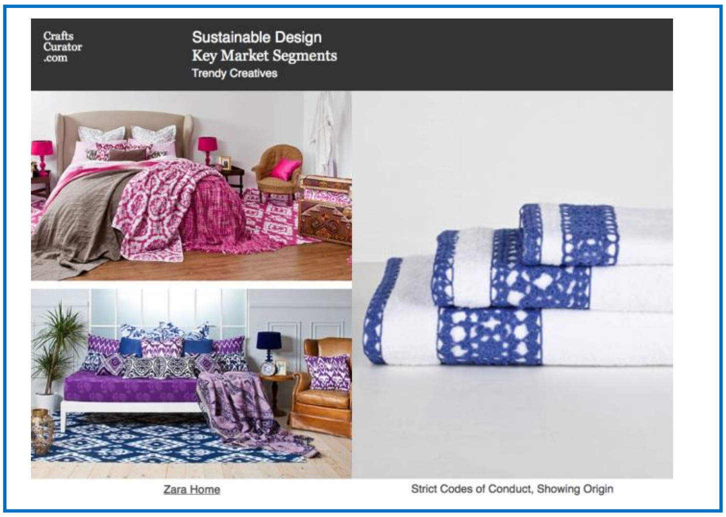
- *Communication style:* Emotional and exclusive;
- *Design Purists want to buy heritage pieces.*
  The high quality of products have to be complemented with communication of the same level: quality of photos and paper chosen for catalogues/brochures have to be high, media outlets carefully selected, opinion leaders highly regarded by this consumer's category.
- *Less is more:* Choose the best products you have and promote them in a very minimalist, sophisticated way. Do not overcrowd you web site or catalogues (too many products, too many different styles and price) will not be appreciated by these consumers;
- *Communication has to focus on the setting:* Where can the products be bought and placed? E.g. type of people who buy it, their lifestyle, the house they live in etc..
  Focus on production processes and where the product comes from is a waste of time and resources.

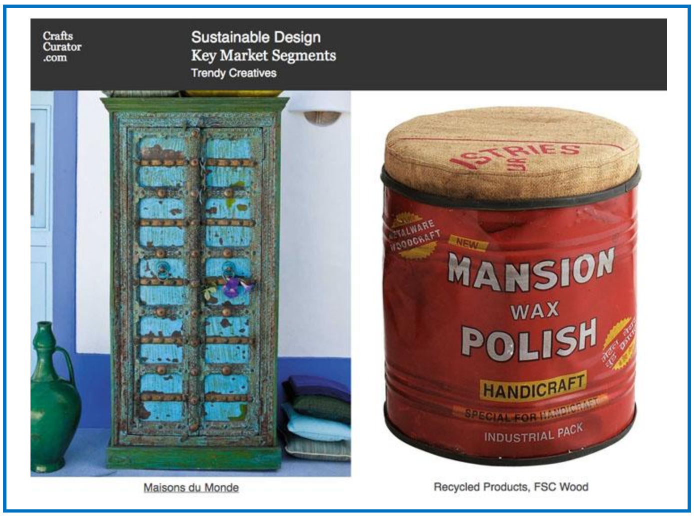
ANNEX 1 Some examples of products of interest for each different key segment

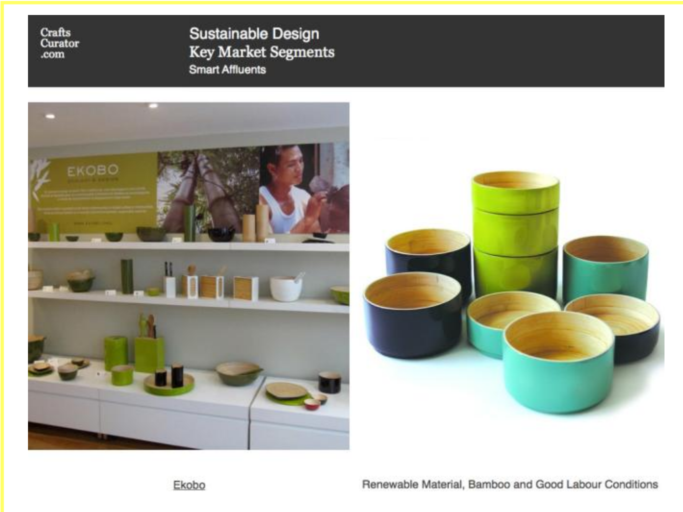
→ SEE ALSO SUPPLEMENT 2



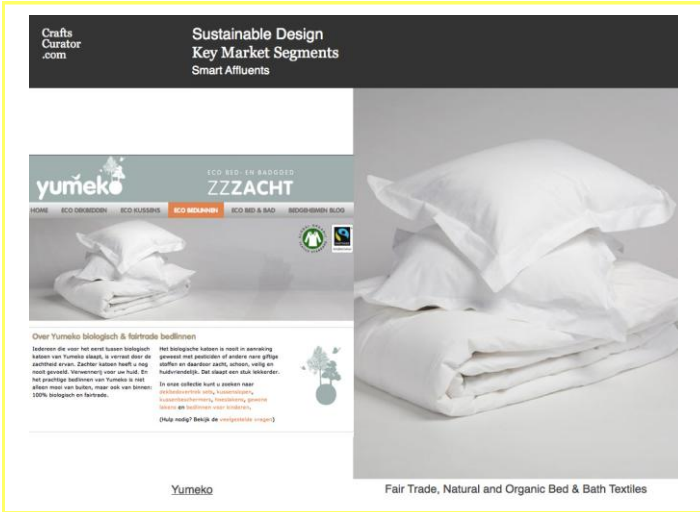




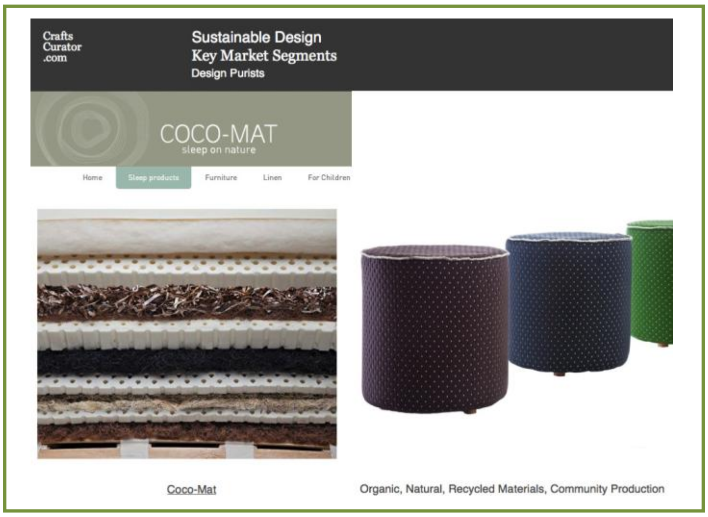




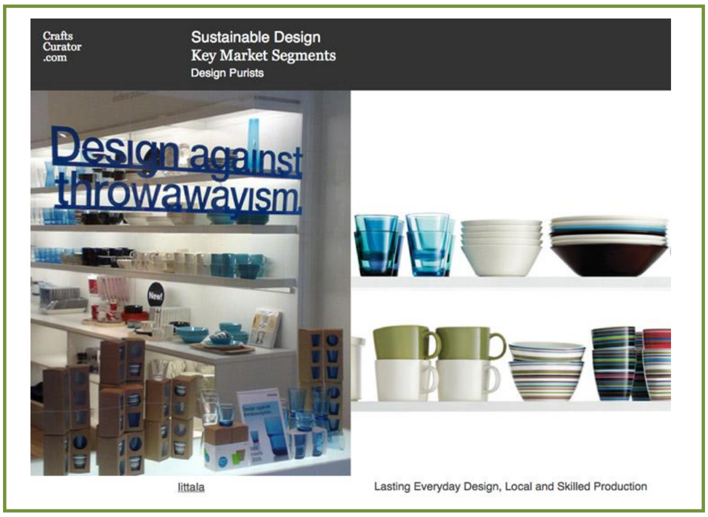

Crafts
Curator
.com
Sustainable Design
Key Market Segments
Visualization
Trendy Creatives
Smart Affluents
Design Purists


Crafts
Curator
.com
Sustainable Design
Key Market Segments
Smart Affluents
yumeko
ZZZACHT
Over Yumeko biologisch & fairtrade bedlinnen
Yumeko
Fair Trade, Natural and Organic Bed & Bath Textiles

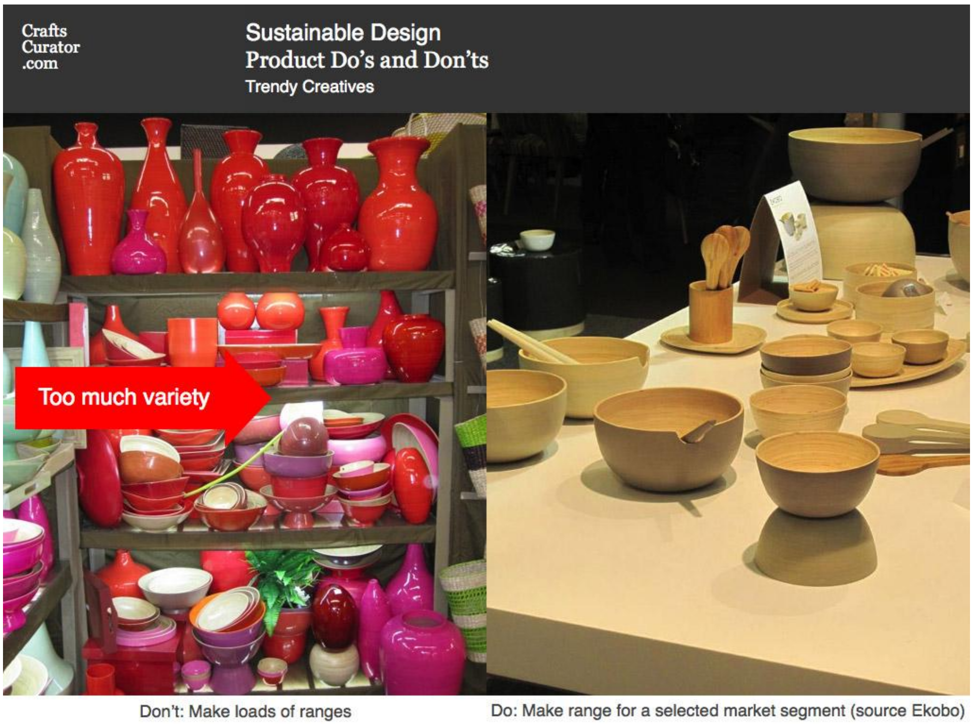

Crafts
Curator
.com
Sustainable Design
Key Market Segments
Design Purists
wonderable
Wonderable
Fair Trade, Craftsmanship

