Entering the European market for christmas tree decoration

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The European market for Christmas tree decorations is dominated by low-cost, high-volume production. To compete, you can focus on higher-end segments and niche markets, such as sustainable Christmas tree decorations. Premium niches are small, but profitable if you can offer well-designed, exclusive products. Entering the European market means you need to comply with the European Union's mandatory legal requirements, as well as any additional or niche requirements your buyers may have.

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1. What requirements must Christmas tree decoration comply with to be allowed on the European market?

The following requirements apply to Christmas tree decorations on the European market. For a more detailed overview, see our study on buyer requirements for HDHT.

What are mandatory requirements?

When exporting to Europe, you have to comply with the following legal requirements:

- General Product Safety Directive
- REACH
- Timber Regulation
- Products resembling foodstuffs
- Packaging and packaging waste legislation

General Product Safety Directive

Europe's General Product Safety Directive mandates all products marketed in Europe to be safe to use. It provides a framework for all legislation regarding specific products and issues. If there are no specific legal requirements established for your product and its use, the General Product Safety Directive still applies. If specific requirements do apply, the Directive applies in addition to those, covering other safety aspects that may not have been described specifically.

Unsafe products are rejected at the European border or withdrawn from the market. The European Union has introduced a rapid alert system (RAPEX) to list such products.

Tips:

Read more about the General Product Safety Directive on the EU Trade Helpdesk page.

Use common sense to ensure normal use of your product does not cause any danger.

Search the RAPEX database for Christmas tree decorations to see what kinds of issues may arise.

Restricted chemicals: REACH

The REACH regulation lists restricted chemicals in products that are marketed in Europe. REACH (EC 1907/2006) aims to improve the protection of human health and the environment through better and earlier identification of the properties of chemical substances. This is done by the four processes of REACH, namely the registration, evaluation, authorisation, and restriction of chemicals. REACH also aims to enhance the innovation and competitiveness of the European chemicals industry.

Restricted chemicals with regards to Christmas tree decorations include:

- cadmium compounds in various applications
- arsenic and creosotes as wood preservatives
- lead in paints and ceramics glazing

Tip:

For useful information and tips from the European Chemical Agency, see REACH Annex XVII (a list of all restricted chemicals), information on REACH for companies established outside Europe and questions and answers on REACH.

Products resembling foodstuffs

The European Union's directive on products resembling foodstuffs bans products that imitate food so closely they could be confused for edible products. This can apply to a variety of products, including food-shaped Christmas ornaments.

Tips:

Make sure that your products don't look so much like food that consumers could mistake them for real food products.

For an idea of what types of products are prohibited, see how to assess whether a product is safe or not.

Timber Regulation

The European Union's Timber Regulation states the obligations of operators that place timber products on the European market. The regulation counters the trade of illegally harvested timber and products through three key obligations.

When placing timber on the European market for the first time:

1. illegally harvested timber and products derived from such timber are prohibited
2. European traders must exercise due diligence

Once on the market, the timber and timber products may be sold or transformed before they reach the final consumer. To facilitate traceability of timber products, economic operators in this part of the supply chain (referred to as traders in the regulation) have an obligation to keep records of their suppliers and customers.

The Regulation covers a wide range of timber products listed in its Annex, using EU Customs code nomenclature. It also applies to wooden garden pots. Products with a FLEGT or CITES license comply with the Timber Regulation.

Tips:

For more information, see the Frequently Asked Questions about the Timber Regulation.

Check the EU FLEGT Facility, which has more information about FLEGT licensing.

For more information on CITES permits, you can contact your national CITES management authority.

Packaging

Europe has specific packaging and packaging waste legislation. EU Directive 2015/720 was adopted to harmonise measures concerning the management of packaging and packaging waste and to prevent or reduce its impact on the environment at European level. Buyers may therefore request you to minimise the use of packaging materials (paper, carton, plastic) or to use a different kind of material, possibly recycled.

Europe also has requirements for wood packaging materials (WPM) used for transport, such as:

- packing cases
- boxes
- crates
- drums
- pallets
- box pallets
- dunnage

All wood packaging material and dunnage from non-European Union countries must be:

- either heat treated or fumigated in line with ISPM15 procedures;
- officially marked with the ISPM15 stamp consisting of three codes (country, producer and measure applied) and the IPPC logo;
- debarked.

These requirements do not apply to:

- wood 6 mm thick or less;
- wood packaging material made entirely from processed wood produced using glue, heat and pressure, such as plywood, oriented strand board, and veneer;
- wood packaging material used in trade within the European Union.

