Entering the European market for carpets made of natural materials

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The mid- to higher-end segments of the European market offer good opportunities for suppliers of natural fibre carpets, but competition is fierce. Added value needs to be offered through design, craftsmanship, sustainability, and storytelling. In order to be allowed to enter the European market, the European Union's (legal) requirements must be complied with, as well as any additional or niche requirements buyers may have. Banning child labour is an issue that is especially relevant in the carpet industry.

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1. What requirements must carpets made of natural materials comply with to be allowed on the European market?

The following requirements apply to carpets made of natural materials on the European market. For a more detailed overview, see our report on buyer requirements for Home Decorations and Home Textiles (HDHT).

What are the requirements?

General Product Safety Directive

Europe's General Product Safety Directive (2001/95/EC) is a legislative framework, stating that all products marketed in the European Union (EU) must be safe to use. Unsafe products are rejected at the European border or withdrawn from the market. The EU uses the Safety Gate system to list and share information about such products.

In 2021 the European Commission adopted a proposal for a General Product Safety Regulation, to replace the current directive. This new legislation would be applied in its entirety across the EU.

Tips:

Read more about the General Product Safety Directive and stay up to date on the proposed rollout of a new General Product Safety Regulation.

Use your common sense to ensure that normal use of your product is not dangerous.

Search the Safety Gate alerts for carpets to get an idea of what kinds of issues may arise.

Restricted chemicals: REACH

The REACH regulation (EC 1907/2006) lists restricted chemicals in products that are marketed in Europe.

Restricted chemicals in the production of textiles include:

- azo dyes that release prohibited aromatic amines
- certain flame retardants, such as TRIS, TEPA and PBBs

Tips:

Make sure you comply with the restrictions for the use of chemicals as laid down in REACH.

Do not use azo dyes that release forbidden aromatic amines. This includes checking with your own suppliers and asking for certified azo-free dyes. Be aware of the fact that the legislation lists the aromatic amines, not the azo dyes that release them.

Keep track of developments in the field of flame retardants, as new alternatives are developed. You can do so through pinfa, for instance.

Familiarise yourself with the full list of restricted substances in products marketed in Europe via the Access2Markets platform.

For information and tips from the European Chemical Agency (ECHA), see REACH Annex XVII (a list of all restricted chemicals), information for non-EU companies and questions & answers, for instance.

Textile Regulation

The European Textile Regulation states that textile products must be labelled or marked, to ensure that consumers know what they are buying. The regulation applies to all products that contain at least 80% (by weight) of textile fibres. These products must have a label that states their full fibre composition and, if applicable, the presence of non-textile parts of animal origin. The label needs to be durable, easily legible, visible, accessible, and printed in all the official national languages of the European countries the product is sold in.

There is no EU-wide legislation on the use of symbols for washing instructions and other care aspects of textile articles. To give consumers clear information, you should follow the ISO 3758:2012 standard for the use of graphic symbols in care labelling.

Tips:

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

Make sure you know your product and how it should be labelled in Europe. For example, if you use the name of a type of cotton, cotton trademark, or other term that implies the presence of a type of cotton, the generic fibre name ‘cotton’ must be used. Find out more about textile labelling rules from Access2Markets.

Packaging legislation

The Packaging Directive (94/62/EC) is aimed at preventing or reducing the impact of packaging and packaging waste on the environment. Buyers may therefore ask exporters to minimise the use of packaging and/or to use sustainable (recycled) materials. The EU's new Circular Economy Action Plan identifies packaging one of the sectors that uses most resources, with high potential for circularity. All packaging on the European market should be reusable or recyclable in an economically viable way by 2030. To help achieve this, the Packaging Directive is under review.

Europe also has requirements for wood packaging materials (WPM) used for transport, such as packing cases and pallets. The goal is to prevent organisms that are harmful to plants or plant products from entering and spreading within the EU.

Tips:

For more information, see the EU's packaging and packaging waste legislation and wood packaging material factsheet.

Stay up to date on the review of the Packaging Directive.

What additional requirements do buyers often have?

Sustainability

Requirements with regard to social and environmental sustainability are becoming increasingly common in the European market. These include requirements with regard to sustainable raw materials and production processes, as well as the impact a company has on the environment, the wellbeing of workers and the community. These topics can be included in the "story" behind a product and company. Buyers appreciate good storytelling as it helps create an emotional connection with their customers.