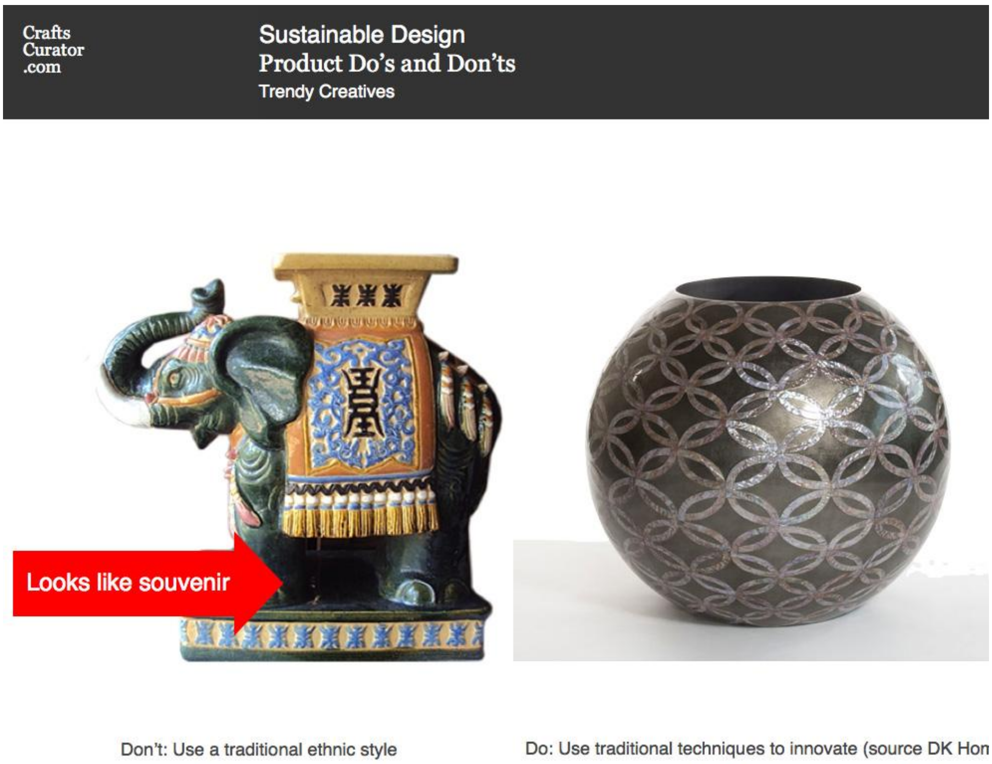

Crafts
Curator
.com
Sustainable Design
Key Market Segments
Design Purists
COCO-MAT
sleep on nature
Home
Sleep products
Furniture
Linen
For Children
Coco-Mat
Organic, Natural, Recycled Materials, Community Production


Crafts
Curator
.com
Sustainable Design
Key Market Segments
Design Purists
Hans Wegner
Timeless Design, Buy Once, Locally Made in Europe


Crafts
Curator
.com
Sustainable Design
Key Market Segments
Design Purists
Design against throwawayism
Iittala
Lasting Everyday Design, Local and Skilled Production

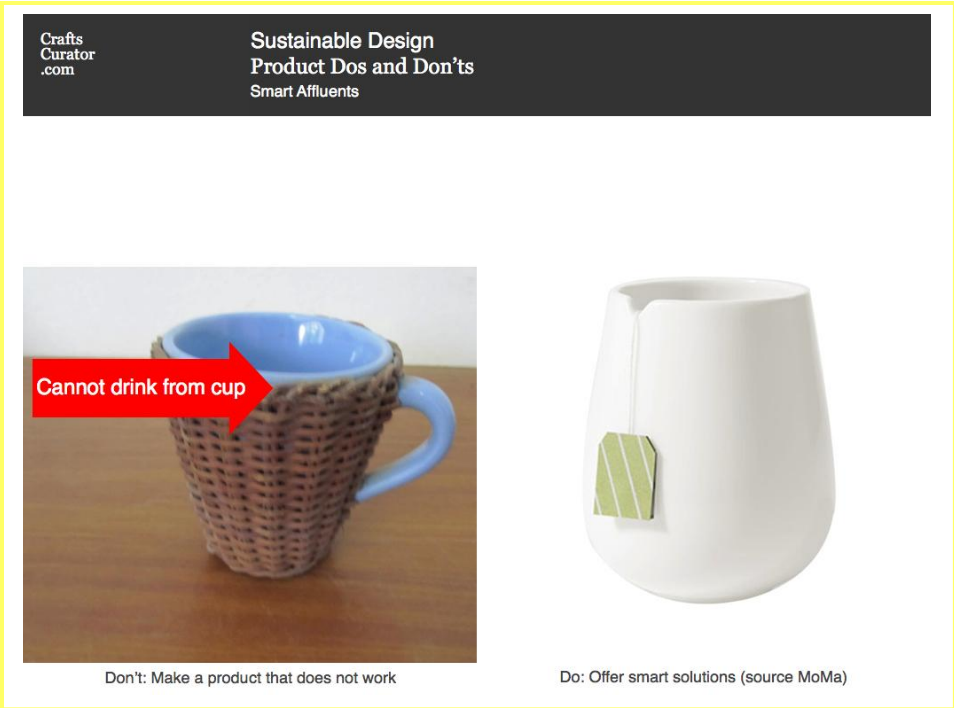
ANNEX 2 Some examples of Do's and Don'ts in product designs for Trendy Creatives

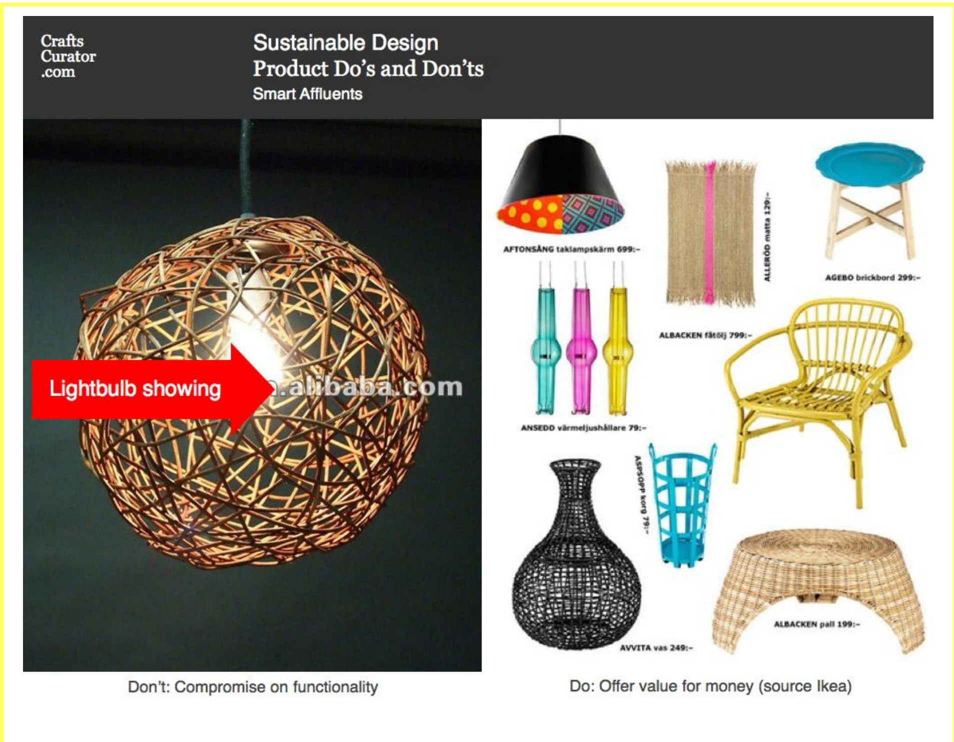




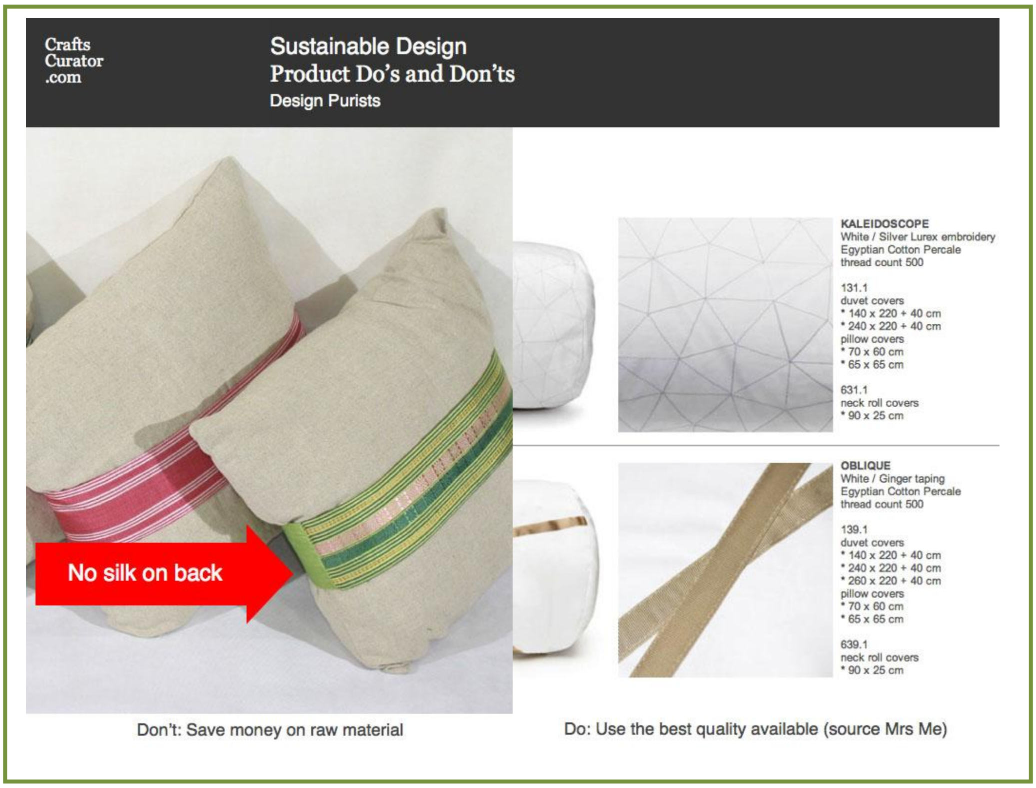
CBI
Ministry of Foreign Affairs of the Netherlands

ANNEX 3 Some examples of Do's and Don'ts in product designs for Smart Affluents





ANNEX 4 Some examples of Do's and Don'ts in product designs for Design Purists



SUPPLEMENT 1 Sustainability in the EU market

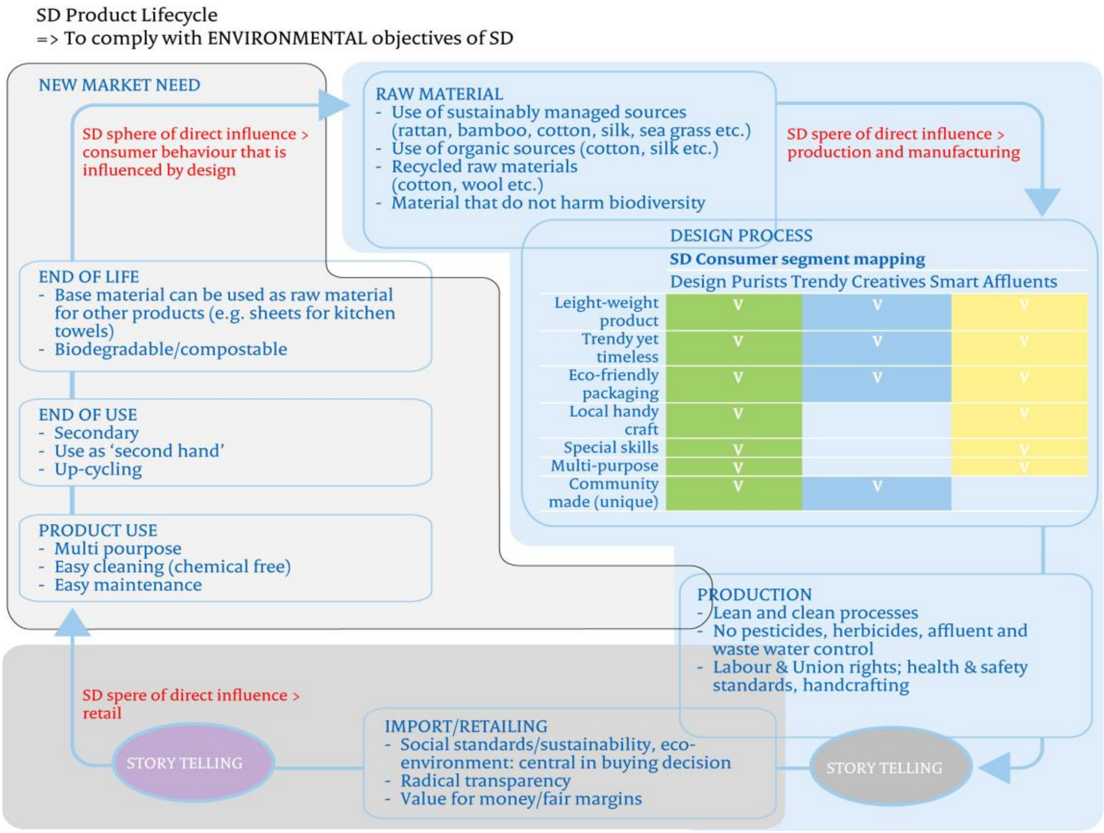
This Supplement 1 is related to the CBI survey 'EU Sustainable Design market for Home Decoration &
Home Textiles (7 modules), further indicated in this Supplement as ***'CBI SD-Survey HD-HT'***.