The objective of this Directive is to prevent organisms that are harmful to plants or plant products from being introduced into and spreading within the European Union. It also regulates imports from third countries in line with international plant health standards. Keep this in mind when you decide on the packaging of your Christmas tree decorations.

Tip:

Read more in the overview of EU rules on wood packaging material.

What additional requirements do buyers often have?

Sustainability

Adopting social and environmental sustainability practices makes your products stand out in the European market. Think of sustainable raw materials and production processes, as well as the impact your company has on the environment, the well-being of workers and society as a whole. Buyers appreciate good storytelling to create an emotional connection with their customers.

An increasing number of European buyers now require the following certification schemes:

- Business Social Compliance Initiative (BSCI): European retailers developed this initiative to improve social conditions in sourcing countries. They expect their suppliers to comply with the BSCI Code of Conduct. To prove compliance, the importer can request an audit of your production process. Once a company is audited, it is included in a database for all BSCI participants.
- Ethical Trading Initiative (ETI): This initiative is an alliance of companies, trade unions, and voluntary organisations that aims to improve the working lives of people across the globe that make or grow consumer products.

You can use standards such as ISO 14001 and SA 8000 to read up on sustainable options. However, only niche market buyers demand compliance with these particular standards.

A recent study by the International Trade Centre concluded that, irrespective of the product, retailers in the major European markets are putting more environmentally and socially sustainable products on their shelves simply because consumers ask for it. According to the survey, 98.5% of retailers consider sustainability as a factor in their product sourcing decisions.

Tips:

Optimise your sustainability performance. Reading up on the issues included in initiatives such as BSCI and ETI will give you an idea of what to focus on.

If you can show your sustainability performance, this may be a competitive advantage. For instance, with a self-assessment like the BSCI Producer Self-Assessment, or a code of conduct such as the ETI

base code.

For more information, see our special study on sustainability.

Labelling

The information on the outer packaging of Christmas tree decorations should correspond to the packing list sent to the importer. The external packaging labels should include:

- producer name
- consignee name
- quantity
- size
- volume
- caution signs

Your buyer will specify what information they need on the product labels or on the item itself, such as logos or 'made in' information. This is part of the order specifications. It is common in Europe to use EAN or barcodes on the product label. Labelling should be in English, unless your buyer indicates otherwise.

Packaging

Importer specifications

You should pack Christmas tree decorations according to the importer's instructions. They have their own specific requirements for the use of packaging materials, filling boxes, palletisation, and stowing containers. Always ask for the importer's order specifications, which are part of the purchase order.

Damage prevention

Properly packaging Christmas tree decorations minimises the risk of damage caused by shocks. . How an item is packed for export depends on how easily it can be damaged. Packaging should make sure the items inside a cardboard box cannot damage each other. It should also prevent damage to the boxes when they are stacked inside the container. Packaging therefore usually consists of outer and inner cardboard boxes filled with protective materials like bubble wrap or paper.

Wooden Christmas tree decorations can mould or crack, so you need to properly dry the wood after production. Condensation inside the container during transport can cause mould. This is caused by humid air that becomes colder at night and warmer during the day. You need proper air ventilation inside the container to prevent this. Before shipment, you must inspect containers for air holes, and you can place products to reduce humidity amongst the cargo. Make sure to follow the importer's instructions here.

Dimensions and weight

Packaging must have easy-to-handle dimensions and weight. Standards are often related to labour regulations at the point of destination. The buyer must specify these.

Cost reduction

Boxes are usually palletised for air or sea transport. You have to maximise pallet space. Nesting or stacking garden pots inside the container reduces costs.

Packaging has to provide maximum protection, but you also have to avoid using excess materials or shipping

'air'. Waste removal is a cost to buyers. You can reduce the amount and diversity of packing materials by:

- partitioning inside the cartons, using folded cardboard;
- matching inner and outer boxes by using standard sizes;
- considering packing and logistical requirements when designing your products;
- asking the buyer for alternatives.

Material

Importers are increasingly banning wooden crating and packaging due to their unsustainability and high material and disposal costs. Economical and sustainable packaging materials are more popular. Using biodegradable packing materials can be a market opportunity. For some buyers, it can even be a requirement.

Consumer packaging

Retailers often sell Christmas tree decorations as loose items, allowing consumers to create their own collections. This means consumer packaging is not very relevant and seasonal wrapping is done at the point of sale. In the lower segments, pre-packaged sets come in basic, functional packaging. If the retailer wants to add their branding to the final gift, you may be asked to print tags or labels, but these are usually part of the retailer's own marketing communication and produced in Europe.

Tips:

Always ask for the importer's order specifications, packaging, and labelling requirements.