Consumers value sustainability

The increasing importance of sustainability is reflected in a recent Maison et Objet Barometer, in which 62% of HDHT retailers said they had noticed growing interest from their customers in ethical products. They indicated that 92% of their customers think natural materials are (very) important, 77% value socially responsible production methods, and 71% care about recyclable/recycled materials.

An increasing number of European buyers would like you to comply with the following schemes:

- Business Social Compliance Initiative (BSCI): an initiative of European retailers to improve social conditions in sourcing countries. They expect their suppliers to comply with the BSCI Code of Conduct.
- Ethical Trading Initiative (ETI): an alliance of companies, trade unions and voluntary organisations. ETI aims to improve working conditions in global supply chains via their ETI Base Code of labour practice.
- Sedex: a membership organisation striving to improve working conditions in global sourcing chains. The Sedex Advance platform lets you share your sustainability performance, based on a self-assessment.

Standards such as ISO 14001 and SA 8000 can be consulted to find out more about sustainable options. However, only niche market buyers demand compliance with such standards.

Greenwashing – be honest about sustainability

Half of green claims are not supported by evidence, according to a recent screening of websites by the European Commission and national consumer authorities. With this so-called 'greenwashing', companies pretend to be doing more for the environment than they really are. In 42% of the cases the claims were believed to be exaggerated, false or deceptive and could potentially qualify as unfair commercial practices under EU rules. Unsurprisingly, many consumers (and importers) do not trust generic sustainability claims. In a 2021 study, just 20% of Western European respondents had a great deal/a lot of trust in claims about sustainable business practices.

Clearly, being honest yet effective is key. For help with communicating about sustainability performance see the guidelines sustainability claims published by the Netherlands Authority for Consumers and Markets. The British Competition and Markets Authority's guidance for businesses on making environmental claims also lists 6 principles which should be followed.

Organic cotton is becoming an increasingly popular sustainable option for home textiles. Although this is not (yet) a mainstream requirement, you can research your options for certification from the Global Organic Textile Standard (GOTS). The easiest way to use certified organic cotton is by sourcing certified organic yarn or fabric.

The European Commission has adopted the Circular Economy Action Plan, as a main building block of the European Green Deal. The action plan includes the intention to launch a new strategy for textiles. One goal of this strategy is to boost the European market for sustainable and circular textiles.

Tips:

- Optimise your sustainability performance. Reading up on the issues addressed by the initiatives such as BSCI and ETI will give you an idea of what to focus on.
- If you can show your sustainability performance, for instance with a self-assessment like the BSCI Producer Self-Assessment and Sedex's Self-Assessment Questionnaire, or a code of conduct such as the ETI Base Code of labour practice, this may give you a competitive advantage
- Stay up to date on the launch of the strategy for textiles. For more information on European developments in the field of human rights and sustainability, also see the proposal for a Directive on corporate sustainability due diligence. This Directive requires larger companies to identify and – where necessary – prevent, end or mitigate the negative impacts of their activities on human rights and the environment.
- For more information, see our special report on sustainability in the HDHT sector and our webinar on the sustainable transition in apparel and home textiles.
- See the ITC Standards Map for more information on BSCI, ETI, Sedex, SA8000 and GOTS.

Labelling

The information on the outer packaging of carpets should correspond to the packing list sent to the importer.

External packaging labels should include:

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

The most important information on the product labels of carpets is the composition, size, origin and care labelling. The buyer will also 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. In Europe EAN or barcodes are often included on the product label. For more information, please refer to the chapter on the Textile Regulation.

Packaging specifications

Importer specifications

You should pack carpets 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 packaging specifications, which are part of the purchase order.

Damage prevention

Carpets are transported as rolls, wrapped in plastic film and jute/hessian sacking. They are rolled up with the face inside and packaged before they are put into a container. Sometimes two carpets are rolled up together, but this may make the roll too heavy. When in doubt, check the requirements with the buyer.

Do not handle carpets with bag or plate hooks, as the film packaging can easily be torn. Use a carpet carrying mandrel for handling rolled carpets.

