

# Home Textiles & Decoratives

Market Opportunities in EU



## Trends that offer opportunities

European consumers are in search of identity. To meet this need, you can add a local touch or story to your product. Their demand for sustainable and socially responsible products is also increasing. To benefit from this trend, promote your products' sustainable materials and socially responsible production processes. Chinese exporters shifting focus to their domestic market create space on the European market for you to fill. For volume players, Poland and the Czech Republic are interesting new target markets with impressive imports.

### IN SEARCH OF IDENTITY

European consumers' search for identity leads them to prefer unique, design-led products that tell a story and that express the consumer's good taste and sense of style. You can benefit from this trend by adding a local touch or a story to your product. Offer choice and coordinated concepts so consumers can combine products to create their own collection.

### Global Trends

**Need for Individuality** - Over the past 50 years, the growing wealth in industrial economies has caused a need for self-expression and self-development. People want to distinguish themselves from others, as they search for individuality and originality. To do so, people create their own brand identity. These identities do not have to fit in with traditional demographical profiles. For instance, the wide range of choice in urban areas and on the internet gives people more freedom to express their taste. They can make an individual choice from items or activities to consume.

**New demographics** - Baby boomers (born between 1946 and 1964) are now officially entering their senior stage of life. At the same time, millennials (born between 1980 and 1999) are entering their prime spending years. These groups are sparking new discussions about demographics and consumerism. The increased healthy life expectancy in European countries drives the creation of an additional life stage: the "young old". These modern seniors no longer fit the stereotype of being worn out, sick and inactive. Instead, they are in relatively good health, often still working. As the wealthiest generation, they are also the generation that spends the most, not just on age-specific things. This factor makes them a new key segment in marketing. Millennials, however, are more price-sensitive; especially the youngest millennials, who are at the start of their careers. Older millennials are reaching a phase where they have more disposable income. After having postponed moving out and/or buying a house,



they are now becoming an interesting marketing segment for the home sector. They are predominantly online buyers, want on-demand shopping, and value authenticity and sustainability.

**Sharing and Comparing Globally** - In search of their identity, European consumers actively try to achieve a healthy body and mind. Their search can be experienced and enjoyed alone but also shared via social networks. Therein lies part of the meaning. On social media, people can communicate with others who have similar consumption patterns but live far away. This method helps consumers to receive encouragement, praise and increased self-esteem. Sharing has become a new way of living. Social media are a source of consumer referral and reviews. This fact also makes it an increasingly important part of business marketing. In the home decoration sector, buying health-enhancing products (such as ergonomic chairs) shows that you lead a healthy lifestyle. This aspect, again, earns credits with real or virtual friends.

## Consumer Trends

Personalisation options in design- Companies have spotted this trend and are responding to it. Designs that can be adapted to individual needs and preferences are growing in importance. Consumers can personalise and customise products based on their own ideas and wishes. Owning and creating such personalised products is a new status symbol and makes consumers feel unique.

Emotional connection by storytelling - Companies create an emotional connection with their customers by telling the story behind a product. Consumers emotionally connect to the characters or "action" of the story. Millennial consumers especially respond to story-based marketing rather than straightforward advertisements. When combined with powerful imagery, storytelling engages an audience. Stories in our sector are about making (techniques, materials), makers (human interest, Corporate Social Responsibility) and meaning (cultural significance, performance). Consumers are travelling further away than ever, which influences the storytelling trend. Consumers bring home new stories from far-away cultures, showing their broad-mindedness and exciting lifestyle. The internet has also made them more open to inspiring stories from the other side of the world. As a result, Asian and African styles are influencing existing European styles. This trend opens up the consumer's mind to stories with an ethnic flavour, leading to new appreciation of ethnic patterns, styles and imagery restyled into current looks.

## MARKET TRENDS

### New luxury products

The "new luxury" is all about having unique experiences, gaining new skills, being eco-friendly and showing generosity or connectivity. Consumers gain status and pleasure from mastering cooking skills, redecorating or enjoying a spa at home. They want products that add to their knowledge and



sense of identity; products that give meaning and significance to their experiences.