See Packaging Europe for more information on the latest packaging developments, including regular news articles about biodegradable packaging.

Payment and delivery terms

Payment terms are usually agreed upon with the buyer in the order contract. They vary from buyer to buyer and are related to the volume and value of the order, the type of distribution partner, whether or not an agent is involved, and what delivery terms apply.

Delivery terms, officially known as Incoterms, depend on the type of distribution partner and their preferences regarding physical distribution. Importers generally prefer free on board (FOB) or free carrier (FCA) arrangements.

FOB is restricted to goods transported by sea or inland waterway. It means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays the cost of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. FCA can be used for any transportation mode. In this type of arrangement, the seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the specified place or point.

Retail multiples can ask for cost insurance freight (CIF). That means that they will ask you to include the shipping and insurance charges in your quote. Small retailers may go a step further and ask you to arrange that the goods be delivered to their doorstep via a delivered duty paid (DDP) arrangement. For importers that consolidate orders in your country, ex works (EXW) terms are often best.

Tips:

For a more elaborate overview of the various terms and conditions, and how to work with these, see our study on terms and conditions, which also explains the benefits of having your own terms and conditions.

Study the different types of Incoterms, including what your and your buyer's rights and obligations are.

What are the requirements for niche markets?

Fair trade

The concept of fair trade supports fair pricing and improved social conditions for producers and their communities. Especially when the production of your products is labour intensive, for example, hand-knitting, fair trade certification can give you a competitive advantage. Common fair-trade certifications include those from the World Fair Trade Organisation (WFTO) and Fair For Life.

Tips:

Ask buyers what they are looking for. Especially in the fair-trade sector, you can use the story behind your product for marketing purposes.

Check the ITC Standards map database for more information on voluntary standards and their requirements, including fair production.

FSC certification

FSC (Forest Stewardship Council) certification is the most common label for sustainable wooden products, including wooden or paper Christmas tree decorations. The FSC label guarantees that a product's source material comes from responsibly managed forests. These products are especially popular in Western European markets.

Tips:

For more information, see the three steps towards FSC certification.

If you use recycled paper, you can apply for the FSC Recycled label.

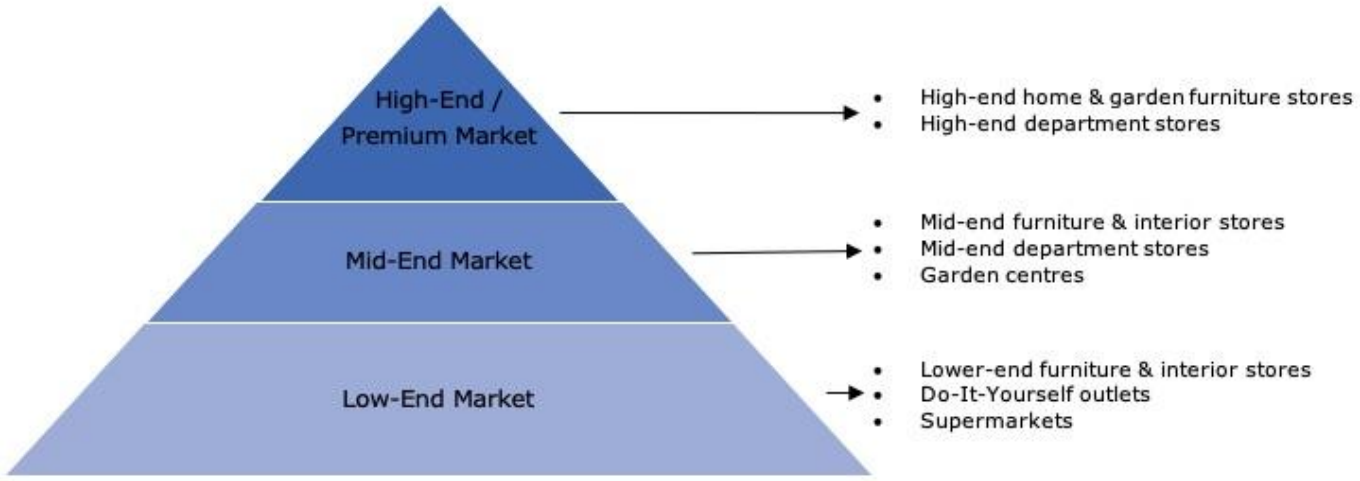
2. Through what channels can you get Christmas tree decoration on the European market?

The market for Christmas tree decorations is segmented into low, mid and high-end (premium) market

segments. The items are put on the market through the traditional channels: importers and wholesalers that supply to retailers, as well as retailers that buy directly from suppliers.