Materials

Importers are increasingly banning wooden crating and packaging. Economical and sustainable packaging materials are more popular. Using biodegradable packaging materials can be a market opportunity. Some buyers may even require it.

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, 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.

Tips:

See our tips on how to organise your exports for more information on payment and delivery terms.

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

For a more detailed overview of the various terms and conditions, how to work with them, and the benefits of having your own, see our report on terms and conditions.

What are the requirements for niche markets?

Ethical rugs and carpets

Several ethical initiatives focus specifically on the carpet industry:

- GoodWeave works to end child labour in global supply chains, including the carpet industry in South Asia. You can search retailers by country for an indication of the relevance in your target market.
- Care & Fair aims to combat illegal child labour and improve the situation of carpet knotting families in India, Nepal and Pakistan. You can browse importers and retailers by country.
- Label STEP focuses on working and living conditions of carpet weavers and the fight against child labour. You can search dealers by country.

See an example of GoodWeave carpet production.

Tips:

To target the ethical market, you need to find business partners in this niche.

Research the initiatives and how they work to determine if your company would be a good match. If so, determine which certification programme would be the best fit for you and apply for certification.

Read more on GoodWeave in the ITC Standards Map.

Fair trade

According to the World Economic Forum, 86% of people want significant change to make the world a fairer and more sustainable place after COVID-19. The concept of fair trade supports fair pricing and improved social conditions for producers and their communities. A competitive advantage can be gained with fair trade certification, especially if the production of the items is labour intensive.

Well-known fair-trade certifications issued by the World Fair Trade Organisation (WFTO) and Fair for Life. For most fairtrade-oriented buyers in Europe, however, simply complying with WFTO's fair trade principles is enough.

Tips:

Ask buyers what they are looking for. In the case of fair trade products, the story behind the product is especially useful for marketing purposes.

Determine which certification programme would be the best fit for your products and apply for it if you can.

If certification is not feasible, you can work according to fair trade principles without being officially guaranteed or certified. You should carefully document your company processes so you can support your story.

Check the ITC Standards Map database for more information on Fair for Life.

Sustainable textile certification

While sustainability is becoming more and more common in this sector, the actual use of certification is lagging behind. However, buyers are increasingly interested in certification to "prove" their sustainability – particularly organic certification.

Some of the most popular certification processes for home textiles are:

- Global Organic Textile Standard (GOTS) – a textile-processing standard for organic fibres that ensures environmental and social responsibility throughout the production chain of textile products.
- OEKO-TEX Standard 100 – certification that guarantees textile articles are free of harmful substances.

Other options include the Nordic Swan eco-label (used in the Nordic countries) and the EU Ecolabel. The Ecolabel is only awarded to products with the lowest environmental impact in a product range.

Tips:

Research the possibility of sourcing organic cotton. The easiest way is to use certified organic cotton yarn if you are weaving fabric, or certified organic cotton fabric if you are in CMT (Cutting Making Trimming). Textile products containing a minimum of 70% organic fibres can be GOTS-certified.

Read more about GOTS, OEKO-TEX and the EU Ecolabel in the ITC Standards Map.

Determine which certification programme would be the best fit for your products and apply if possible.

Woolmark

Woolmark certification provides consumers with guaranteed wool fibre content and an assurance of quality. It includes specific standards for several product groups, including carpets.

Tip:

If you supply woollen products, find out how to become Woolmark-certified.

2. Through what channels can you get carpets made of natural materials on the European market?

The European carpet market is segmented into low-, mid- and high-end (premium) market segments. The carpets are bought and sold through the traditional channels: importers/wholesalers that supply to retailers, as well as retailers that buy directly from suppliers.

How is the end market segmented?

Figure 1:

Source: Globally Cool, GO! Good Opportunity & Remco Kemper

Low-end market

In the low-end segment, simple and inexpensive carpets are common. They are usually made of inexpensive materials; a good example is jute. Whereas rugs are widely available in the low-end segment, larger carpets in this segment are usually sold through specialised (online) retailers such as Volero and Carpetright.

Products from countries like India and China generally dominate this market. Competing with the exporters of these cheap and relatively mass-produced carpets is almost impossible. Instead, the most opportunities for small and medium-sized enterprises (SME) from developing countries can be found in the (higher) middle and (lower) high segments.