1. The role of sustainability and sustainable design in the market

The issue of sustainability is gradually becoming increasingly important in the European market. More and more consumers become aware of sustainability issues, and expect compliance from retailers. Importers and businesses are prompted to re-think their business models, including product ranges, to make them more sustainable across all stakeholders.

The role of sustainable design (**SD**). Here, companies will have to consider the environmental and social dimensions of sustainable design and to look at the whole product lifecycle. Figure 1.1 shows the stages in a SD product life cycle in accordance with e.g. the 'cradle to cradle' concept, i.e. from its raw material to its end of life. This complies with the environmental dimensions (Table 1.1) in the CBI module 'Introduction to the Sustainable Design market for Home Decoration & Home textiles.

Figure 1.1 SD Product lifecycle according the Cradle-to-Cradle concept



The emphasis in the design processes differs per SD consumer segment. An explanation is given in the CBI module 'Segments for the SD market for Home Decoration & Home Textiles'. For example, compared with the other two consumer segments, Trendy Creatives regard local handicraft and special skills as less important in the design of an environmental sound product they buy (as is shown in figure 1.1).

From the exporters' point of view, sustainability is becoming particularly important in the following areas: Transport/logistics, packaging, food and in the design of consumer goods e.g. Apparel and Home Decoration & Home Textiles.
Sustainable design (SD) is triggering a fundamental shift in entire companies, and their short, mid- and long-term strategies: From target segment to product design, manufacturing processes and buyer relationships. SD is more and more becoming an integral aspect in the marketing mix of importers and retailers, especially in the large Western EU markets.

Quotes:
"Many consumers recognise the quality of their collection. However, some people do not immediately recognise the sustainable objectives. They just find them beautiful. It is the task of retailers who sell our felt carpets who should pass on our sustainable philosophy, and if this is difficult, they should refer to their site that explains our total strategy".
Muskhane, France

"We work for 20 years in Vietnam now and our strategy is still aimed at developing and selling a bamboo collection (worldwide) with a temporary look at a profit. These collections are designed by western and local designers, and are still made according to traditional craft so that families can maintain their traditional production of bamboo and continue to work and earn a living. This is our win-win strategy". Ekobo, France

For the less-dedicated companies, being 'sustainable' is a tool to differentiate themselves from competitors, grade up their product offer and intensify the relation with consumers, some of whom are still either unclear or sceptical with regards to this topic.

Quote:
"Sustainable Design is market driven, it started with the people in the streets, and it should be approached from a market perspective. That means exporters need to understand consumer behaviour, and work from there to define their strategy in branding, sales channels, matching requirements/regulations."
"The bottom line of sustainability is profit. That should be the number one reason for exporters to develop their business. The best reasons for sustainability are found in business development, less costs, higher margins, better place in the market and better relationship with buyers. Steve Pepper, the Netherlands

2. The consumers' point of view on sustainability in Europe

The EU27 (plus Norway and Switzerland), is a hugely varied market. Consumer behaviour varies a lot from North to South, and East to West. The CBI module 'Segments for the SD market for Home Decoration & Home textiles' distinguishes three key segments of consumers according to their different needs and lifestyle.

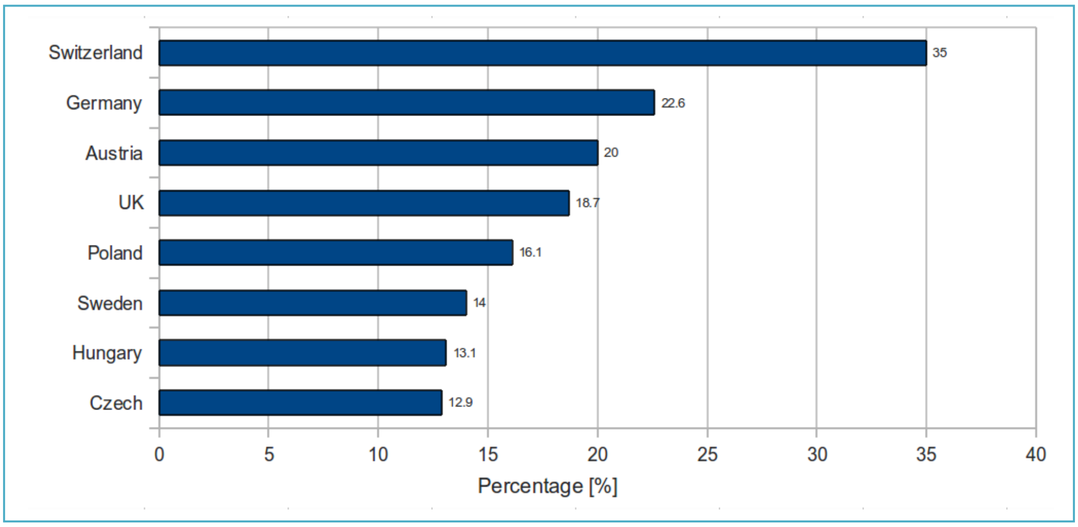
Most of the market research conducted so far by various agencies/companies in Europe sub-divided 'sustainable consumers' broadly into:

- ***Ethical consumers - who regard social dimensions as most important***
- ***Green consumers - who regard environmental dimensions as most important***

Generalising, it can be said that: The further North and West a market is, the more aware and demanding consumers are about sustainability. In addition, the further South and East a market is, the less this is the case. As a consequence, North-Western European countries are where SD products are most in demand, and consumers most aware.

Ethical consumers. According to a survey conducted by Good Brand in 2012, Switzerland, Austria and Germany had the highest proportion of highly ethical consumers (see Figure 2.1).

Figure 2.1 % of consumers that are highly ethical, by country



Source: Good Brand Social Equity Index, Social Equity Index Report Level 1 (2012)

Not all of the large EU markets (UK, France, Germany, Italy, and Benelux), are covered through relevant and available commercial research. This indicates that there are clear differences by country - concerning not only the perceived importance of sustainability, but then also with respect to what sustainability is and how it is interpreted.

According to a survey '*Ethical fashion in Western Europe: A survey of the status quo through the digital communications lens*", published by *Greenleaf publications*' in an anthology on ethical fashion and conducted by texSture in 2012, there were clear differences by country as is shown below.

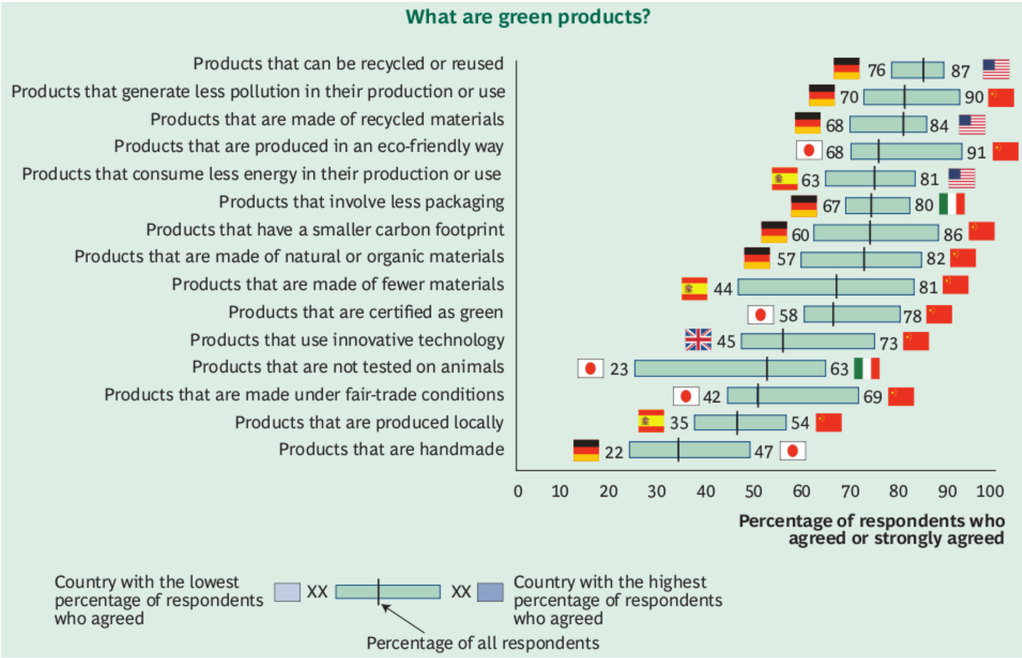
Table 2.1 Sustainability focus in different EU markets

EU country	main dimension
Germany	Environmental
France	Environmental awareness Social (Fair trade) to some extent
UK	Social and fair trade Environmental gaining momentum
Switzerland	Social & environmental. Dimensions balanced equally
Scandinavia	Environmental; Social assumed as a 'given' (basic prerequisite) and default characteristic

Source: texSture (2012)

Green consumers. Research has shown that consumers around the world define 'Green' (= ecological) differently depending on the country and culture they live in.

Figure 2.2 What are green products? Consumers around the world define 'green' differently.



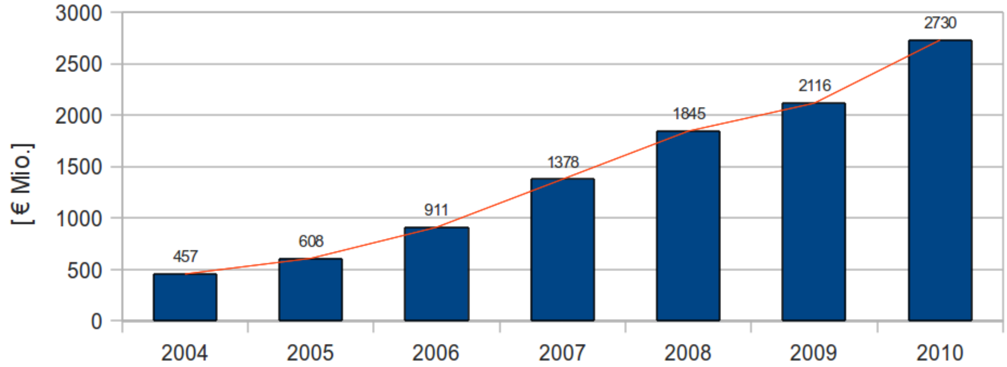
Source: Boston Consulting Group (BCG), Global Green Consumer Survey (2008)

3. Consumer demand for sustainable products in Europe

There exists little, and very limited research and survey that evaluates the sales of sustainable (design) products (i.e. such as ethical products or green products). Most of these products are not clearly defined in any official trade statistics. The reason is that, as an emerging market trend, it has not been taken in account yet by the large, national and international statistics bureaus. There do not exist formalised and specific import/export product codes (yet) either.

Nevertheless, the Fairtrade Labelling Organisation (FLO) has registered their sales of all certified commodities (‘***ethical products***’), including cotton. Between 2004 and 2010, Fairtrade retail sales experienced record sales across Europe. Interestingly, this has continued and even quickened through the 2008/9 financial crises and the most recent recession. This is backed up by a stable and steady growth of global organic cotton sales.