How is the end market segmented?

Figure 1: Christmas tree decoration market segmentation in Europe



Low-end market

The lower end of the market targets a price-sensitive consumer. This type of Christmas decorations is typically offered in bulk packages and promoted as ‘more for little’ or simply discounted. Design is standard and generally meets the mass consumers’ expectations in terms of shape and colour (green, red, gold, silver). Because this segment is dominated by low-cost, mass-produced items, opportunities for smaller manufacturers are limited.

Mid-end market

Christmas tree decorations are very suitable mid-market products, offering accessible design at affordable prices. This segment is also highly influenced by trends, especially in colour: each year new colour palettes are introduced by the industry, stimulating the consumer to replace the old by new. Designs often come in a number of themes, such as elves or winter wonderland, and atmospheres, such as romantic or nostalgic.

At the same time, opportunities are emerging in the higher end of this segment. You can achieve differentiation from mass production and the broad mid-market by offering, for example, handmade designs and greater authenticity (new stories from lesser-known cultures). This moves your Christmas tree decorations into the less price-sensitive, mid-high market segment.

High-end or premium market

The premium niches in mature markets offer high design, limited editions, and branding. Although these niche markets are relatively small, they can be quite profitable.

Through what channels does Christmas tree decoration end up on the end-market?

The channels through which Christmas tree decorations are put on the market follow the traditional patterns: import takes place via importers and wholesalers that supply to retailers. Larger retail chains often bypass the importers and wholesalers and import themselves, while more and more smaller retailers have also started buying directly from suppliers. In some cases, buying agents play a role. We highlight below the main actors in the market for Christmas tree decorations.

Importers and wholesalers

Importers and wholesalers sell products to retailers in their own country or region, or re-export to the broader European continent. Some European markets are therefore supplied by wholesalers and importers from other European countries (intra-European trade). Supplying to buyers in the project market can be considered as a secondary distribution flow for European importing wholesalers.

These importers and wholesalers take care of the importation procedures. They take ownership of the goods when they buy from an exporter (as opposed to agents), taking the risk of the onward sale of the products. Developing a long-term relationship can lead to a high level of cooperation on appropriate designs for the market, new trends, use of materials, type of finishing, and quality requirements.

Importing retailers

Some retailers, especially the larger chains, import directly from their suppliers in developing countries. Many large retail chains even have their own buying offices in developing countries. Others, mainly the smaller independent stores, order in Europe from wholesalers.

Retailers come in many sizes: large and part of a chain, or small and independent. There is a tendency for consolidation in European retail, with large retail brands becoming more spread out over Europe and becoming more lifestyle-centred, offering home decorations and textiles as well as fashion accessories and furniture.

Buying agents

Buying agents do not import, but they represent European buyers in the sourcing country. Sometimes, agents have a more limited role, for example, checking the quality of the shipments in your warehouse on behalf of a specific importer, or checking the codes of conduct that exporters agreed with the buyer. Agents can work individually or as part of purchasing companies. They mostly act on the base of commission.

E-commerce

E-commerce in the HDHT sector is growing and can help you reach a broader range of customers. Retailers often combine online and offline channels. Consumers research and purchase products online, shopping around and comparing prices on HDHT items. Small gift items like Christmas tree decorations are especially suitable for this, provided the packaging is sufficiently protective. To supply to e-commerce, you must offer small batches, fast delivery, and be able to work with individual packing and labelling.

Tips:

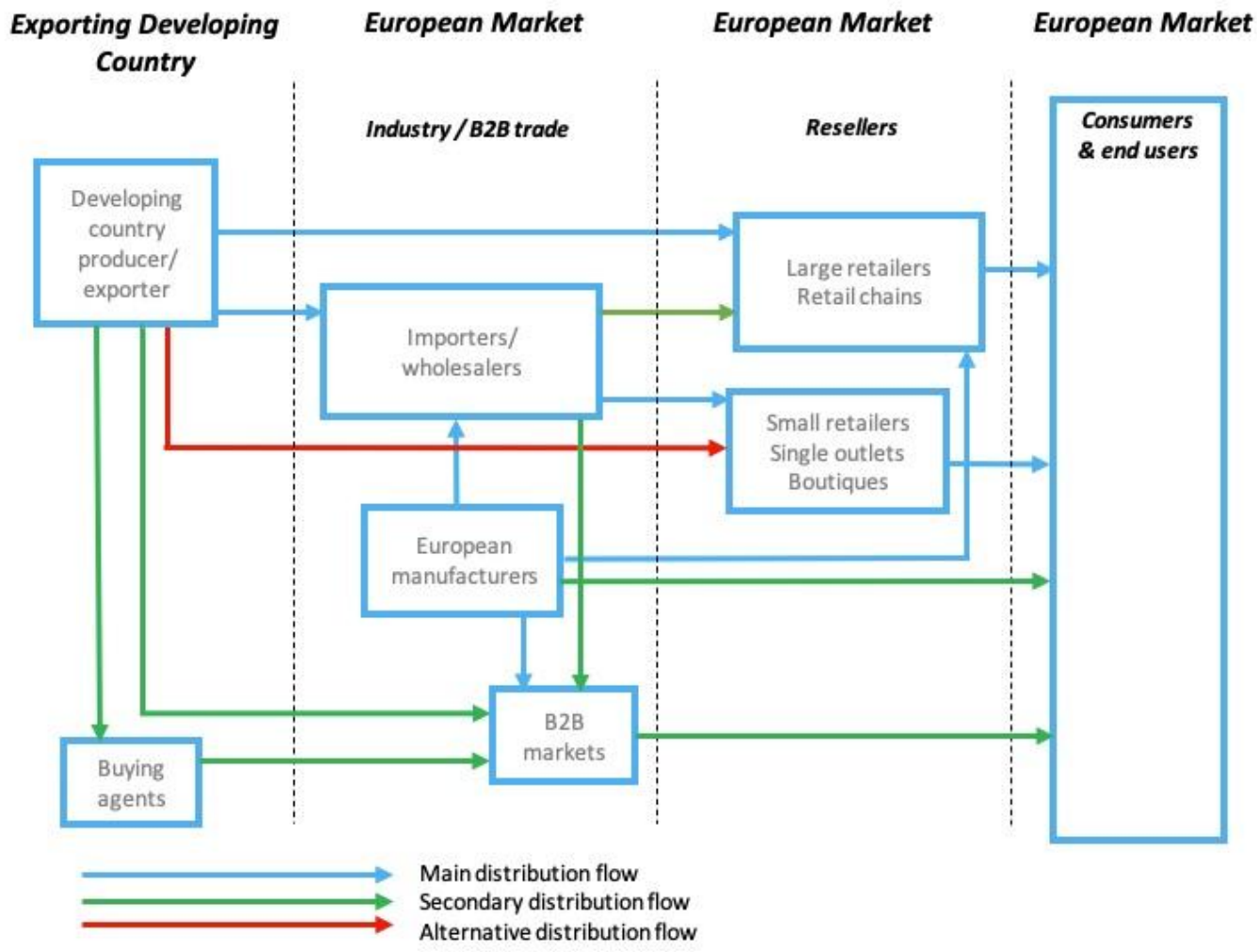
To find potential buyers, search the list of exhibitors or visit the main trade fairs in Europe: Ambientes (February), Christmas world (January), and Tendence in Frankfurt (August), and Maison et Object in Paris (January and September).

Search the member lists of relevant industry associations to find potential buyers, such as Ceremonies (European Ceramic Industry Association), which represents the European Federation of Ceramic Table- and Ornamental ware (FEPF).

See our tips for finding buyers in the European HDHT market.

For more information about trading directly with smaller retailers, see our special study about alternative distribution channels.

Figure 2: Trade channels for Christmas tree decorations in Europe



What is the most interesting channel for you?

Wholesale importers are the main channel between exporters in developing countries and European retailers. They are interesting if you want to develop a long-term relationship and they usually have good knowledge of the European market. They can provide you with valuable information and guidance on European market preferences and will normally provide you with design input.

However, as the market is becoming more and more competitive, large retailers are increasingly importing for themselves instead of through European wholesale importers. The obvious advantages are cutting out the margins of the wholesaler and reducing delivery time to the market. In the lower-end market segments, self-importing retailers might want to drive a much harder bargain with you. However, in the higher middle segment, which offers you the most opportunities, price is less of an issue.

Smaller, independent European retailers continue to purchase mainly from domestic wholesalers and importers. As in other European market sectors (such as food or clothing), independent HDHT retailers struggle to compete with retail chains. They need to differentiate on value-added service, as well as specialised assortment and authenticity. They typically prefer small order quantities per item, small total order volumes and delivery to their doorstep, with a limited likelihood of repeat orders. You need to calculate if this is cost-effective for you.

The trend of direct sourcing is expected to continue in the future and may create more opportunities for you. The pool of buyers may increase if more retailers become importers, possibly resulting in an improvement of your bargaining position. Importing retailers order for their own shops and can therefore place orders much more quickly than some importers and wholesalers, who first need to show samples to their retailers before

exporters receive their orders.