Mid-end market

In the middle-end segment, there is more emphasis on design and finish, while prices are still reasonable. Zara Home and IKEA are key players in this segment. The mid- to high-end market responds well to local character, identity and craftsmanship. Sustainability is becoming increasingly important to consumers in this segment. This makes the use of natural and/or recycled materials, as well as natural dyes, for rugs an interesting option.

High-end/premium market

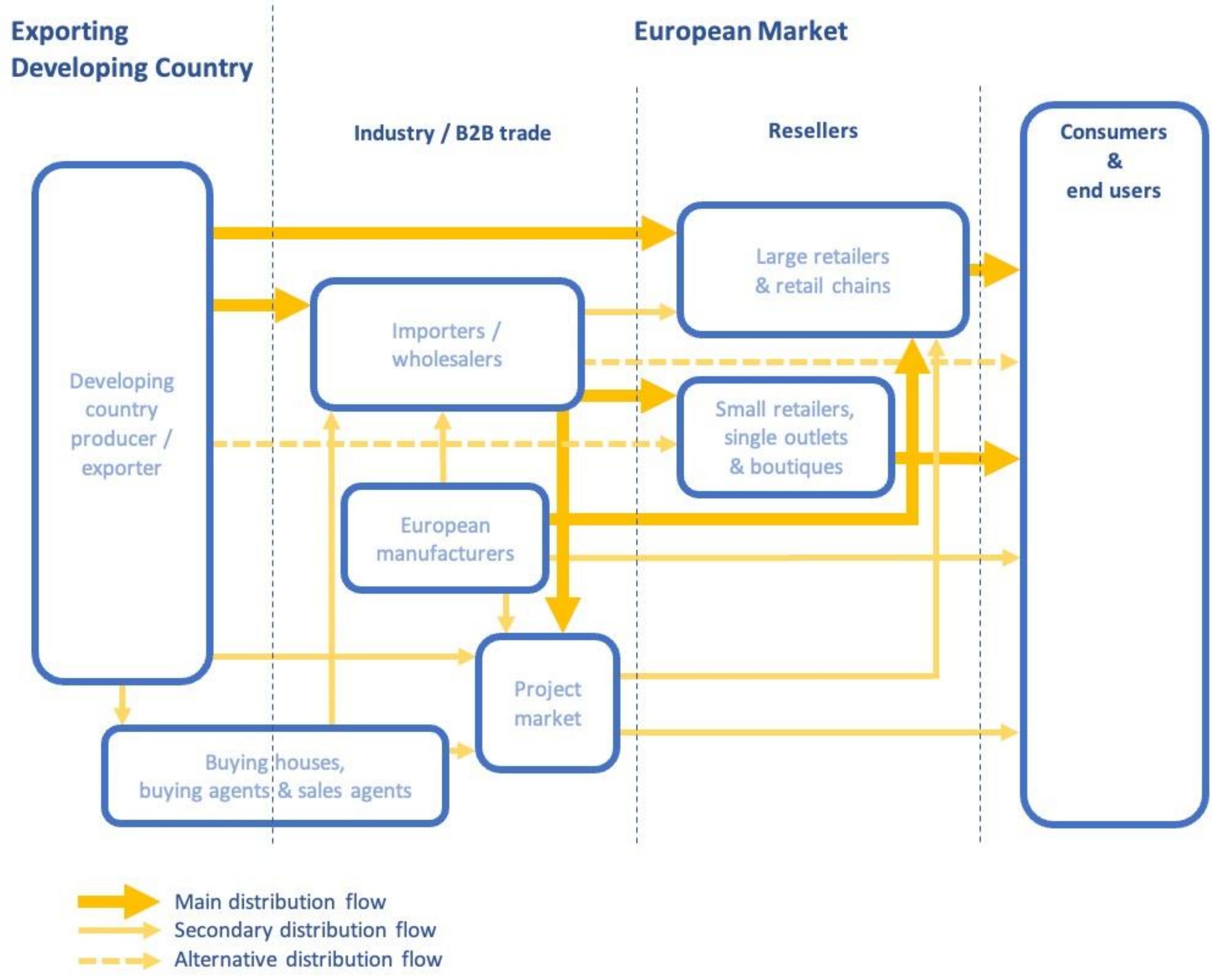
In the high-end segment, designer quality is common and private labels are standard. The style of products for this market tends to be timeless. They can also be made with high-end materials such as silk, cashmere, another high-quality wool, and blends of these fibres. Luxury department stores such as Harrods play an important role in this segment. There are also specialised retailers that focus on the high-end carpet segment.