Figure 3.1 EU27 FLO Fairtrade Retail Sales, 2004 – 2010



Source: Fairtrade Labelling Organisation FLO, Annual Report (2004 – 2011)

On a global level, FLO certified Fairtrade *commodities (incl. cotton)*, which comply with the social objectives on sustainability, have risen substantially (see also Annex 1) and reached record sales in 2011.

The same trend applies to the retail sales of WFTO certified products that are sold through an independent network of fair trade shops across Europe, and which include commodities (food), as well as handicraft products, Home Decoration & Home Textiles and clothing. Between 2001 and 2009, sales have nearly doubled from € 150 to € 290 million with a small slump in 2008. However, sales continued to grow also 2010 despite the economic recession.

4. Consumer demand for sustainable products in the main EU markets

The main (measurable) indicators for consumer demand for sustainable products are:

- *Retail sales and future activities of retailers*
- *Changes in consumer attitudes*

4.1 Retail sales and activities of retailers

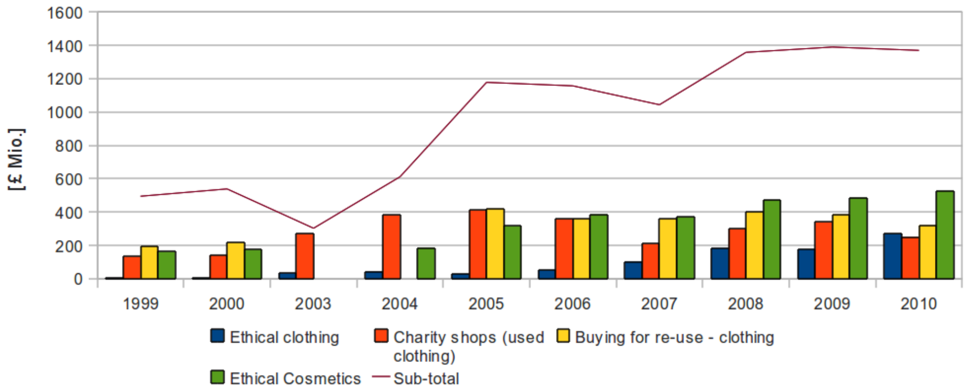
Retail sales

Within consumer goods, retail sales developments of sustainable products are recorded in the UK and French market with a main coverage of the ethical clothing and cosmetic sectors. Even if there are few statistics available on the Home Decoration & Home Textile market, the assumption is that this market develops in parallel to the two afore mentioned markets. There are clear signs that sales have grown and are expected to grow further on the long term – see also 'Retailers' quotes' in Annex 2.

United Kingdom

- Sales of organic textiles rose by 7.8% in 2010 (90% of which is organic cotton).
    - Retailer drivers: Marks & Spencer, Nike and GAP, who use organic cotton in their production.

Figure 4.1 Total UK retail sales of ethical clothing and personal products 1999 – 2010 (in GBP £)



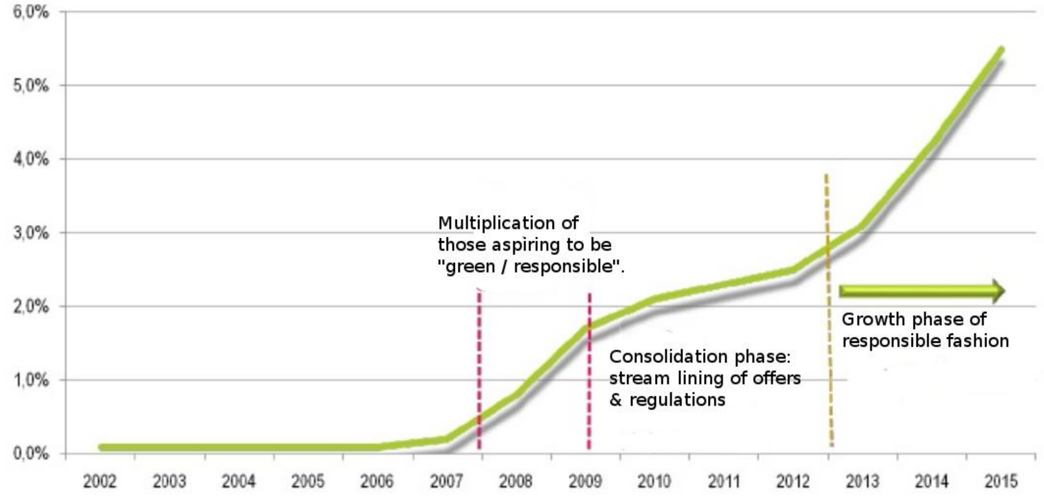
Source: The Co-Operative Bank, Ethical Consumption Report, (2003 – 2011)

- The market research specialist Key Note estimated in their 'Green and Ethical Consumer Report (2012) that for ethically-sourced products (food and non-food):
    - UK reached € 64 billion in 2011.
    - The market observed year-on-year increases between 2007 and 2011.
    - Market value rose by 39.2% during this 5-year period.
    - Sales will increase by 40.5% between 2012 and 2016.
    - The market will reach a total value of € 97 billion in 2016 (across all product types and segments).
    - Primary drivers of market growth will be innovations and the introduction of ethical products into the mainstream retail market.
    - A widespread shift in consumer attitudes and beliefs will take place, whereby ethical and environmental friendly products will be considered important.
- Ethical Personal Products (clothing, fashion accessories, cosmetics) have experienced a substantial growth over the past 10 years, and remained stable during the 2008/9 financial crises and recession.

France

French consumers interpret sustainability as mainly products with social attributes (e.g. made according to fair trade principles). Some consumers are sceptical about ethical claims of high-street retailers, but it is this retail channel that is leading in the production of goods with ethical credentials, and by making them available to consumers on a broad scale (IFM, 2009). As example, and as is shown in Figure 4.2, the market for sustainable fashion (clothing) has grown steadily since 2006. A similar trend can be expected in the French SD Home Decoration & Home Textile market.

Figure 4.2 Estimated Retail sales of SD fashion in France, in % of the total fashion retail value



Source: IFM - Institut Français de la Mode (2010)

Past & Future activities of retailers

Despite only few statistics being available on retail sales of sustainable (designed) products in EU countries, there are clear signs that some large EU retailers are gearing up their *current and future* efforts to comply with environmental and social dimensions, as is shown in Table 4.1.

Table 4.1 Sustainability: Green lifestyle is changing consumption

	Sustainable or SD Related Activity	Actual (FY)						Forecast
		2006	2009	2010	2011	2012	2013	2015
Ikea	Home furnishing products classified as more sustainable [% sales value]				2			90
Turnover: € 25.1 billion	Renewable, recyclable, recycled materials in range [%]				51			100
	Solid wood used from FSC certified sources [%]	0	16	23.6	22.9	35		
	Share of more sustainable cotton used [%		6.2	13.4	23.8			
John Lewis	Waste NOT going to landfill (recycled) [%]		52	81			95	
Turnover: € 4.1 billion	Recycling of packaging material [%]		51	57		75		
	Indoor furniture from FSC certified sources [%]							50
	Outdoor living furniture from FSC Certified sources [%]				100	100	100	100
	Private label paper-based products made					100		

	from FSC certified or PEFC sources [%]							
Marks & Spencer	Recycled waste [%]		41		99	100		100
	Reduction in waste quantities [1000 tonnes]		116		80			
Turnover: € 12.3 billion	Reduction in non-glass packaging [grams per item]	27			20			18
	Use of FSC certified sustainable timber sources [%]	0		76	84			100
	Increase of Fairtrade certified products in range [%]	2			88			
	Sustainable Cotton (organic, fairtrade, 'better cotton') [%]	0		1	3.8			25 (2020: 50)
	One-time carrier bags [Mio. units]	657			269			

Sources: CSR and/or Annual Reports of retailers (2012)

The quotes in Annex 2, together with the above table clearly indicate the direction the market is taking. They clearly show that leading retailers in the Home Decoration & Home Textile market are finding ways to become more sustainable. Their sourcing sustainable (designed) products and offering in their respective markets will result in an increased demand in consumer markets. As brand leaders, they will be followed by non-leader market players, who represent the rest of the market. It can be expected therefore that the market for SD Home Decoration & Home Textiles will grow substantially over the coming years.

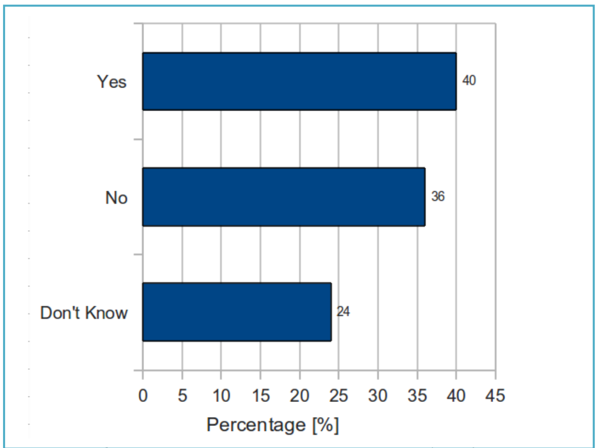
4.2 Changes in consumer attitudes

In the North and Wes t of Europe consumer attitudes towards sustainable products (food and non-food) and their production have changed with more people being well informed and demanding more efforts from companies with respect to environmental and social dimensions.

Scandinavia

Scandinavia is already quite advanced regarding awareness on sustainable dimensions. Consumers are very informed about available sustainable (designed) products and ethical issues. Importantly: A full 40% of Scandinavians are ready to pay more for environmentally friendly products (Figure 4.3).

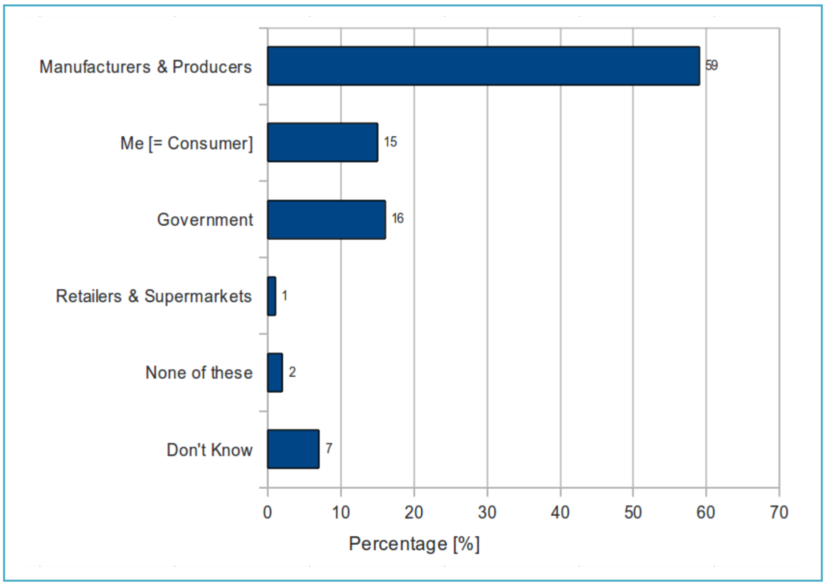
Figure 4.3 Willingness to pay more for a reduced product carbon footprint
Research question: Are you willing to pay a premium for a product to minimise your carbon footprint?



Source: Carbon Footprinting Report Quartz + Co. (2010)

Scandinavian consumers take it for granted that products are made according to fair social conditions. This results in that they mainly assess environmental credentials of products. Figure 4.4 reveals that they are of the opinion that manufacturers are primarily responsible for ensuring that goods are eco-friendly.

Figure 4.4 Consumer perception of responsibility to reduce product carbon footprints
Research question: Who do you feel have the largest responsibility to minimise the carbon footprint from the services and products you buy?