Tips:

Consider targeting retailers directly, to improve your bargaining position and increase your chance to close deals faster.

Relate your offer and terms to the targeted retailer (large or small). Ask your existing buyers how they operate, if you are unsure. The better informed you are about this aspect, the better you will be able to set prices.

For more information on the pros and cons of dealing directly with smaller retailers, read our study on alternative distribution channels.

Offer suitable services such as fast delivery and after sales support, to build a relationship based on mutual benefits.

When you are participating in international trade fairs, especially in Europe, make sure that you have a policy for small, independent retailers coming to your booth. If you choose to sell to them, you must have appropriate terms of trading, such as low minimum order quantities, delivery to the doorstep of the retailer or pre-stocking.

3. What competition do you face on the European Christmas tree decoration market?

The COVID-19 pandemic and the measures taken against it worldwide are having a large impact on international trade and the European market for many products and services, including home decorations and home textiles (HDHT). Please note that the below analysis is based on the statistics that are currently available (2015–2019). Therefore, the expected impact of the pandemic on the European market and global supply chains have not been taken into account in this report. For the latest news in your sector, please check CBI News.

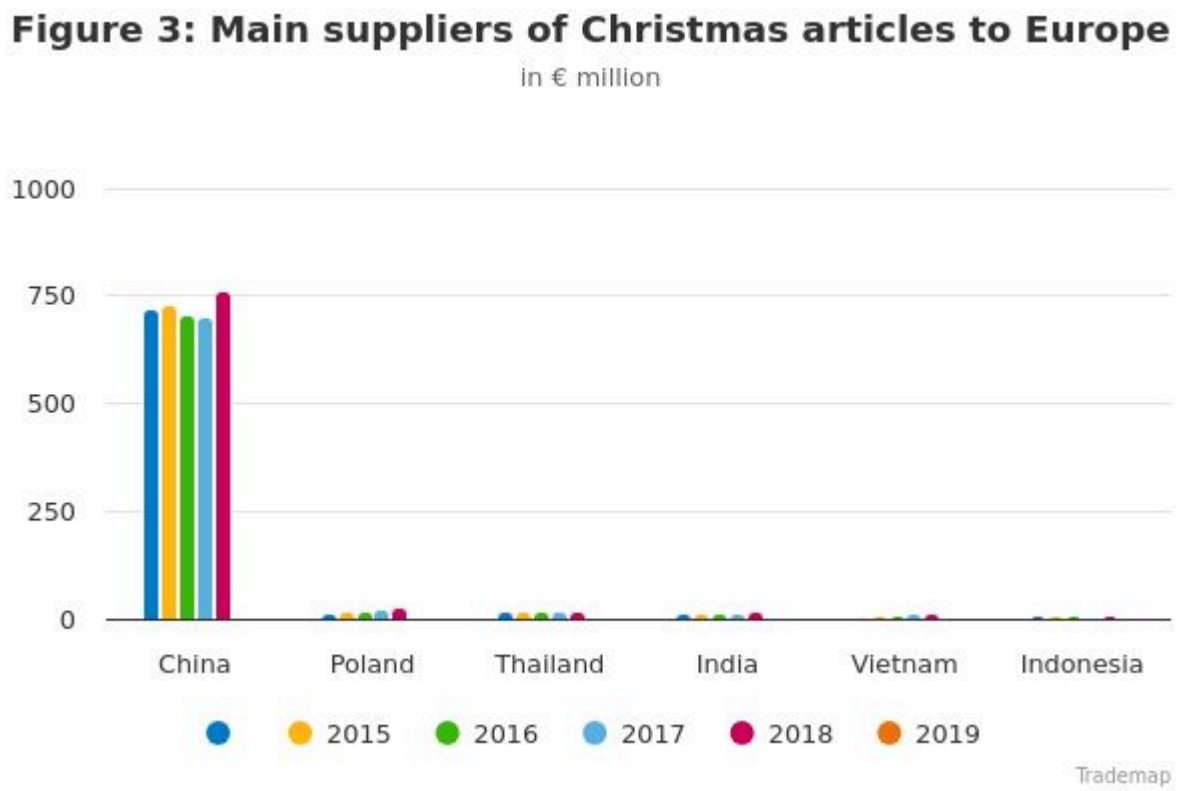
China is by far the main Christmas tree decorations supplier to Europe, providing 66% of the imports. The Netherlands (9%) and Germany (7%) follow at a distance. Poland, the United Kingdom, and Belgium are next on the list with approximately 2% market share each.