Through what channels do carpets of natural materials end up on the end-market?

Traditionally, carpets were traded through different channels than other home textile products. However, these items now have an established presence in the mainstream trade channels and have become lifestyle products. Whereas top-quality carpets were previously only sold in speciality shops, they are now available at department stores. Large retail chains like IKEA now also sell handmade rugs and carpets.

This means the channels through which carpets are bought and sold on the market now follow the traditional patterns: importation takes place via importers/wholesalers that supply to retailers. Larger retail chains often bypass the importers/wholesalers and import carpets themselves, while more and more smaller retailers have also started buying directly from suppliers. In some cases, buying agents play a role.

Figure 2: Trade channels for carpets in Europe



Source: Globally Cool, GO! Good Opportunity & Remco Kemper

Importers/wholesalers

Importers/wholesalers sell products to retailers in their own country or region, or re-export them across Europe. Some European markets therefore source the products from importers/wholesalers in other European countries (intra-European trade). Supplying to buyers in the project market (such as hotels and spas) can be considered a secondary distribution flow for them.

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

Importing retailers

Retailers come in many sizes: they can be large and part of a chain, or small and independent. Larger retail chains, in particular, often import directly from exporters in developing countries. Many even have their own buying offices in developing countries. Others, mainly the smaller independent stores, order goods in Europe from wholesalers.

There is a tendency towards consolidation in European retail. Large retail brands are becoming more widespread and more 'lifestyle-centred', offering home decoration items and textiles, in addition to fashion accessories and furniture.

Buying agents, buying houses and sales agents

European buyers work through various types of intermediaries. In developing countries, there may be buying houses, and in Europe there are both buying agents and sales agents.

- European buying agents represent European buyers in sourcing countries. They act as intermediaries, meaning they do not import products themselves. Sometimes they have a more limited role, such as checking the quality of the products. They can work individually or as part of a purchasing company.
- Buying houses are comparable to buying agents, but they are based in the exporting country and usually offer more services. These can range from the sourcing of raw materials to design and sampling services.
- European sales agents can help you find European buyers. However, you should be careful about entering into agreements with commercial agents, because European legislation protects their position.

Agents and buying houses mostly work on commission. They may contact exporters directly, or a buyer could indicate they prefer using an intermediary. However, it is always best to try to work directly with a buyer. That way, no commission is charged and the buyer can be communicated with directly.

E-commerce

E-commerce is growing, particularly since the start of the COVID-19 pandemic. The best way to benefit from this, is to focus on finding a European importing wholesaler or retailer with a strong online presence to supply products to. For most producers, this is not a separate channel. Catering to buyers that sell online does not differ from doing business offline. Retailers often combine online and offline channels, but the way of supplying to them is the same. Companies that only sell online also need to take inventory before they can sell their products.

Direct business-to-consumer (B2C) sales

Selling directly to European consumers via an exporter's own website can be complicated and costly. The exporter bears responsibility for factors like aftersales obligations and payment systems, among other things. For most exporters from developing countries this is not manageable. In addition, according to the Consumers' Association, Dutch consumers have been buying less from non-EU web shops since new EU VAT rules were rolled out in July 2021. This makes direct online sales even less appealing.

Tips:

- To find potential buyers, search the list of exhibitors or attend the main (online) trade fairs in Europe: Ambiente (February), Domotex and Heimtextil (January) in Frankfurt, and Maison et Objet (January and September) in Paris.
- Search the member lists of relevant industry associations to find potential buyers, such as ECRA (European Carpet and Rug Association) and EURATEX (European Apparel and Textile Confederation).
- See our tips for finding buyers in the European HDHT market.

What is the most interesting channel for you?

Importers/wholesalers are the main channel between exporters in developing countries and European retailers. Working with them can be a good option if the goal is to develop a long-term relationship. These importers usually know the European market well, so they can provide valuable information and guidance on market preferences.

