



Trend analysis HDHT

The background of the slide is a collage of various fabric swatches. At the top, there are vertical stripes in shades of blue and green. Below that, there are several rectangular swatches of different textures and colors, including a light blue woven fabric, a dark blue textured fabric, and a blue and white woven fabric. The bottom half of the image shows a large, detailed view of a blue and white woven fabric with a scalloped edge.

TREND ANALYSIS HDHT

HOW DID COVID-19 IMPACT THE PREVIOUS TRENDS
AND HOW CAN SMEs PREPARE FOR THE FUTURE?

INTRODUCTION

In 2020, the world is upside down. In only a few weeks many markets came to a full stop. This also has a massive impact on small and medium sized enterprises (SMEs) in developing countries that depend on international trade. What trends are most relevant for HDHT suppliers? How big is the impact of Covid-19 on the HDHT sector?

In uncertain economic times it is challenging to prepare for the future. The five E model summarizes the five major drivers behind the trends. After summarizing the trends, this report shows concrete tips for SMEs how to prepare their businesses accordingly.

This research is carried out by Q&A Consultancy. The report is based on desk research and qualitative interviews with experts from HEMA, Zeeman, INretail, Modint and Return to Sender. The research was conducted in December 2020. This HDHT report is part of a bigger research project for the food and non-food industry.



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“It’s not always about getting bigger and bigger, but visibility comes with collaboration.”

Wilma Veldman
Former Buying Director
at Zeeman

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“You really need to connect better with the demands of the European consumer market and make less of what you like yourself.”

Marijtje Ophof
Managing Director
at Return to Sender

ENVIRONMENT

During the Covid-19 pandemic the sustainability and social responsibility trend got an extra boost. Traceability of products, certifications, transparent supply chains and fair working conditions are long-term trends that are unstoppable. In the future, retailers will even be required by European law to offer complete transparency about the supply chains. An example is the Child Labor DD law in The Netherlands that is already accepted today. Additionally, because of Covid-19, physical and mental health is becoming more important to consumers. Consumers spend more time at home. Since the outbreak, the consumer's home is used multifunctional. It is served as an office, place to invite friends, gym and more. This trend has a positive effect on the HDHT product demand.

The increasing demand for HDHT products, combined with trends related to sustainability, requires suppliers to make their production process transparent. In the future, retailers want to know exactly with which materials and under what conditions products are made. Additionally, investing in wellness products and design can be a good strategy.

TREND

More attention for social responsibility: fair working conditions & living wage



Increasing importance of sustainable processes & materials

Increasing importance of transparent supply chains & traceability of products

Mental health & wellness is becoming more and more top of mind for European consumers

European homes are used multifunctional: a place to work, meet, eat, sleep & relax

TIPS FOR SMEs

- ✓ Increase fair working conditions and offer a living wage. Bookkeeping about your workers, labor hours and payment is the first step.
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 - ✓ Make sure that you know exactly how your products are made and with which materials.
 - ✓ Do research about certified product options such as Rainforest Alliance or FSC.
- 
 - ✓ Use (digital) bookkeeping to keep track of your production phase and conditions. Search for technologies or apps that help you to monitor the production phase.
 - ✓ The winning player is an exporter that can offer traceability of the products and big volume orders at the same time. Join forces and collaborate to achieve this.
- ✓ Invest in wellness-related products and design.
- ✓ Designing entire product assortments in the same style can help to attract the attention of buyers. But: you need to know the European customer preferences well.



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ECOSYSTEMS

At the moment omnichannel solutions are the key to be successful. However, in the long-term, these solutions will be upgraded even more: having or being an ecosystem will be the key to survive. This means that doing business without partners is not an option. In order to survive, everyone has to find vertical and horizontal partners to improve production processes and to stay competitive. Third place market places are growing. This means that brands can sell directly to consumers faster and easier via a platform. This trend is sped up by Covid-19 and is long-term.

European importers prefer to order from producer groups or big wholesalers in developing countries. This is the case because European importers need to guarantee traceability of the products while, at the same time, often request big order volumes. Small players in developing countries can not fulfil these requirements. But you do not have to be part of a big producer group to work with partners. If you are a small exporter, gathering all your (home)workers at one physical location can be a relevant first step towards an ecosystem. This increases control about the working conditions and accountability. In return, it makes your business attractive to small retailers in Europe.

TREND

Ecosystems are becoming more dominant: cooperation instead of competition is key to success

Third party platforms are growing

Increasing importance of data driven businesses

TIPS FOR SMEs



✓ As a niche player, you need partners with specialized expertise to increase visibility and attractiveness for European importers. Collaborate with similar companies in your region to strengthen each other.



✓ Third party marketplaces can be a great direct-to-consumer (D2C) opportunity. Two requirements: you need to know consumer preferences of the market you are selling to and you need to have an (in)direct connection to a 3P marketplace.

✓ Look for opportunities to write down and monitor your stock, your orders, client's preferences, etc. The more you track and register, the more you can compare yourself to others and learn from each other.

✓ The more transparency you can offer to buyers, the more attractive you are.



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EXPERIENCE

We can observe a shift from physical experience to digital engagement. This is the case for the customer-retailer relationship but also for the importer-wholesaler/SME relationship. Physical experience such as physical market fairs in developing countries are likely to return at the end of the pandemic. However, digital engagement and digital experience will also continue to be important. Consumers and buyers are now used to experience products online and the comfort of buying from home. The advantages of digital experience will outweigh some sort of physical experience.

HDHT players should invest in digital product presentation. Consistency in your presentation style, the lightning and a plain background is important. Technologies such as virtual reality can even create a 3D experience for European importers. The shift from physical experience to digital engagement also creates opportunities for SMEs to participate in digital trainings. SMEs can get informed and inspired about life in Europe and consumer preferences more easily. Have a look at the inspiration case about the Dutch retailer Leen Bakker.