### Wellness and well-being

Physical and mental well-being is an important driver for European consumers. They enjoy beautiful, well-made products. They want to feel secure in their home, away from the pressures of society and work. Comfortable textiles or well-designed home accessories pamper both body and soul, as does feeling close to nature, even in a cramped urban apartment; for instance, by using furniture with a functional, natural and pure design or organic bedding.

### Live in style

Western European consumers live in a market with a lot of options for decorating the home. They are used to spending considerably on home decoration. As mature market consumers, they express their identity through home goods and their interior as a whole. For example, a vase must fit the consumer's style and communicate "good taste" to visitors. Part of this trend is an awareness and appreciation of the product's core values: design, materials and techniques.

### Travel in style

Consumers are becoming increasingly urbanised, which means that they often have to travel to work (commuting). Travel ware is designed to make this daily commute as comfortable and stylish as possible. In line with the need for more stories, consumers also travel more remotely than ever. Here, too, consumers appreciate luxury. This product category has never been so open to premium offers; for instance, in body care products, bags, writing wares, and travel games and toys. The European consumer also likes to "travel in the mind". Consumers can have an adventure of mental travel or exploration from home. They do so with faux travel items such as luggage, maps and even faux hunting trophies, often designed in a style of the past. This sense of nostalgia is very strong on the European mid-market.

**Tips:** Offer choice. Consumers want to develop their own, personal collections and need options to do so. However, it is better to have a smaller, well-developed collection than a wide product range of lower quality. Create coordinated concepts, which can be complete ranges (such as soaps combined with scented candles and perfumes with room fragrances) or products that consumers can match across different spaces. Add a touch of your local context or culture to your products in order to show their origin. However, be aware that products become "niche" when you add ethnicity. Add emotional value by developing a concept that tells a story or makes consumers part of an experience.

## REBALANCING OF THE GLOBAL ECONOMY

Emerging economies such as eastern Europe and China are your competition. However, they are also becoming interesting target markets. Countries such as Poland and the Czech Republic are performing particularly well. In addition, more and more Chinese exporters are shifting focus to their domestic market. You can fill the space that this development creates on the European market.

### Global Trends

**Rise of Emerging Markets** - Of the 30 largest economies in 2050, 19 are currently considered emerging markets. These markets will drive global growth and other trends such as business innovation. The population of emerging markets such as China and India is growing. At the same time, the population of developed economies is ageing and shrinking. This situation means that the emerging economies will become even more politically and economically important.

**Growing Urban Segment** - Not only will there be more people, they will also be moving to urban areas. Each year, 200 million people are expected to move and become urban residents.

### Consumer Trends

**Emerging Markets as Destinations**- Western markets were traditionally the main target for exporters of home goods from developing countries. Recently, however, emerging



markets have seen a strong economic growth. This trend also leads to a rapidly growing urban middle class with a higher disposable income. It makes emerging markets more interesting for your business. In the long run, western markets such as Europe will no longer be the obvious choice.

**Eastern Europe as a Production Centre and a Destination Market** - Eastern Europe provides relatively cheap production. It has a long tradition in handmade or industrial production, which makes eastern Europe an attractive sourcing area for European brands and importers as well as a relatively new competitor for exporters from developing countries. Eastern Europe also benefits from its location close to western Europe, which means lower transport costs, a greater possibility of just-in-time buying and greater management control. Countries specialise in products such as furniture, wood and metal accessories, candles and ceramics. For instance, Poland is Europe's leading chair supplier after China. However, industry experts also expect the eastern European market for home goods to grow strongly. More disposable income is becoming available for home decoration. Eastern European GDP is expected to continue growing substantially at an average annual rate of 2.3–3.8% until 2021. In addition, the number of eastern European brands and buyers at the main European trade fairs is increasing. This development shows a greater openness to home products. These observations are clearly supported by statistical evidence. For the middle term, however, it is noteworthy that the main target will be a price-sensitive consumer. As such, this market is mainly reserved for volume business.