However, as the market becomes more and more competitive, large retailers are increasingly importing goods directly instead of through wholesale importers. Cut out the margins of the wholesaler and reducing the delivery time to market are obvious advantages of this. In the lower-end market segments, self-importing retailers might want to drive a much harder bargain. However, price is less of an issue in the mid-high segment, which offers the most opportunities.

Smaller, independent European retailers continue to buy mainly from domestic wholesalers/importers. As in other sectors, independent HDHT retailers struggle to compete with retail chains. They need to differentiate themselves based on value-added service, specialised offers and authenticity. These buyers typically prefer order small quantities of each item and small total order volumes and to have the items delivered to their doorstep. Repeat orders are also less likely with these buyers. This may not be cost effective for all exporters.

The trend of direct sourcing is expected to continue and may create more opportunities for exporters in developing countries. The pool of buyers will grow if more retailers become importers, which could improve exporters' bargaining position. Importing retailers order items for their own shops and can therefore place orders much more quickly than some importers/wholesalers, who may need to show samples to their retailers before ordering.

Tips:

- Consider targeting retailers directly to improve your bargaining position and potentially close deals faster.
- Communicate 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, the better able you will be to set prices.
- For more information on the pros and cons of dealing directly with smaller retailers, read our report on alternative distribution channels.
- Build a mutually-beneficial relationship by offering services such as fast delivery and after sales support.
- When you participate in international (European) trade fairs, make sure you have a policy for small, independent retailers which may visit your booth. If you choose to sell to them, you must have the

appropriate terms of trading, such as low minimum order quantities or pre-stocking.

3. What competition do you face on the European market for carpets of natural materials?

Europe mainly imports its natural fibre carpets directly from India. To compete with manufacturers in the mid- to high-end market, added value must be offered through sustainability and the use of high-quality natural and/or recycled materials.

India is by far the leading natural fibre carpet supplier to Europe, with a direct import market share of 34%. Germany trails behind at 7.8%. The remaining top 6 countries are Belgium (6.4%), the Netherlands (5.6%), China (4.7%) and Turkey (4.6%).

Re-exporters or producers

It is important to be aware of the fact that European countries play different roles in the market. Some are mainly importers and others are mainly manufacturers. Western European countries are mainly importers (and re-exporters). Most Western European importers do not just sell their products in their own country, but they also distribute them across the continent.

European production mainly takes place in Eastern Europe, mostly because of relatively low transport and labour costs. These countries can therefore be a good alternative for sourcing low- to mid-end products. Some high-end products from well-known premium brands with a long history are also produced in Western and Southern Europe.

Mass-produced carpets are produced at the lower end of the market and in the most cost-effective country. It is best not to try to compete with these countries, but rather to focus on the mid- to high-end market.

Which countries will you compete with?

India dominates the market

As mentioned previously, India is Europe’s main supplier of natural fibre carpets. The value of these goods grew from €251 million in 2017 to €319 million in 2021, due to particularly strong performance in 2021. As a result, the country has a direct import market share of 34%. Due to its skilled labour and transport at competitive costs, India has a strong position in the European market.

India has a long history of carpet and rug production. The town of Bhadohi, also known as Carpet City, is home to one of the largest handwoven carpet industries in South Asia. Indian producers have easy access to a variety of natural materials and specialise in craftmanship. This allows them to target the mid- to high-end market segments, in which mainly carpets made of natural materials are sold. These strengths make the country a tough competitor in the natural fibre carpets market.

China's market share has decreased

Imports of natural fibre carpet from China to Europe fell by 24% in 2020, and did not return to their previous level in 2021. This led to an overall average annual decline of 1.6%, from €46 million in 2017 to €43 million in 2021. As a result, China has lost some of its market share.

Its low-cost labour, availability of raw materials and efficient shipping to Europe compared to other Asian countries make China the most competitive supplier. However, the country's rising labour costs in the last 10 years have affected its price competitiveness. In the coming years, disruptions caused by China's trade war with the United States and the COVID-19 pandemic may also 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 inexpensive products, as product development and creativity are not their key strengths. To avoid having to compete with them in terms of cost, it is important for a company to differentiate itself and avoid selling mass-produced items..