Source: Carbon Footprinting Report Quartz + Co. (2010)

Germany

With regards to environmental dimensions, German people have been at the forefront (see Figure 2.1) for several years now, particularly for food. Recently, environmental considerations have become also important in non-food. In 2011, a survey by the HeimTextil and Zukunftinstitut among 1,000 consumers of furniture and furnishings aged between 16 and 69 years, asked three questions mainly related to environmental objectives (recycling, buying). Table 4.2 shows that middle-aged people are the most concerned group.

Table 4.2 Sustainability: Green lifestyle is changing consumption
Attitudes to sustainability and environmental awareness by Age (agreement in %)

Age [years] / in %	*16 – 24*	*25 – 30*	*31 – 40*	*41 – 50*	*51 – 59*	*60 – 69*	***Total***
% of population	11	12	17	26	19	15	**100**
When I dispose of old home furnishings, it is important to me that these should be either reused or recycled in an environmental compatible way.	44	43	53	54	66	66	**56**
Protecting the environment and natural resources is important to me when buying home accessories, even if this means paying more for them.	29	26	36	37	42	49	**37**
When buying furniture and furnishings, I make sure that it was produced in line with sustainable and socially responsible standards.	28	18	29	35	39	42	**33**
SD Consumer Segments Mapping							
• ***Design Purists***							
• ***Trendy Creatives***							
• ***Smart Affluents***							

Note: SD consumer segments match by authors of this survey Source: Messe Frankfurt Heimtextil Management Report (2012).

Looking at household incomes, it can be concluded that the vast majority of surveyed persons are ***middle income***, and to some extent *affluent* ***consumers***. The same Heimtextil survey revealed a greater concern on environmental issues among German consumers with an income higher than € 2,000 as is shown below (Table 4.3).

Table 4.3 Sustainability: Green lifestyle is changing consumption

Attitudes to sustainability and environmental awareness by Income (agreement in %)

Net Household Income [1000€] per month / in %	< 0.6	0.6 - 1	1 - 2	2 - 3	3 – 4	> 4	*Total*
Share of total households	4	8	34	35	16	4	100
When I dispose of old home furnishings, it is important to me that these should be either reused or recycled in an environmental compatible way.	40	54	57	57	53	62	**56**
Protecting the environment and natural resources is important to me when buying home accessories, even if this means paying more for them.	27	35	33	39	45	43	**37**
When buying furniture and furnishings, I make sure that it was produced in line with sustainable and socially responsible standards.	20	24	29	36	41	41	**33**
SD Consumer Segments Mapping							
• ***Design Purists***							
• ***Trendy Creatives***							
• ***Smart Affluents***							

Note: SD consumer segments match by authors of this survey Source: Messe Frankfurt Heimtextil Management Report (2012).

It should be noted that, there are ***less-affluent consumers***, who are well-aware of sustainability or sustainable design, and save money to buy the product that really correspond to their needs. In the same survey, consumers were also asked if they were prepared to pay a higher price for various attributes related to purchased home goods (e.g. curtains, carpets, decorative fabrics, bed linen etc...). Interestingly, people were well prepared to pay up to 20% if the product was sustainably produced (Table 4.4).

Table 4.4 Willingness to pay a higher price

Research question: How much extra would you be willing to pay for furniture and fittings (e.g. curtains, carpets,

wallpaper, decorative fabrics, bed linen, etc.) that fulfilled the following criteria? (Agreement in %)

Willingness to pay a higher price [% of responses]	0% - none	< +10%	< +20%	< +50%	> + 50%	*SD Consumer Segments Mapping*		
						Design Purists	*Trendy Creatives*	*Smart Affluents*
Additional Health Benefits	22	36	32	8	3			
Additional benefits (sound absorbent, odour absorbent, etc)	22	41	29	6	2			
Sustainable Production	28	43	23	5	2			
Stylish Design	36	30	25	8	2			
Uniqueness	37	26	22	10	4			
SD Consumer Segments Mapping								
• ***Design Purists***								
• ***Trendy Creatives***								
• ***Smart Affluents***								

Note: SD consumer segments match by authors of this survey Source: Messe Frankfurt Heimtextil Management Report (2012).

The Netherlands

Dutch consumers believe that sustainable products should last long and should have low impact on the environment (Table 4.5).

Table 4.5 Consumer and the concept of sustainability

Research question: Can you briefly describe what you mean by sustainability?

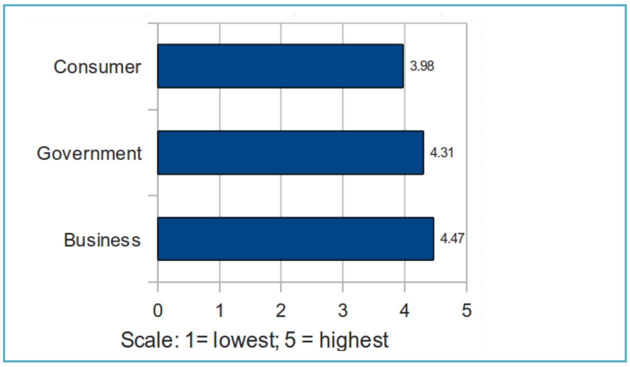
Percentage [%] / [years of age]	18 – 29	30 – 39	40 – 49	50 – 64	> 65	Total
Awareness of environmental / energy / nature / recycling	50	45	36	36	33	40
Something that will last long / decent / good quality	39	42	54	54	56	49
Do not know / other	11	13	10	10	11	11

Source: Ernst & Young, Duurzaamheid in de Aanbieding (2010)

Further, and similar to other European countries, the Dutch feel that it is mainly a business' responsibility
to ensure products are sustainable. However, other than Scandinavian consumers, the Dutch believe that also governments and consumers themselves play a very important role (Figure 4.5).

Figure 4.5 Consumer perception of responsibility

Research question: To what extent are these parties responsible for sustainability?
(Scale: 1 = lowest; not responsible at all; 5 = highest; first and foremost responsible)



Source: Ernst & Young, Duurzaamheid in de Aanbieding (2010)

5. Summary and Conclusion

Sustainability in design driven products is a complex issue, and encompasses aspects relating to:

- → raw material,
- → production and manufacturing methods,
- → usefulness for the end-consumer,
- → timelessness, emotionally attractiveness and to high aesthetic standards.

Any design process and life cycle analysis of products needs to take a holistic 360° view on this.

The market share of designed goods (fashion, furniture, home decoration and textiles etc.) with sustainable and ethical credentials has been steadily growing in the past. At the same time, consumers especially across all three key market segments become more aware and voice their concern for the lack of availability of sustainable and ethically produced alternative products to the ones currently available.

This supplement was compiled by ***Searce***
in collaboration with Irene Vermeulen and TexSture

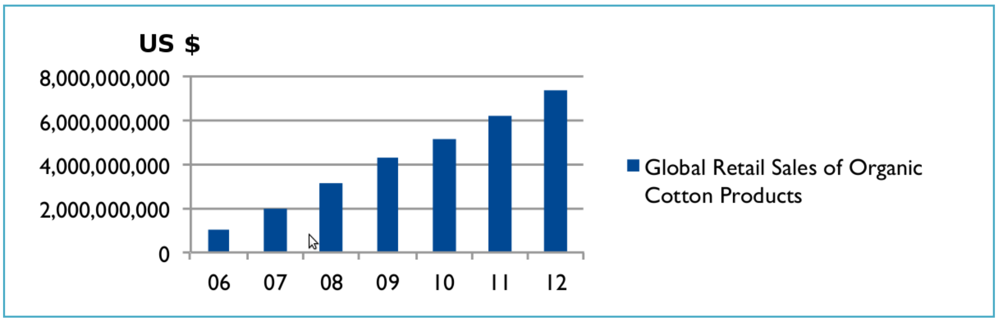
Disclaimer CBI market information tool: http://www.cbi.eu/disclaimer

ANNEX 1 - STEADY GLOBAL CONSUMPTION GROWTH OF ORGANIC CERTTFIED PRODUCTS, INCL. COTTON

Despite the recession, during which the majority of brands remained staunchly committed to their sustainability strategies and programs, global retail sales of organic certified products (cotton apparel, home, and personal care products) increased 20 % to just over $5.16 billion from 2009-2010. This represents an increase from $4.3 billion in 2009.

Concerning organic cotton, a steady 15% growth rate in fibre production was observed. The bulk of the consumption market growth was centred around companies in the United States and Europe. If the organic cotton market growth continues at the current rate of 20% per year (which is generally considered a conservative growth rate estimate), retail sales of organic cotton products will likely reach an estimated $7.4 billion in 2012 (Textile Exchange 2010).

Figure Annex 1 Global Retail Sales of Organic Cotton, 2006 – 2011



Source: Textile Exchange, Annual Report (2011)

ANNEX 2 - QUOTES REGARDING SOURCING AND PRODUCT DEVELOPMENT PLANS OF RETAILERS AND BRANDS PER KEY MARKET SEGMENT

The following quotes are taken from retailers' and brands' corporate (CSR) reports, and show the direction of the market. They clearly show that leading retailers in the Home Decoration & Home Textile market are finding ways to become more sustainable. For this, they give specific importance to the types of products they source, and the materials these are made of.

Market / Consumer Segment	*Retailer Quotes:*	*Source*
Smart Affluents	*"We work hard to find sustainable solutions, alternative raw materials, creating more with less, and working conditions at our suppliers.",* *"We aim for all cotton used for IKEA products to be Better Cotton by the end of FY15".*	Mikael Ohlsson, CEO of IKEA
	"By 2015, 50% of our own-brand indoor furniture ranges (Living and dining, Bedroom, Nursery, Fitted furniture and Upholstery) will be Forest Stewardship Council-certified."	John Lewis, UK
	"Our biggest impact on the environment and society come through the products we sell and the way they are used- so we want to make it easier for our customers to live more sustainably." *"We launched our Model Forest Programme for M&S food cardboard packaging which builds on Forest Stewardship Council certification. However, due to the poor availability of sustainable timber in sufficient quantity and quality, we did not meet our target to source 100% sustainable wood by 2012."* *"[...] We banned or developed plans to phase-out 38 potentially hazardous pesticides, with Pesticide Action Network UK'* *"Our 2015 commitment is to source 25% sustainable cotton, which will include Fairtrade, organic, recycled and Better Cotton Initiative (BCI) cotton by 2015 and 50% by 2020."* *"Support the development of three Model Eco Dyehouses by 2012, identify best practices and roll out to our supply chain."* *"In addition to the Model Eco Dyehouse we launched in China in 2010 we now have two additional projects in Turkey, both of which will help us develop our best practices specifications on energy, water, chemicals, waste, health & safety and productivity."*	Marks & Spencer
Trendy Creatives	*"We will be promoting the consideration of eco-friendly alternatives in the development of new products and ancillary materials in the period 2011-2015".*	Inditex, Zara Home
	"My aim is to offer a collection that is based on global influences and made up of products that have a story to tell. My look is unique, having evolved during travels around the globe, and will lend an international touch to every interior."	Lodsh
	"Our products are handmade with craftsmanship and dedication, in some cases based on centuries old traditions. When available, we prefer to work with natural or recycled materials."	One World Interiors

Design Purists	*"We are committed to supporting organic production wherever possible within our ranges"* *"Over the years we have always preferred to seek out the unusual over the readily available; the hand-made over the mass produced; the considered over the rushed. These products will have often a story behind them – whether it is of an individual creative artisan maker, a traditional mill or a women's co-operative in Africa."*	Toast, UK
	"We have concerns about an environment that is beautiful and worth living in have led to a re-orientation in many areas in regards to attitudes and actions." *"We are planning a further expansion of the organic cotton product range. Our goal is to add Fair Trade certification to our organic cotton range"*	Karstadt Group
	"Selfridges aims to be an environmentally responsible company: this means playing our part in developing sustainability at the core of how we do business." *"Our customers care more than ever about the origins and the content of the products they buy from us. They also care about how these products get from source to shelf and how we recycle the packaging. We ask our concession partners to make every best effort to source environmentally friendly products."*	Selfridges
	"At Mushkane the principles of equitable commerce are vigorously maintained. Mushkane works to promote this ethic to encourage conscious consumerism. The raw materials used to produce our products are natural and sustainable…in addition our production processes are mainly handmade."	Mushkane
	"Furniture from Carl Hansen & Son is designed and produced to last for generations. We choose the materials we use carefully, based on several important criteria: · *Strength and durability, Lasting beauty, Sustainability, Architect input, Safety norms"*	Carl Hansen & Son
	"At Vitra, it goes without saying that furniture is valuable when its production, utilisation and recycling does not harm people or the environment".	Vitra

Source: CSR and Annual reports of quoted retailers and brands (2011-2012)

CBI
Ministry of Foreign Affairs of the Netherlands

SUPPLEMENT 2
Visualisation SD Products & Key segments in Home Deco & Home Textiles

Table of contents

This Supplement 2 is related to the CBI survey 'EU Sustainable Design market for Home Deco & Home Textiles 2012.