European imports of home goods increased from Euro 111 billion in 2012 to Euro 138 billion in 2016, representing an average annual growth rate of 5.7%. Although a relatively small market, eastern Europe performed much better than this European average. Eastern European imports increased from Euro 12 billion in 2012 to Euro 17 billion in 2016, amounting to a considerable average annual growth rate of 10%. The development of eastern European imports from developing countries is also promising.

European imports of home goods from developing countries increased from Euro 45 billion in 2012 to Euro 55 billion in 2016, representing an average annual growth rate of 5.3%. Although imports from developing countries account for a smaller import share in eastern Europe (27%) than average (40%), they show promising growth. They increased from Euro 3.0 billion in 2012 to Euro 4.7 billion in 2016, which is an impressive average annual growth rate of 12% – more than double the European average! Poland and the Czech Republic are clearly eastern Europe's main markets for home goods. In

2016, they imported Euro 5.4 billion and Euro 4.4 billion respectively, with average annual growth rates of 12% and 9.2% since 2012. Total Polish imports of home goods from developing countries are also performing well. Poland imported Euro 2.2 billion from developing countries in 2016, showing an average annual increase of 14% since 2012. In the same period, Czech imports from developing countries grew by 7.9% per year, reaching Euro 1.0 billion in 2016.

**China as a Producing and Destination Market-** Chinese manufacturers can compete on a global level. They profit from their well-established infrastructure and low production costs. Chinese wholesalers often run their own exports to Europe, forming partnerships with other exporters from developing countries. This strategy results in increased competition with European importers/wholesalers for suppliers from developing countries. However, in future, more and more Chinese manufacturers will shift their focus to the domestic Chinese market. They will no longer supply to every European importer. As a result, European importers will have to look for other

suppliers, which represents a good opportunity for you. China is also becoming a destination market for European importers/wholesalers of home products. Their main target group is the mid-high to high-end segment. You can profit from this trend by exporting to China indirectly via these European parties.

### Market Trends

**New Types of Households-** In the new global economy, family structures and relationships are changing. New ways of sharing a home are emerging, especially in the urban centres. In European urban areas, households can range from one-person and single-sex to multi-generational households.

**Tips:** *Actively search for markets within your country and region. Contact local business support organisations with up-to-date market information about trading opportunities. You can use your regional market to create export volume in order to prepare for entry to the European market. Choose target groups that can be found on both the European and your regional market, such as urban middle classes. This group lacks space and natural*

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Discount Offered	None	7.5%	10%	15%
Back Cover	75,000	69,375	67,500	63,750
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Inside Back Cover	40,000	37,000	36,000	34,000
Full Page Colour	25,000	23,125	22,500	21,250
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Gatefold on Cover	1,00,000	92,500	90,000	85,000

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### ATTENTION MEMBERS

## Renewal of Annual Membership Subscription for 2018-19

Payable on 1st April, 2018

Your Annual Membership with the Council for the financial year 2017-18 was valid upto 31st March 2018. **The Annual Membership subscription for the year 2018 -19 became due on 1st April 2018.**

We, therefore, request you to renew your Membership for the year 2018-19 by filling & submitting **Proforma A\* & B\*** and remitting the amount of **Rs. 2950/-** (Rs. Two Thousand Nine Hundred Fifty Only) including GST 18% by RTGS/ NEFT payment transfer/ Cheque / Demand Draft / Banker's Cheque in favour of "Export Promotion Council for Handicrafts" payable at New Delhi.

In case payment is made by RTGS/NEFT or online, please inform by E-mail to: accounts1@epch.com and renewmembership@epch.com.

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<http://epch.in/circulars/renewalfees2018.pdf>.