However, you should be aware different countries have different roles in the European market. You can make a rough distinction between countries that are mainly importers and countries that are mainly manufacturers. Most western European importers do not just sell their products in their own country, but across Europe. This explains why in HDHT, small countries like Denmark and the Netherlands often import much more than the demand in their own domestic markets.

European production mainly takes place in Eastern European countries. This is mostly because they already are in the European market and they have relatively low wages. This sometimes makes them a good alternative for sourcing from the Far East.

In general, western European countries are mainly re-exporters, Far Eastern countries are the manufactures and Eastern European countries are the new manufacturers. Mass-produced Christmas tree decorations is segmented in the lower ends of the market and produced in the most cost-effective country. You do not compete with these countries, as your focus should be on the mid- to high-end markets. Western European countries could therefore be interesting trading partners for you.

Which countries are you competing with?



China dominates the market

As discussed, China is Europe's main supplier of Christmas tree decorations. With €761 million out of €823 million, China is responsible for more than 90% of the imports coming from developing countries. Promising however, is the average annual growth rate of the other developing countries (8.2% between 2015 and 2019), which is considerably higher than that of China (1.5%). This indicates opportunities in the European market despite China's dominance.

Low wages, availability of raw materials and efficient shipping to Europe compared to other Asian countries make China the most competitive supplier. In the coming years however, disruptions following China's trade war with the United States and the COVID-19 pandemic may negatively impact the country's trade performance. This could benefit companies from other developing countries.

Chinese producers mainly supply the lower ends of the market with low-priced products, as product development and creativity are not their core strengths. To avoid having to compete with Chinese suppliers on costs, you should differentiate and stay away from mass-produced Christmas tree decorations. Focus more on design, craftsmanship, sustainability, and storytelling, which allows you to enter the mid- and higher-end markets, where your best opportunities are.

Poland is strengthening its position as a supplier

Although Poland is a relatively small player in the Christmas tree decoration market, the country is quickly increasing its exports. At an impressive rate of 23% per year, Polish supplies grew from €11 million in 2015 to €24 million in 2019.

The country's strength is its geographical proximity to the western European markets, allowing suppliers to offer short delivery times. Compared to western Europe, wages in Poland are relatively low. Polish suppliers have a good understanding of the western European consumer and have well-established and efficient production lines. In addition, products that are made in Europe are increasingly popular.

To compete with Poland, you should focus on design, craftsmanship, material use, and the story behind your product. Make sure you offer a high level of service to build strong relationships.

Thailand mainly supplies to the Netherlands

Thai supplies to Europe increased from €15 million in 2015 to €16 million in 2019, at a relatively modest rate of 1.5% per year. This growth is mainly due to a strong performance in the Netherlands, where Thailand increased its exports from €3.9 million to €6.3 million. As the Netherlands is a key trade hub, Dutch importers can distribute Thai Christmas tree decorations across Europe.

Supplies from India are relatively stable

Indian exports of Christmas tree decorations to Europe are fairly stable at €12 million, with a slight jump to €14 million in 2019. With skilled labour and transportation at competitive costs, India could be well positioned to take a bigger share of the European import market. Indian producers have easy access to natural materials and specialise in craftmanship, allowing them to target higher market segments than the mass-produced products from China.

Vietnamese exports are growing exponentially

Between 2015 and 2019, Vietnam increased its supplies of Christmas tree decorations to Europe from €3.4 million to €12 million, at an impressive average annual rate of 36%. Like suppliers from China, Vietnamese producers are very productive and can produce against low cost. This puts them in a promising position to potentially benefit from the trade war between the United States and China. Although Vietnamese suppliers often lack creativity when it comes to new concepts and design, this is less relevant in the low-end market.

Indonesia focuses on the United Kingdom

Indonesian supplies of Christmas tree decorations to Europe fluctuated somewhat between 2015 and 2019. Thanks to a strong performance in 2019, this resulted in an increase from €4.9 million to €7.3 million at a strong average rate of 11% per year. These exports were almost exclusively destined for the United Kingdom. Indonesia's low wages comparatively to European labour costs, and access to raw materials are the country's main strengths.

Tips:

Compare your products and company to the competition. Use the ITC Trade Map to find exporters per country and compare on market segment, price, quality, and target countries.

To stand out from your main competitors, focus on design, craftsmanship, quality, and storytelling.

Which companies are you competing with?

Unique Trading – Egypt

Unique Trading is a small factory in Alexandria, Egypt, with 18 years of experience in Christmas tree ornaments in Pyrex glass. This is a typical kind of glass that can withstand great heat and pressure, but looks very delicate and fragile.