Source: CBI Market Information Database - www.cbi.eu • Contact: marketintel@cbi.eu • www.cbi.eu/disclaimer
• Publication date 03.10.2012

1. Visuals - Key segments

Products that appeal to each of the three key segments (Trendy Creatives, Smart Affluents and Design Purists) with a brief indication why.

These visuals are related to Chapter 1.4 of the CBI survey 'EU Sustainable Design market for Home Deco & Home Textiles 2012.

Crafts
Curator
.com

Sustainable Design
Key Market Segments
Visualization

Trendy Creatives

Smart Affluents

Design Purists

Crafts
Curator
.com

Sustainable Design
Key Market Segments
Trendy Creatives

As'Art

Fair Trade, Recycled Products, Storytelling

Sustainable Design
Key Market Segments
Trendy Creatives

One World Interiors

Origin is Showing, Recycled Materials, Natural Materials

Sustainable Design
Key Market Segments
Trendy Creatives

Po-Paris

Recycled Materials, Small Scale Production in Communities

Sustainable Design
Key Market Segments
Trendy Creatives

Lodsh

Showing Origin, Storytelling

Sustainable Design
Key Market Segments
Trendy Creatives

Maisons du Monde

Recycled Products, FSC Wood

Sustainable Design
Key Market Segments
Trendy Creatives

Anthropologie

Globally Sourced, Inspired by Craftsmanship

Crafts
Curator
.com

Sustainable Design
Key Market Segments
Trendy Creatives

Zara Home

Strict Codes of Conduct, Showing Origin

Sustainable Design
Key Market Segments
Smart Affluents

IKEA PS 2012 dining table

Designer Jon Karlsson

"Functional furniture in hardwood, like teak, was modern in the 1950s.
I wanted to find a design that was related to the style of the '50s, but use materials that are much better for the environment. Bamboo is a material that grows quickly, and when it's layer-glued it becomes extremely hard and durable. Plus, it resembles teak. IKEA PS 2012 dining table is a table that flirts with '50s design, but is produced with concern for the future."

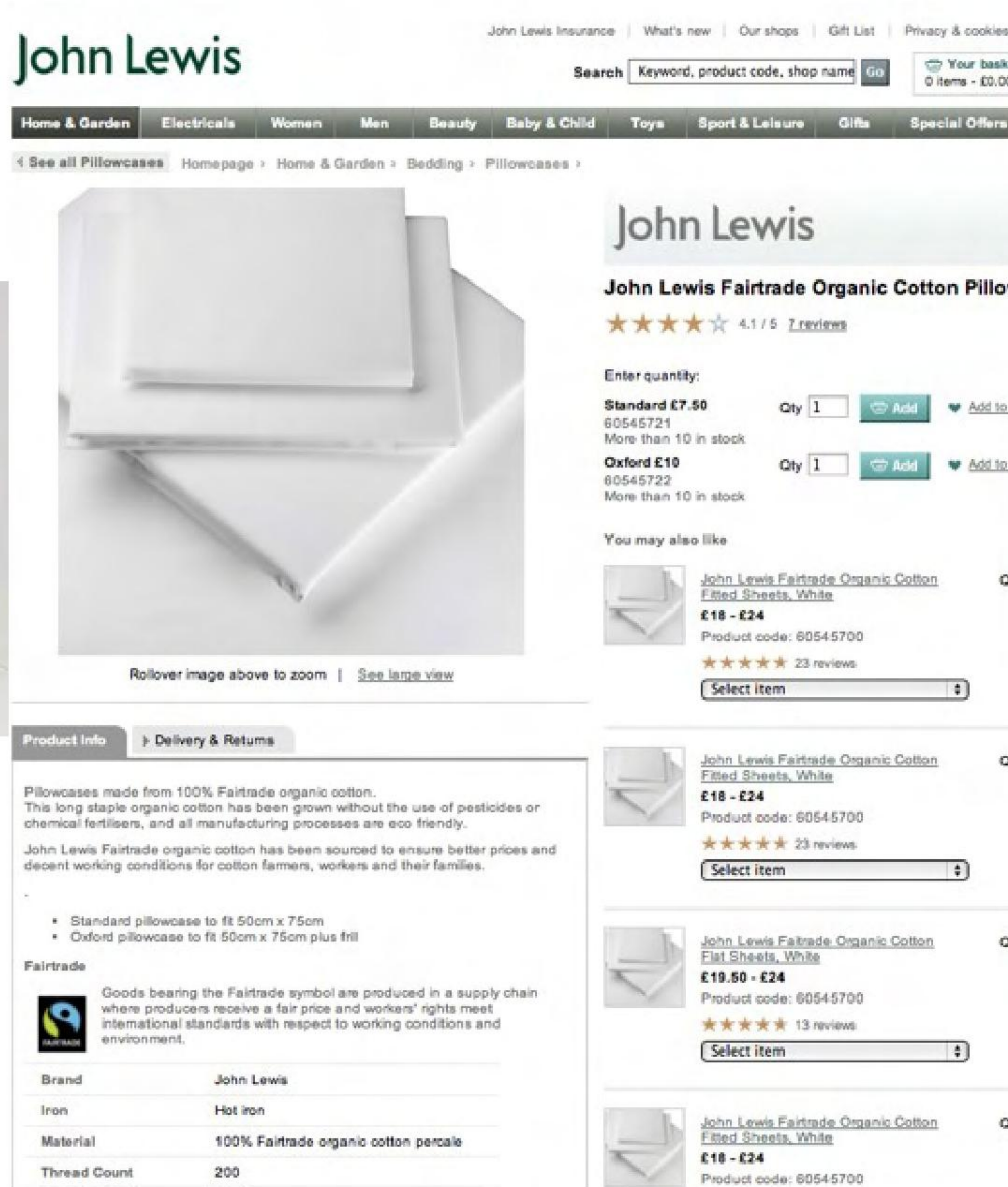
IKEA PS 2012 dining table £139 Clear lacquered bamboo and powder-coated aluminium. Designer: Jon Karlsson. L74/106/138×W80, H74cm. Bamboo/white 202.068.06

Ikea

Ikea PS 2012- sustainable versions of bestseller designs

Sustainable Design
Key Market Segments
Smart Affluents

John Lewis



John Lewis Private Label Fairtrade Organic Cotton Bedding

Sustainable Design
Key Market Segments
Smart Affluents

Royal VKB

Multifunctional Tops That Screw Onto Used Jars

Sustainable Design
Key Market Segments
Smart Affluents

Zuperzozial

Renewable Material, Bamboo and Corn, Clean Production

Sustainable Design
Key Market Segments
Smart Affluents

Ekobo

Renewable Material, Bamboo and Good Labour Conditions

Sustainable Design
Key Market Segments
Smart Affluents

Yumeko

Fair Trade, Natural and Organic Bed & Bath Textiles

Sustainable Design
Key Market Segments
Smart Affluents

Artecnica - Design With Conscience

Recycled Glass, Aid to Artisans Production in Guatemala

Sustainable Design
Key Market Segments
Design Purists

Fair Trade Original - Piet Hein Eek

Fair Trade Baskets Made Of Left Over Material

Sustainable Design
Key Market Segments
Design Purists

Ay Illuminate

Made of Renewable, Organic and/or Recycled Materials

Sustainable Design
Key Market Segments
Design Purists

Hans Wegner

Timeless Design, Buy Once, Locally Made in Europe

Sustainable Design
Key Market Segments
Design Purists

Nanimarquina

Fair Trade, Renewable Materials, Special Projects

Sustainable Design
Key Market Segments
Design Purists

Iittala

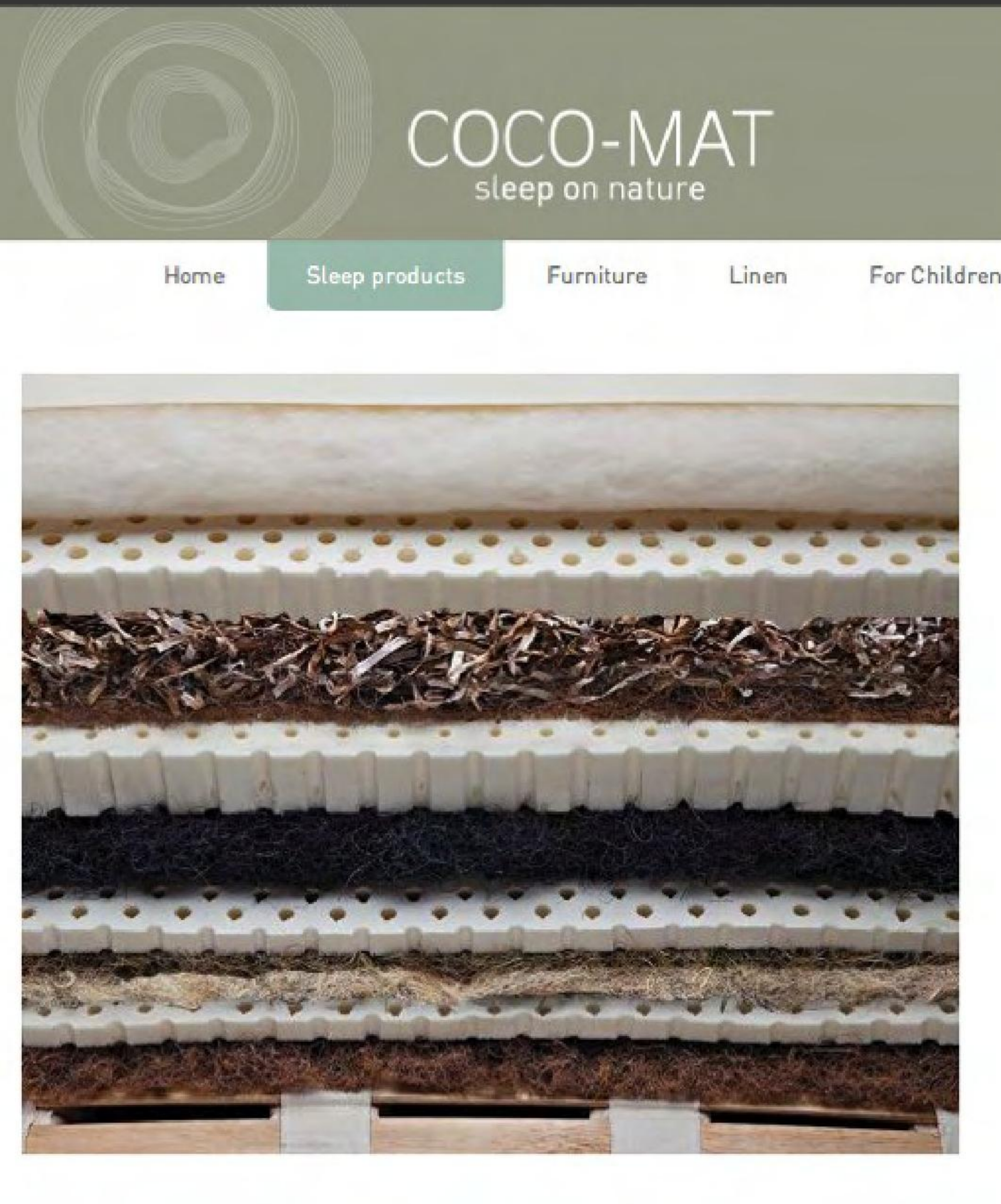
Lasting Everyday Design, Local and Skilled Production