*surroundings. Offer products that save space or bring nature into the home. Visit and participate in eastern European trade fairs. Contact your embassies in eastern Europe and organise a trade mission with colleagues. Your existing European buyers may be able to place your products on the Chinese market. Discuss possible strategies with them. Help them by being flexible in production and providing good quality and quick delivery. Meet European buyers at European and Asian trade fairs. Scout for buyers who may want to move away from China to other regional suppliers. Focus on niche lifestyles such as new forms of partnership and cohabitation; for instance, single-person households, same-sex relationships and multi-generational households.*

## SUSTAINABILITY

The demand for environmentally sustainable (“green”) and socially responsible products is increasing. You can play into this trend by using green and social responsibility concepts. Use ecofriendly materials and clearly promote your products’ sustainable and social aspects.

### Global Trends

**Growing Importance of Sustainability** - The importance of sustainability continues to rise around the world and, with it, the demand for accountability increases. Sustainable purchasing is a growing trend, especially in industrialised countries. Businesses, governments and non-profit organisations increasingly integrate social and environmental objectives into purchasing processes. They want to reduce their environmental footprint, leverage social benefits and foster a sustainable economy.

### Consumer Trends

**Sustainable business**- Sustainability affects the world on a larger scale. As a result, companies face even greater public pressure for transparency and accountability of their sustainability policy. Moreover, they integrate sustainability in their business strategy as a core component, adopt sustainable business concepts, and add sustainably produced and designed products. These concepts used to be dictated by public movements. Nowadays, stakeholders in the home sector require you to have them in place. All major European trade shows focus on green. Buyers also show more confidence in communicating their green values.

**Reducing the ecological footprint** - Stakeholders in the supply chain are lowering transport emissions. They use innovative methods in packing and packaging. In addition, “Made in Europe” is gaining popularity. Sourcing home goods locally makes their ecological footprint smaller. While eastern

Europe might profit from this development, producers outside of Europe may face increasing competition from within Europe.

**Key markets for Fairtrade** - Social, environmental and Fairtrade initiatives are diverse, each with their own viewpoint on ethical trading. Markets of special interest for Fairtrade home products include the United Kingdom, Germany, Sweden, Switzerland, the Netherlands and Belgium.

### Market Trends

**Striving for a better world**-Consumer demand increasingly favours sustainability, especially among millennial consumers. Consumers buy products to support local communities. They also put pressure on businesses to treat their waste more responsibly. European consumers experience “being green” as something inspiring and pleasing. They increasingly expect their home products to be eco-friendly.

**Better price for a better world** - European consumers are also more aware of global social imbalances. They want to contribute to a better world, which leads to more Fairtrade product concepts within the home sector. Despite their price-sensitivity, millennials are the most willing to pay extra for products from companies committed to positive social and environmental impact. As a recent trend, we also see the luxury market increasingly offering concepts that allow the premium consumer to show their awareness of and care for People and Planet.

**Green goes mass** - The consumers that can be profiled as green consumers are generally the highly educated professionals, broad-minded and socially minded consumers. They represent about 25% of the consumers in western Europe. However, leading international brands will increasingly incorporate sustainability in their strategy, hence making sustainable products the standard for all segments and all consumer profiles.

**Tips:** *Develop products using eco-friendly materials and designs (recycle, reuse, reduce). Clearly promote your products’ green and social aspects to distinguish yourself from your competitors. You can ask an additional premium for a sustainably produced product. However, the attractiveness of the product comes first. Your buyers will increasingly demand proof of your products’ sustainability. Consider obtaining social, environmental or Fairtrade certification. However, this process may involve significant costs. Do not make exaggerated or unrealistic claims about your product. Because of the “Made in Europe” trend, you must be distinctive. Show your product’s origin, and use unique techniques or materials. Buyers need to know that only your company can make this product.*

## Channels to get Home Textile products onto the European market

The European market for home textiles offers excellent opportunities for you as a supplier from a developing country; especially the mid-high segment, where consumers are looking for good quality at a higher but affordable price. The nature of trade in home textiles remains volatile. Continuing globalisation results in players having to reposition themselves within the trade channel. Relatively new options include direct trade, co-supplying and working with smaller specialised retailers.