TREND

From physical experience towards digital engagement

Shift towards digital fairs, VR experiences & AI solutions

Increasing importance of storytelling & purpose-driven marketing strategies



TIPS FOR SMEs

- ✓ Information that was previously inaccessible can now often be found online. Digital engagement makes knowledge of e.g. economic developments and customer preferences transparent and offers opportunities for digital training.
- ✓ Invest in digital product presentation. You can do this by using good lighting, using a plain background and indicating the size of a product in a correct way (e.g. by placing another product next to it).
- ✓ Communicate any positive changes about sustainable practices or improved working conditions in your marketing.
- ✓ Share your personal story or the story of your community (with photos and video content).



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MADE.COM

What kind of importers are interesting for small exporters and superspecialists? Made.com is a British home décor shop that pays attention to a transparent chain. They work directly together with the designers and suppliers. Therefore, middlemen are cut out and a fairer price can be offered to the producers. In order to work together with an importer such as MADE.com excellent European consumer trend knowledge is key. A digital marketing strategy to be visible to importers and to present your products is also important. Interested? [Have a look at made.com](https://www.made.com).



Get inspired at Leen Bakker and co.

Knowing what kind of home accessories consumers in Europe like is very important. But how can you get a good impression of European home decoration preferences? Because of Covid-19, many firms offer virtual tours through their stores similar to 360 degrees-Google-street view. The Dutch furniture store Leen Bakker is one of the stores that offers a virtual tour of rooms that are decorated by European stylist. By taking a tour yourself, you get a better impression about what you can offer to them. [Have a look at a Leen Bakker store](https://www.leenbakker.com).



Return to Sender

An European importer with an inspiring concept. Return to Sender works with woman from developing countries and guarantee a living wage for their work. In other words, they pay fair prices to their suppliers. Similar to MADE.com, Return to Sender seek direct supply partners in order to have a transparent supply chain. [Check the 10 steps how they guarantee a living wage to workers](#).



EFFICIENCY

Convenience is key. The consumers want to order products on demand which is sped up by Covid-19. Consumers expect availability of products at any time and any place. Buyers are therefore under pressure and in need of agile and flexible sourcing options. Data-driven solutions are important for retailers, wholesalers and SMEs to respond quickly to the market and to survive.

The most repeated yet relevant requirements to HDHT exporters are to act trustworthy and to be on time. A deal is a deal. How can SMEs increase the flexibility of their supply chains to deliver on demand? This depends on the business model. Generally spoken, there are two kinds of business models. In the first business model SMEs/exporters sell relatively small volumes directly to a smaller retailer (in Europe). In order to increase flexibility in the supply chain, these SMEs should have products in stock. Stock means being able to deliver fast. The second business model is the one of big European importers that are in need of just-in-time delivery. Major importers do need the wholesaler in developing countries to handle the big order volumes. Long-term relationships between importers and wholesalers or importers and SMEs are useful and most effective. A strategy to fulfill to agile supply chain requirements is to have semi-produced materials in stock. With semi-produced materials we refer, for example, to woven textile that can quickly be produced into a pillow, a blanket, a bag or any other possible end product. For SMEs that want to use this strategy, it is highly important to already have a financially binding contract about semi-produced materials beforehand.

TREND

5G, block chain and automation technologies

More need for agile & flexible supply chains

Increasing "on demand" economy

Container prices for shipments are very high



TIPS FOR SMEs

- ✓ Take advantage of technologies that help increase the transparency of your accounting. You don't have to be a technology expert, an app on your phone can often be enough.
- ✓ For niche players who sell to smaller European retailers, sufficient stock is important to be able to deliver quickly. Efficiency can be increased by bundling orders with other players in one container.
- ✓ For mass market players who sell to larger European importers, it is important to arrange long-term contracts.
- ✓ For mass market players who sell to larger European importers, semi-finished products increase flexibility and fast delivery, but make sure there is a financially binding contract with the importer.
- ✓ Look for opportunities to work together with partners from your region to use shipping's space more conveniently



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EXPERTISE

Due to growing platforms around the globe, there are two winning business models in the future. The first one is being part of a platform. The second one is being a superspecialist. But expertise about special techniques and your business sector is not enough to be a superspecialist. Superspecialist from developing countries need to be unique, have knowledge about relevant consumer trends in Europe, knowledge about marketing and connection to European importers.

An HDHT SME with specialized knowledge should look for partners with complementary expertise. Moreover, by good and accurate (digital) bookkeeping you can monitor, compare and improve your business much easier. Data on your business is knowledge, and knowledge is valuable and can even be sold again to other parties.

TREND

Two winning business models: be part of a platform or be a superspecialist

Increasing importance of specialized skills & experience in a specific business field

Increasing importance of having and understanding data: being data-driven is key.

TIPS FOR SMEs



- ✓ Both larger and smaller players can start their own platform or choose to be a superspecialist in their field
- ✓ Are you a superspecialist? Make sure there is sufficient demand for your product in the market (home market or abroad). Also as a specialist, it is recommend to look for valuable partnerships. This increases the chance of success significantly.
- ✓ If you are not a superspecialist, collaborations are even more important. Take the first step to review existing ecosystems or to start your own one. Look for collaboration in the field of e.g. marketing, supply chain, shipment options and production.
- ✓ Search for partners with complementary expertise to form a mini ecosystem and strengthen each other's businesses.
- ✓ Consistently collect data about your business. Preferably do this in a digital app or cloud. For cultural reasons, many SMEs hesitate to be transparent. Be aware that this will be a basic requirement by European importers in the future.



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