Sustainable Design
Key Market Segments
Design Purists

Wonderable

Fair Trade, Craftsmanship

Sustainable Design
Key Market Segments
Design Purists



Coco-Mat

Organic, Natural, Recycled Materials, Community Production

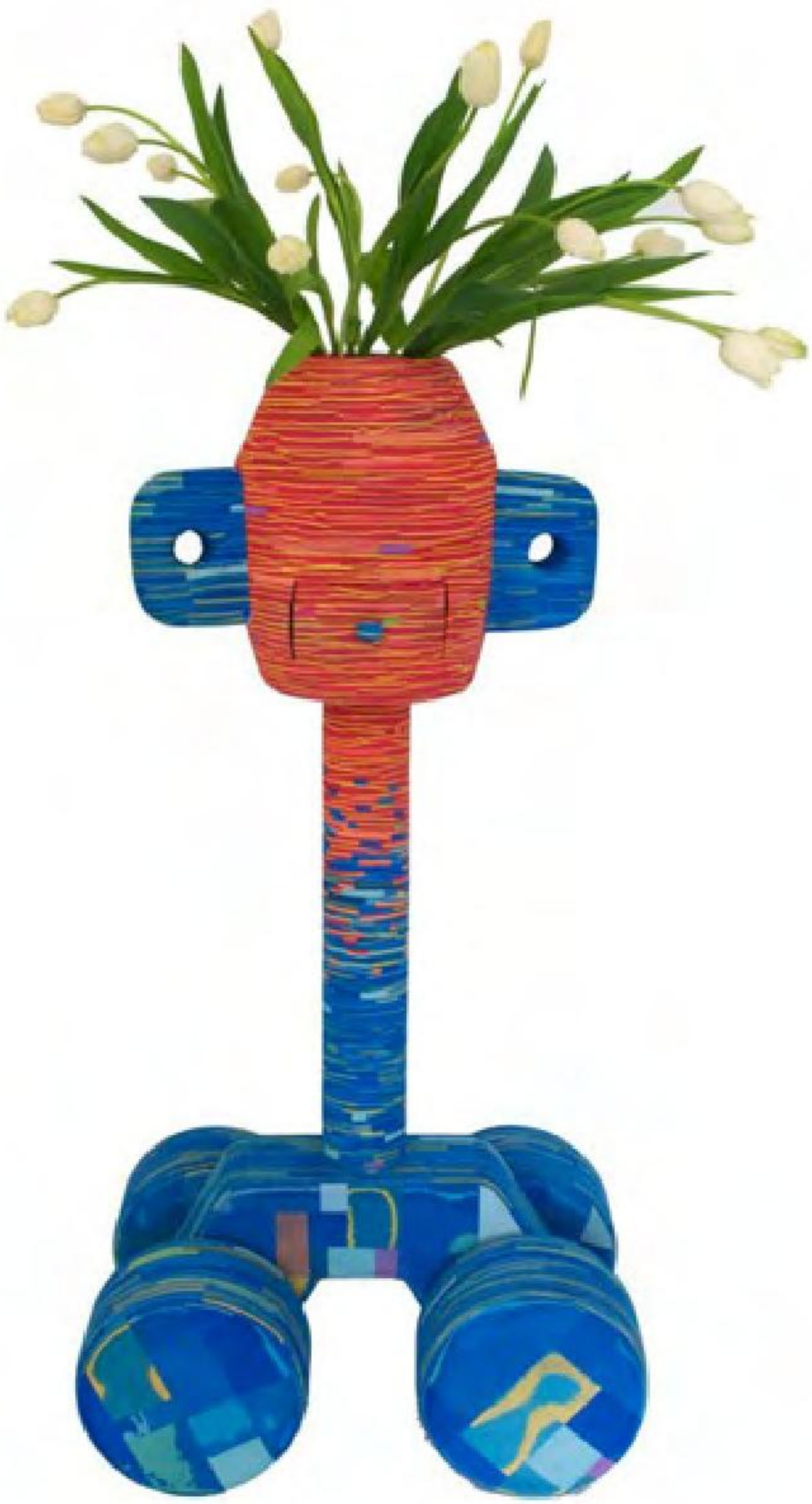
2. Visuals - Trends

Examples of short-term trends per key segment with links to companies who sell/make them.

The visuals are related to Chapter 1.7 of the CBI survey 'EU Sustainable Design market for Home Deco & Home Textiles 2012.

Sustainable Design Trends

Visualization



Trendy Creatives

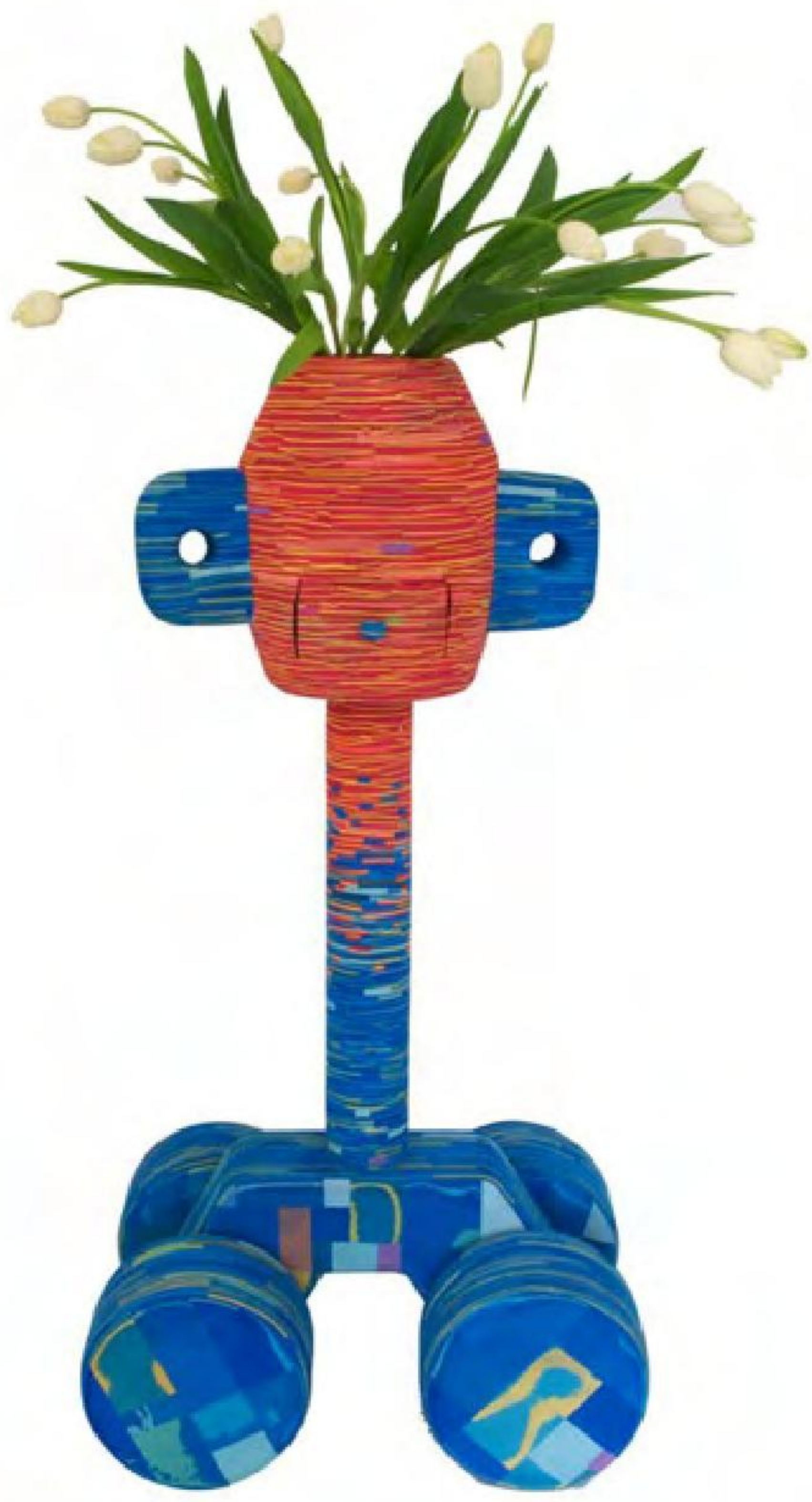
Smart Affluents

Design Purists

Crafts
Curator
.com

Sustainable Design Trends

Trendy Creatives



Recycling gone wild (Flip Flop Story)

Tweak your own product (Gustaf)

Alphabet Mania (Anthropologie)

Sustainable Design Trends

Smart Affluents

2D & 3D (Rafa kids)

Like Lego (Helgo Astak)

All white (Ikea)

Sustainable Design Trends

Design Purists

Farmer (Toast)

Re-designed icons (Hans Wegner)

Natural Wood & Cork (Normann C'hagen)

3. Visuals - Products

Some more examples of products that appeal to each of the three key segments with links to companies who sell/make them.

Related to Chapter 3.1 of the CBI survey 'EU Sustainable Design market for Home Deco & Home Textiles 2012.

Crafts
Curator
.com

Sustainable Design Products

Visualization

Trendy Creatives

Smart Affluents

Design Purists

Crafts
Curator
.com

Sustainable Design Products

Trendy Creatives

Pol's Potten

Dedon

Anthropologie

Woo Bottle Candle

Fair Trade Original

Roche Bobois

Zara Home

Bloomingville

Crafts
Curator
.com

Sustainable Design Products

Smart Affluents

Ekobo

Artecnica

Perigot

Vij5

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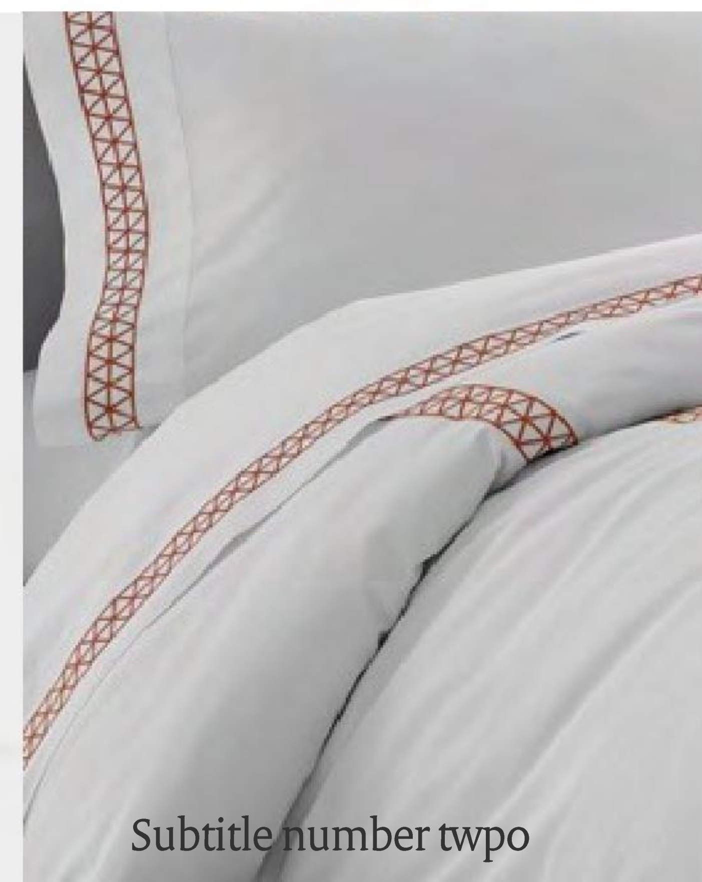
Subtitle number twpo Humade