### Market segments to target

**High-end segment – luxury** - This segment is characterised by luxury products of a high quality, often carrying an exclusive designer brand name. Most of these products are sold by interior specialists and department stores at high prices. These products are relatively timeless. Materials such as silk and cashmere are used more frequently in this segment, although cotton remains the dominant material. It is difficult for you to address this segment directly because of the fierce competition from European manufacturers and their established brand names. One option is to cooperate with a European manufacturer that outsources part of its production to a low-cost country.

**Mid-high segment – value for money** - The middle-high segment markets fashionable products of good quality at a higher but still affordable price. Products are trendsetting and often carry a brand name. They are mostly sold at department stores and independent retailers. This segment currently provides excellent opportunities for you.

**Mid-low segment – value for money** - For consumers in this segment, price is the determining factor. They are looking for good, standard quality at the lowest possible price. There is a limited range of colours and designs available, as products are more standardised. Manufacturers of these products are trend followers; they copy existing designs and slightly adapt them. These products are mostly sold at variety stores.



**Low-end – basic but fashionable or just cheap** - Products in this segment are of a basic quality and are sold at a low price. Consumers in this segment often look for bargains, mostly at factory outlets and discount stores or at hypermarkets, supermarkets and street markets. Low-end products are standard and unfashionable and do not carry a brand name. When targeting this segment, it is difficult to compete with large Asian manufacturers who can efficiently produce these standardised products at competitive prices.

### Market segment trends that offer opportunities

**Dividing the middle market** - The traditional middle market in the home textile sector has come under pressure in recent years. It has lost focus, lacks innovation and has not dared to connect with and invest in new suppliers. For European consumers, it is common to combine low- and high-priced home textile products in their homes.

As a result of these developments in the traditional middle segment, it has been divided into a mid-low and mid-high segment. To supply to the mid-low segment, you have to conform to the existing low-middle price structure. This fact means that you have to accept lower margins. In the mid-high segment, you have to focus on your special skills and fashionable designs, and tell the story behind your product (to create an experience or emotion).

There has also been an increasing demand for products from the lower market segments as a result of the economic crisis. Some consumers shifted from the mid-high to the mid-low segment. Some consumers in the high-end segment have turned from branded home textiles to mid-low retailers (but not low-end products), such as IKEA. Now that consumer confidence is recovering, consumers are trading up again. This development results in a growing demand for higher segments.

**Tip:** Focus on the lower end of the market if you can compete with large producers from China, Pakistan or Bangladesh who benefit from economies of scale and well-organised logistics. The middle market can be a good option, but you need to choose between the mid-high and the mid-low segment.

## Trade Channels for Home Textiles

### European manufacturers

Rising production costs challenge European manufacturers, forcing them to assume the role of jobber/importer. The manufacturers look for low-cost sources that produce home textiles on a made-to-order basis. They often buy products in semi-finished form so as to finish the product in Europe according to their own design, quality and colour specifications. You can try to work with some of these importing manufacturers as an outsourced supplier. Your role will be minor, because you will not be selling your own products to European retailers. However, you may regard this approach as a first step towards developing a relationship with a European manufacturer. Further vertical integration within the chain will continue. European manufacturers outsource products directly from manufacturers in developing countries at the lowest possible cost and sell direct through their own retail outlets. This situation may result in more value addition.

### Agents

Agents are independent companies that negotiate on behalf of their clients and act as intermediaries between buyer and seller. They do not take ownership of the products or keep stock. Buying agents are located in the supplying country and usually act on behalf of buyers. They fulfil an inspection role and act as communication intermediaries. Their commission (averaging at 15%) has to be added to the price. Selling agents are located on the European market. They have good knowledge of the European market. If you have exclusive

products or a designer collection, you could work with a selling agent. They charge commissions of 3–10%. However, the influence of agents is disappearing from the trade structure due to increased consolidation within the value chain. You must carefully consider the disadvantages of working with agents. Under European legislation, agents (as opposed to importers/wholesalers) are very well protected. Once you engage with agents, it is very hard to bypass them and deal directly with your clients.

### Importers and wholesalers

Importers and wholesalers sell products to retailers all over the world. 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 textile products. Developing a long-term relationship can lead to a high level of cooperation on appropriate designs for the market, new trends, use of fabrics, type of finishing and quality requirements.