This is a good example of successfully covering a niche in this very competitive, mass-product group by just focusing on one material and mastering it well. The Pyrex ornaments come in any imaginable shape and colour and often have an iridescent glow due to the light reflecting in the glass. They are hand-blown products and

have managed to stand on its own in the mid- to mid-high ends of the market for Christmas tree decorations.

Democrat Inc. – Philippines

As a small-scale specialist in Christmas decorations in blown glass and other materials, Democrat has more than 15 years of experience in this market. In a harshly competitive market for Christmas tree decorations, dominated by large-scale manufacturers in China and huge importer-wholesalers, they are managing to stay afloat although their prices will never be the lowest.

Their cute style in baubles and ornaments, their thematic approach and their persistent marketing effort is earning them a loyal following amongst smaller importers and retailers. The company is community-based, working with decentralised workshops in their region. If they adopted an active social policy, it might help them extend into fair-trade segments, too.

Which products are you competing with?

Competition in Christmas tree decorations is mostly within the product group itself. Consumers can choose from a huge variety in themes, materials, and techniques at Christmas time. Design is a big factor in the mid- to higher-end segments.

Price can be a determining factor, but also distribution. During the festive season, consumers will shop where it is most fun, where there is a Christmas atmosphere and lots of choice available. For the mid- to higher-end segments, this is often the traditional department store, with its decorated windows, music and a dedicated Christmas decoration department. For the mid- to lower-end segments it is the garden centre, which offers a one-stop shop to a full Christmas collection at affordable prices.

Tip:

To stand out and enter small and potentially lucrative niches, group your collection in well-defined themes and colour palettes. Show your craftsmanship, tell a cultural story and add sustainability values.

4. What are the prices for Christmas tree decoration on the European market?

Prices for Christmas tree decorations vary across market segments, ranging from low end to high end. After adding logistics costs, wholesaler and retail margins, and VAT, European consumer prices amount to 4–6.5 times your selling price.

Table 1 gives an overview of the prices of Christmas tree decorations in the low, middle and high market segments.

Table 1: Indicative consumer prices of a Christmas tree bauble or figurine in Europe

	Low-end	Mid-end	High-end or premium
Christmas tree bauble or figurine	Under €5	€5–€15	€15 and up

Consumer prices depend on the value perception of your product in a particular segment, which is influenced by your marketing mix:

- product benefits (design, material, techniques, brand value, dimensions)
- promotion (brand or not, sustainable values, designer names)
- points of sale (reseller positioning)
- price

The following percentages give an indication of a price breakdown for Christmas tree decorations in the supply chain:

- shipping, import, handling costs: +25%
- wholesaler: +100%
- retail: +100%–150%
- VAT*: +20%

*VAT percentages in Europe range from 18% in Malta to 27% in Sweden. On average, these percentages are approximately 20%.

For example, in Table 2 the FOB price is set at €10. Depending on the market segment your product is designed for, the consumer price ranges from €41 in the low-end market to €65.50 in the high-end market.

Table 2: Example of the price breakdown per market segment

	Low margin	Middle margin	High margin	
FOB price	€10.00	€10.00	€10.00	Your FOB price
Transport, handling charges, transport insurance, banking services (20%, 15%, 15%)	+2.00 €12.00	+1.50 €11.50	+1.50 €11.50	Landed price for the wholesale importer
Wholesalers' margins (50%, 75%, 90%)	+6.00 €18.00	+8.60 €20.10	+10.40 €21.90	Selling price from the wholesale importer to the retailer
Retailers' margins (90%, 110%, 150%)	+16.20 €34.20	+22.20 €42.30	+32.70 €54.60	Selling price excluding VAT from the retailer to the end consumer

Selling price incl. VAT (20%)	+6.80 €41.00	+8.50 €50.80	+10.90 €65.50	Selling price including VAT from the retailer to the end consumer

Some examples of online Christmas tree decoration prices (excluding shipment) across Europe are:

- Fair trade, azo dye free felt Christmas baubles, Love to be Home (Netherlands), set of 3: €11.95
- Hand-painted paper mâché baubles, Decorator's Notebook (United Kingdom), set of 4: €20 (approx.)
- Handmade painted glass bauble with wooden gift box, Digul Sphere (Italy): €56

Tips

Study consumer prices in your target segment to determine your price and adjust your cost accordingly. The quality and price of your Christmas tree decorations must match what is expected in your chosen target segment.

Understand your segment. Offer a correct marketing mix to meet consumer expectations. Adapt your business model to your position in the market.

This study was carried out on behalf of CBI by Globally Cool B.V. in collaboration with GO! Good Opportunity.

Please review our market information disclaimer.