SubtitleMoMa twpo number



Subtitle number twpo

Crafts
Curator
.com

Sustainable Design Products

Design Purists

Johannes Foersom

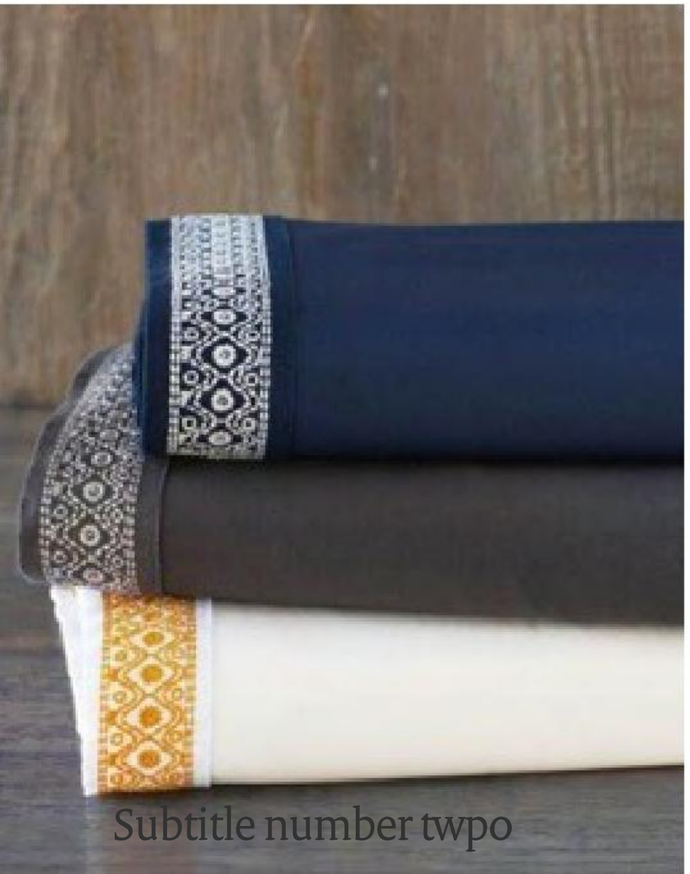
Aleph

Fair Trade Original

Ay Illuminate

Coyuchi

When number twpo



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4. Visuals - Products - Do's and Don'ts

Some examples of product/concepts of 'good' and 'bad' design specifically for each key segment.

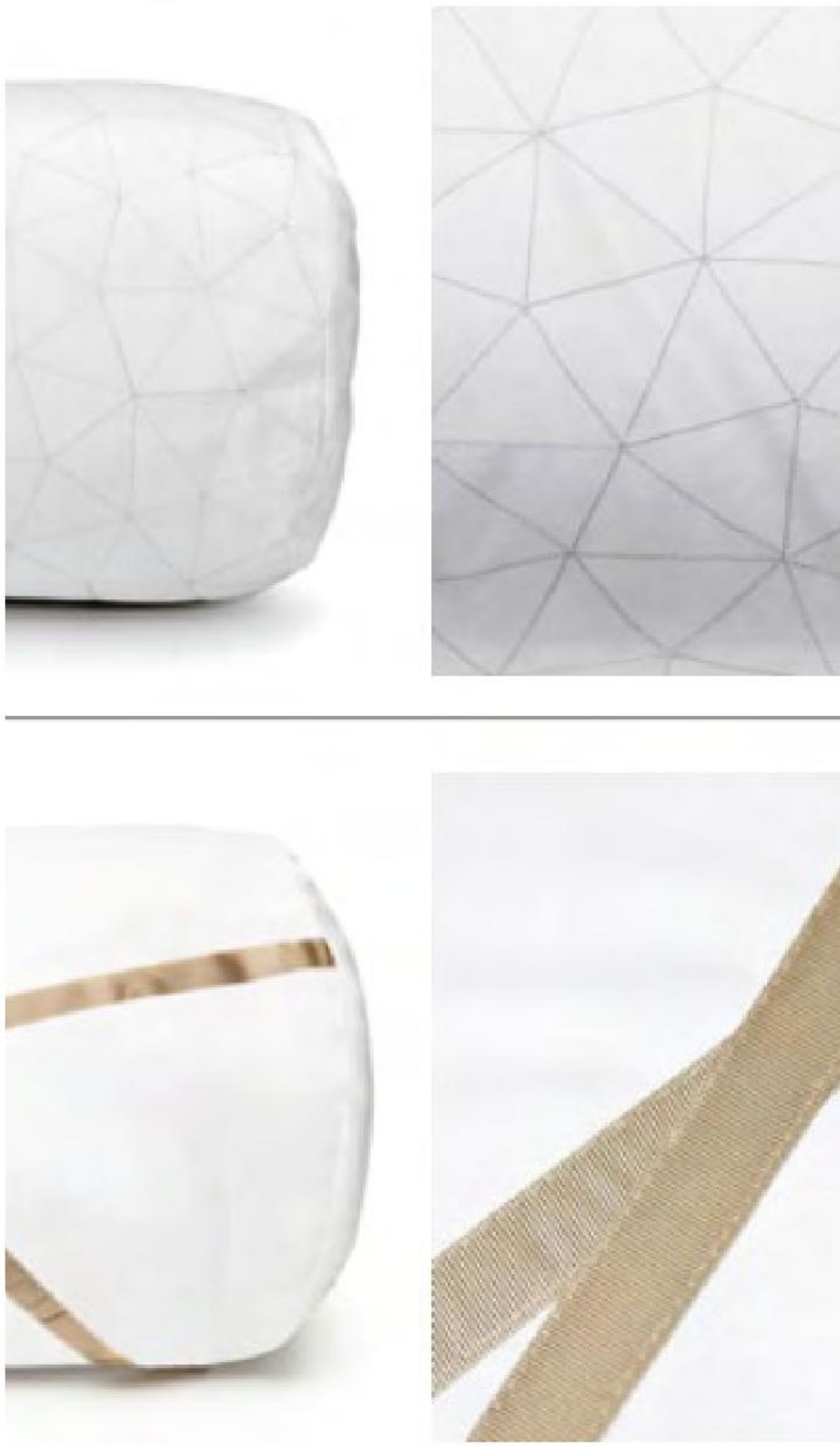
Related to Chapter 3.1 of the CBI survey 'EU Sustainable Design market for Home Deco & Home Textiles 2012.

Crafts
Curator
.com

Sustainable Design
Product Do's and Don'ts
Visualization

Trendy Creatives

Smart Affluents



Design Purists

Sustainable Design
Product Do's and Don'ts
Trendy Creatives

Don't: Make loads of ranges

Do: Make range for a selected market segment (source Ekobo)

Sustainable Design
Product Do's and Don'ts
Trendy Creatives

Don't: Use a traditional ethnic style

Do: Use traditional techniques to innovate (source DK Home)

Sustainable Design
Product Do's and Don'ts
Trendy Creatives

Don't: Extravagantly decorate

Do: Delicately decorate (source Wonderable)

Sustainable Design
Product Dos and Don'ts
Smart Affluents

Don't: Make a product that does not work

Do: Offer smart solutions (source MoMa)

Crafts
Curator
.com

Sustainable Design
Product Do's and Don'ts

Smart Affluents

Don't: Copy designer's original work

Do: Co-Create with designers (source Areaware)

Sustainable Design
Product Do's and Don'ts
Smart Affluents

Don't: Compromise on functionality

Do: Offer value for money (source Ikea)

Sustainable Design
Product Do's and Don'ts
Design Purists

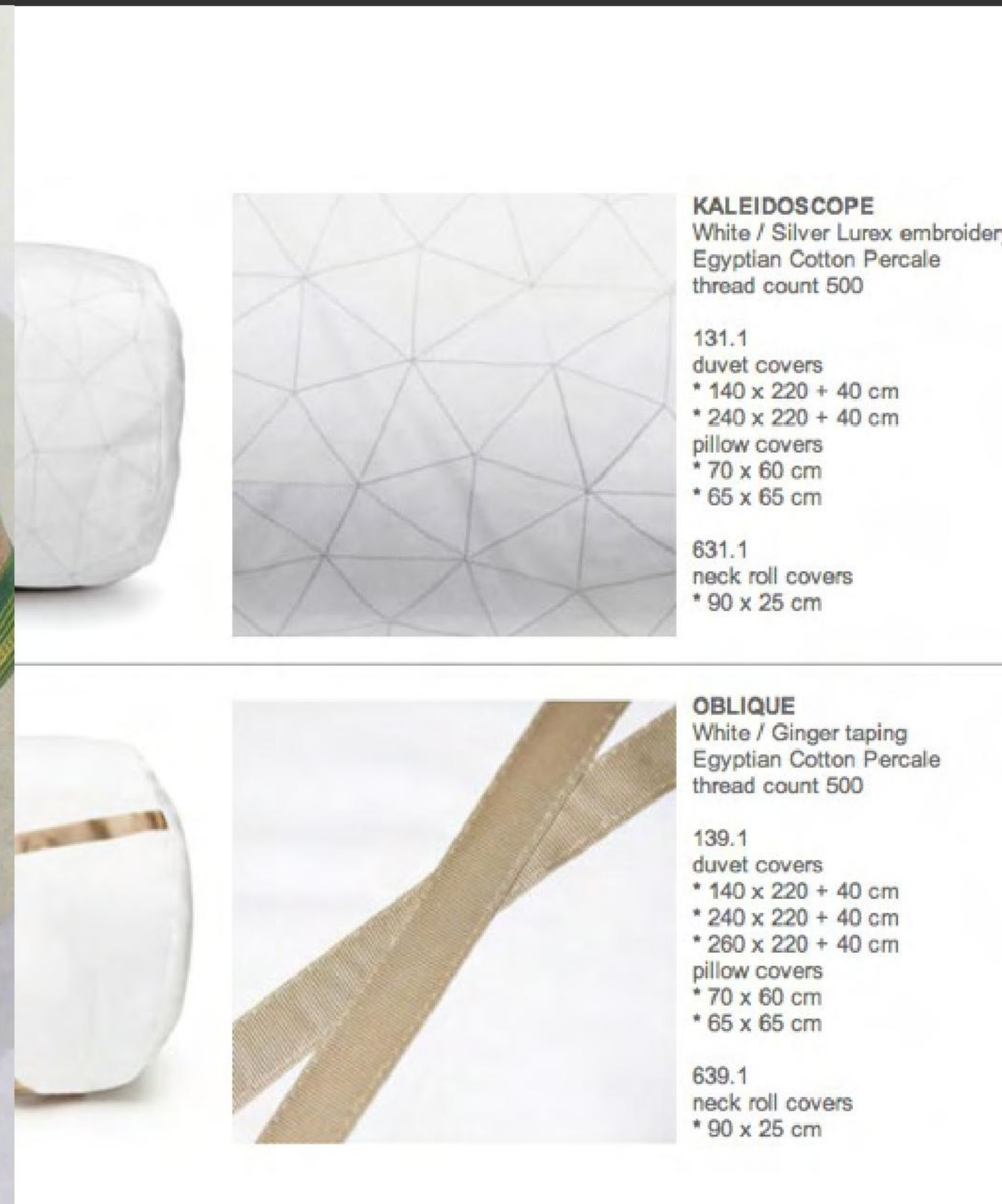
Don't: Ask a designer to re-create a bestseller

Do: Ask a designer to fulfill a consumer need (source Ikea)

Crafts
Curator
.com

Sustainable Design
Product Do's and Don'ts
Design Purists

Don't: Save money on raw material



Do: Use the best quality available (source Mrs Me)

Sustainable Design
Product Do's and Don'ts

Design Purists

Don't: Hurry making samples

Do: Take time for several sample rounds (source Glimpt)