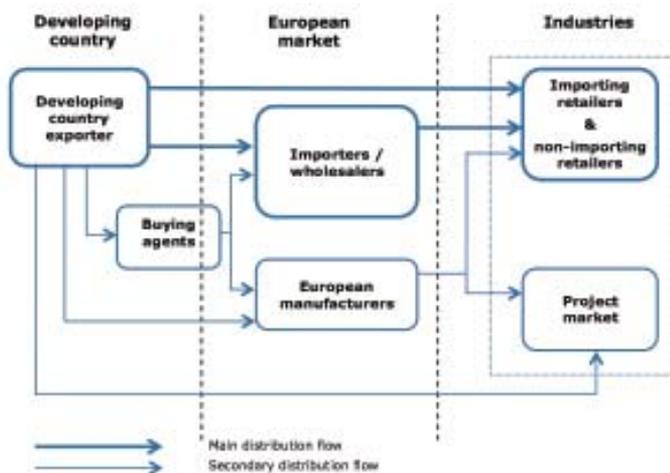
Importers and wholesalers are interesting if you want to develop a long-term relationship. They usually have good knowledge of the European market and can supply you with valuable information and guidance on European market preferences. Please note that they often insist on a similar infrastructure on your side. Traditionally, importer and wholesaler margins range between 50% and 90% (Cost, Insurance and Freight, CIF).

### Importing retailers

Importing retailers are often larger retail organisations, chain stores with large numbers of outlets, department stores, buying groups or mail order/internet marketers with sufficient knowledge to buy directly. They are very demanding in terms of product standardisation, lead times and deliveries.

Importing retailers are increasingly integrating their suppliers in their value chain and selling internationally. They achieve this integration either by outsourcing production to selected manufacturers, who produce according to their specifications, or by importing through buying groups. Importing retailers place orders directly with manufacturers and provide their specifications to produce their own private labels. Otherwise, they may buy “off-the-shelf” items. When trading directly with retailers, take into account the following:  
Selling price – when using traditional distribution channels, the Free On Board (FOB) price is around 20% of the consumer end price;

Product development – wholesalers/importers often have a design department, implying that you produce a tailor-made product for them. When targeting a retailer, you must develop



and design your own product range, and show that you can produce a certain product range. Especially larger importing retailers/chains can develop their own products with you to coordinate your product with their range and distinguish themselves from the competition;

Logistics – you must meet the technical qualities within the agreed lead time.

### Non-importing retailers

Non-importing retailers are independent interior retailers and smaller retail chains buying indirectly from you through wholesalers, agents or domestic manufacturers. Many high-quality and exclusive home textiles are sold by interior specialists and lifestyle stores. These specialists still represent a significant proportion of the distribution network in most European countries and could be the best channel for selling your product to a targeted consumer group. However, some of the non-importing retailers have slowly become interested in buying directly from smaller producers as well, in order to distinguish their collection from the larger retail chains and create their own unique niche.

### Contract business

This “project market” includes governments, hospitals, nursing homes and other institutions that buy via tenders. Other types of organisations include offices, spas, hotels, restaurants, holiday resorts, sports and health centres. They mainly purchase bed, bathroom and kitchen linen from specialist wholesalers. This segment is likely to grow in the near future due to: An ageing population, resulting in more sheltered accommodation, hospitals, and so on; A growing demand for leisure and entertainment, such as hotels, spas and restaurants.

## Market channel trends that offer opportunities in the Home Textiles Market

### Dominance of chain store retailers is stimulating direct trade

Larger chain store retailers increasingly control the entire chain for home textiles – from production (in developing countries) to the European retail outlet. Large apparel retailers such as H&M and Zara are quickly gaining market share in Europe by offering fashionable home textile articles at reasonable prices. For these large retailers, controlling the chain leads to profit from larger margins and cost-efficiencies at the expense of the position of wholesalers and importers. In future, these large retailers are anticipated to consolidate their position on the mature western European markets and



move gradually towards southern and eastern European markets, especially in large urban areas. This increasingly dominant position will increase the buying power of such large chain store retailers and apparel retailers, which will result in a tougher bargaining position for you, because there will be fewer potential buyers.