Turkey specialises in kilim production

Turkey is another country with a long tradition of (kilim) rug making, particularly in the Anatolian region. In addition to its expertise in carpet production, the country's strengths include its relatively low wages and its convenient location close to the European market, allowing for relatively easy and affordable transport. These benefits make manufacturing locations in Turkey appealing, primarily due to the low cost. With a value of €43 million in 2021, imports of natural fibre carpets from Turkey to the European market returned to their pre-pandemic levels.

Iran is known for its Persian rugs

After falling by 38% in 2020, imports of natural fibre carpets from Iran to Europe recovered somewhat in 2021 (+41%). Overall, this resulted in a decrease in import value from €38 million in 2017 to €28 million in 2021.

Iran has a strong reputation in handmade rug production. When Westerners think of Persian rugs, they generally think of Iran. The craft is so important to Iranian culture, that UNESCO has recognised the traditional skills of carpet weaving in Fars as intangible cultural heritage. Although these rugs are traditionally made of wool, materials such as cotton and silk (or blends) can also be used.

Imports from Bangladesh are growing

Of Europe's top 10 suppliers of natural fibre carpets, only Bangladesh managed to increase its share in 2020. Its import value grew from €12 million in 2017 to €26 million in 2021. This amounted to impressive average annual growth of 22% between 2017 and 2021. As a result, Bangladesh has overtaken Pakistan in the list of Europe's leading suppliers.

Bangladesh's main selling points are its reasonable prices and a large skilled workforce. Importers generally perceive the country as fairly accessible and customer oriented. However, Bangladesh does not have local access to cotton and competition from neighbouring countries India and Pakistan is fierce. In addition, freighting can be relatively expensive. Because the Bay of Bengal is shallow, ships destined for Europe have to take a detour via Colombo. The damage to Bangladesh's reputation as a result of previous safety issues in the textile sector also poses a challenge.

Pakistan has a strong tradition in carpet production

In recent years, Pakistan's exports of natural fibre carpets to Europe have fluctuated. Overall, they decreased from €32 million in 2017 to €26 million in 2021. Carpet production is one of Pakistan's main small-scale and cottage industries, allowing weavers (often women) to work from their homes. The rugs are available in various designs, styles and materials, and have been exported to Europe for centuries.

Pakistan has a large workforce and low wages. It is one of the world's leading cotton producers, with a large spinning capacity to produce textile products. This gives Pakistan a competitive edge in the production of cotton rugs. To compete with Pakistani suppliers, exporters in developing countries can differentiate themselves by using other natural and/or recycled materials, or high-end materials such as silk and high-quality wool (blends).

Which companies will you compete with?

Jaipur Rugs - India

Figure 4: Jaipur Rugs – production process

Source: Jaipur Rugs @ YouTube

Indian producer Jaipur Rugs sells handmade rugs and carpets made of natural materials worldwide, both B2C and B2B (business-to-business). The company puts a lot of emphasis on the sustainable side of their business, and it has even created a dedicated website to talk about the work they do with their Jaipur Rugs Foundation. Jaipur Rugs "combines the pursuit of profit with the spreading of kindness, with the aim of benefiting all the people sitting around its rugs; customers, artisans, local communities, employees, suppliers, buyers and partners".

The Carpet Maker - Thailand

The Carpet Maker is a carpet manufacturer in Northeast Thailand, specialised in the traditional weaving techniques from the region. The company "set out to provide a stable working environment for underprivileged citizens of the north-eastern provinces and to increase opportunities for skilled laborers". It provides craftspeople with local jobs, thus improving their quality of life.

Figure 5: The Carpet Maker – hand-tufted carpets made from upcycled plastic bottles

Source: The Carpet Maker @ YouTube

Styles range from traditional to contemporary, in 5 main categories: oriental, floral, geometric, traditional/classical and modern. They are made mostly with natural materials such as wool, silk and cotton, as well as linen, Tencel, jute and bamboo. Besides their traditional roots, The Carpet Maker also prides itself on its innovations. The company's MONSILK™ carpets are made from upcycled plastic bottles, for which the company received a Design Excellence Award (DEmark) 2020 for its hand-tufted Aquatic Green Carpet.