**Tips:** *If your scale of operation (high volume, standardisation of products) is able to satisfy the demands of large retailers, you could move up the value chain and trade directly with them.*

*Promote the benefits of your country or region to European buyers of home textiles by showing the logistics benefits of trading with your company, such as good infrastructure or proximity to the European market. Work on commitment, mutual trust, cooperation and exclusivity. Get to know your buyers by understanding their situation more fully and stay in touch.*

### Present yourself as a co-supplier

Due to this consolidation in the trade structure, importers and wholesalers are facing stronger competition. This situation affects their buying policies and sourcing strategies. There is a growing need for cooperation within the value chain to compete with the chain store retailers. As importers' and wholesalers' influence in the trade structure diminishes, they have to become stronger in information technology, planning and logistics so as to build their supply chain. The changed nature of trade in combination with the recent recession in Europe has forced buyers to be more aware of risk management. An interesting development in developing countries is the emergence of co-suppliers. By cooperating on production, co-suppliers allow principle suppliers to deliver larger quantities in a shorter lead time. This process allows buyers to cope better with future insecurities and to diversify their supply sources.

**Tips:** To approach interior specialists or specialist importers/wholesalers, be aware that they demand high-quality raw materials, perfect technical execution and finishing, and efficient logistics. Showcase your craftsmanship in your home textile products. Present yourself as a co-supplier to large buyers or to other exporters from developing countries who produce similar home textile items.

## Specialisation brings new opportunities for exporters

To compete with the chain store retailers, smaller retailers on the European market for home textiles will increasingly specialise. They distinguish themselves by selling more personalised products with a story. As a result of further specialisation by retailers, importers/wholesalers are also specialising. They focus on a specific product group or cater to specific consumer target groups.

**Tips:** To supply to the higher segments, consider tailoring your product line in order to cater to specialised importers and wholesalers.

## e-Commerce offers opportunities

European consumers are increasingly buying online, supported by the widespread use of smartphones and tablets. They enjoy the convenience of online shopping, the sense of community through social media, reviewing purchases for others, negotiating prices and buying in groups. This trend will only increase, particularly among younger consumers. At present, online retailers are not used to importing directly from exporters from developing countries. They prefer sourcing closer to home, keeping stock risks low and maintaining direct contact with the wholesaler.

**Tips:** Consider a “Business-to-Consumer” strategy to sell your goods online nationally, regionally or even globally. Be aware that e-commerce requires a totally different and tailor-made business model, involving specific arrangements for working capital, investment, logistics, communication, stocking, range development and marketing.

## Channels to get Home Decoration products onto the European market

Real changes can be seen in the increasing segmentation of the European market for home decoration; especially in the upper-middle and higher markets, as well as in the increasingly diversified market for sustainable products. The distribution structure is fairly stable. Wholesale importers and, increasingly, self-importing retailers

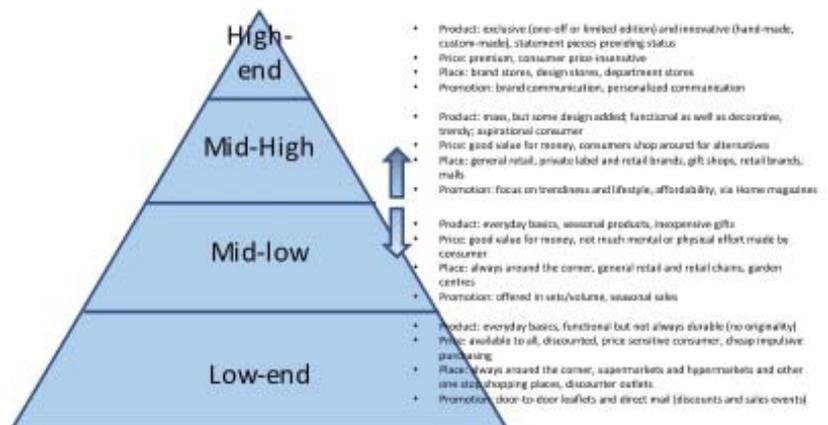
are the main channels between the exporters and the market. The popularity of online platforms continues to rise.