Bhadohi Carpets – India

Family business Bhadohi Carpets produces handwoven carpets in various styles and techniques. As its name suggests, the company is based in Bhadohi – the 'Carpet City' of India. The carpets are woven in remote areas, where many of the artisans are women. Bhadohi Carpets is a Care & Fair member, demonstrating their commitment to promoting the education and health of carpet knotting families. The company does its own spinning, dyeing, designing, weaving, washing, finishing and packaging. This helps ensure a consistent level of quality. See an example of handwoven carpet production.

Which products will you compete with?

Carpets made of natural materials mainly compete with their counterparts made of synthetic (man-made) fibres, particularly in the lower-end markets. They are mainly decorative in nature, due to the designs, patterns, materials and techniques used to make them. If the carpet is handmade, that can add to the story behind it. All these characteristics add value and uniqueness to these carpets, making them more interesting for European consumers. However, if a consumer needs a functional, standard rug, then they will likely be tempted to purchase a cheaper, often synthetic carpets.

Tips:

- Compare your products and company to the competition. You can use ITC Trade Map to find exporters by country and make comparisons based on market segment, price, quality and target countries.

To differentiate yourself from your main competitors, you should focus on design, craftsmanship, quality and the story behind your products.

4. What are the prices for carpets made of natural materials on the European market?

The prices for natural fibre carpets vary across market segments, which range from low-end to high-end. After adding in logistics costs, wholesaler and retail margins, and Value Added Tax (VAT), European consumer prices amount to about 4 to 6.5 times your selling price.

Table 1 provides an indication of the prices of natural fibre carpets in the low-, mid- and high-end market segments. The key word here is 'indication', since prices for carpets vary depending on the weaving technique, size, material, design, brand, and other methods for adding value. Size is especially relevant, since differences in size have a direct impact on the price.

Table 1: Indication of consumer prices of natural fibre carpets in Europe

Price per m2	Low-end	Mid-end	High-end/premium
Woven natural fibre carpets	25 - 75	75 - 150	200 - above
Knotted natural fibre carpets	n.a.	100 - 175	200 - above
Tufted natural fibre carpets	20 – 60	60 - 125	150 - above

Consumer prices depend on the value perception of the product in a particular segment. This is influenced by your marketing mix.

Figure 6: Marketing mix – the 4 Ps

Source: Globally Cool, GO! Good Opportunity & Remco Kemper

The European consumer price of carpets is about 4 to 6.5 times the selling (FOB) price. In addition to energy, labour and transport costs, FOB prices depend greatly on the availability and cost of raw materials. Occasional cost increases are not passed directly on to the consumer, so they squeeze the margins of exporters, importers and retailers. The recent pandemic-related disruptions have resulted in longer-term cost increases. Because of this continuing pressure, some European retailers have now decided to increase their consumer prices.

Consumer prices generally consist of:

- the FOB price
- shipping, import and handling costs
- wholesaler margins
- retail margins
- VAT, which varies per country, but is about 20% on average

Figure 7: Indication of price breakdown for natural fibre carpets in the supply chain

Source: Globally Cool, GO! Good Opportunity & Remco Kemper

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 will range from €41 in the low-end market to €65.50 in the high-end market.

Table 2: Example of the price breakdown by 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

The FOB price of €10 includes the margins of the producer. These margins depend on efficiency and the way in which prices are determined. Margins in the lower end segment, in which large volumes are sold at low prices, are generally smaller than in the middle- and higher-end segments.

The following are a few examples of prices of natural fibre carpets sold across Europe:

- Care & Fair certified handwoven carpet, 200x300cm, URBANARA (Germany), €319
- jacquard-woven recycled sari carpet, 290x190cm, Perez (Netherlands), €359
- pure New Zealand wool carpet, 200x300cm, Maisons du Monde (France), €549
- hand-braided jute carpet, 300x400cm, Tine K Home (Denmark), €862.49

Tips:

Research consumer prices in your target segment to determine your price and adjust your costs accordingly. The quality and price of your carpets must match what is expected in your chosen target segment.

Calculate your prices regularly and carefully, especially if the prices of your raw materials fluctuate. If raw material prices squeeze your margin for a longer period of time, you should consider increasing your price or finding an alternative.

Understand your segment and use the right 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 Remco Kemper.