## Market segments to target

The home market is broadly segmented according to the value perception of products by consumers. As such, we identify a lower, middle and higher end of the home market. These segments consist of more detailed sub-segments (mid-low, mid-mid, mid-high, and so on), and differ per category and product group. For example, Christmas decoration is mainly low-end, but vases can range from “mass” to “premium”.

**High-end segment – luxury** - This segment is characterised by products that are exclusive in terms of affordability (not for everybody) and availability (limited edition). Quality requirements are high. Often, they are statement pieces, either in terms of size or their extreme design quality. Trend is less important here than brand name, providing the consumer with status. Supreme handmade is often part of the benefits of high-end purchases, giving the consumer a sense of individuality and authenticity. Consumers in this segment are not price-sensitive, but extremely sensitive to products that offer them differentiation. Exporters offering supreme handmade may be able to enter this segment, as luxury is changing from “bling bling” to “supreme craftsmanship”. Brand buyers are looking for alternative suppliers (other than China) who can offer the extreme mastery of techniques and materials to which they are used. Today, luxury is also an expression of broad-mindedness (caring about People and Planet), as well as taking care of one’s physical and spiritual well-being.

**Mid-high segment – value for money** - The mid-high segment is dominated by consumers who look for the best without necessarily being able to afford it. Trends are important in this segment, fed by home magazines. Consumers want functional and decorative pieces that fit into a coherent style. Dominant styles in this segment include a cottage style (nostalgic with natural influences) or a “minimalist” style



(cleaner, with straight lines and limited decoration). Price is important here. Consumers will shop around (also on the internet) for the best buy. Lifestyle is a trend in this segment, with retailers offering ranges combining home decoration, fashion and furniture. Retailers range from small specialists to department stores and interior shops. A good shopping environment is important, with sufficient space to display the items and to suggest what the items could look like in the home. This segment provides the best opportunity for exporters with a strong identity based on the use of authentic materials and techniques, combined with a touch of origin and sustainability.

**Mid-low segment – basic but fashionable** -Consumers in this segment consider price an important aspect of their purchase. These items may be an everyday basic, a seasonal product or an inexpensive gift. Both in design/trendiness and durability, consumers expect good value for money. They do not want to put too much effort into shopping around and expect to find their purchase at a retailer around the corner. The consumer does not spend too much time selecting and buying. The items must have a popular price and offer more for less, either as sets of products or as price discounts. Products reflect the latest trends, so consumers know that they are buying the right product which everybody will love. Department stores, variety stores and garden centres are typical retail outlets. Promotion is based on trend/seasonality and good price.

**Low-end – inexpensive** - Products in this segment are everyday basics that are functional but not always durable. The degree of design is low and lacks originality. Consumers are price-sensitive and look for a bargain. They do not make much effort to shop around for these convenience goods. Typical outlets are onestop shopping venues such as supermarkets and hypermarkets, Do-It-Yourself centres and discount outlets. Direct, door-to-door promotion is a common form of communication with a focus on price. Trade relationships are focused on maximising supply security and reducing supply costs, offering large volumes at low margins. In this segment, you are in direct competition with volume suppliers from China or Vietnam. Generally, trade relationships are not based on longer-term loyalty but on quick wins. Tendering to an importer's expressed product needs is part of the procedure.

### Market segment trends that offer opportunities

A clear concept to increase your chance of success - There are a growing number of segments and sub-segments based on clear and focused buying motives, both on the mid-high and on the high-end market. This trend responds to the need of the trade to differentiate from others and to the

growing need of consumers to buy products that say something about them and give them a good feeling. The clearer the concept, the more the consumers find their identity reflected in it, resulting in greater loyalty and less price-sensitivity. Segments here can be based on handmade (supreme craftsmanship), design (innovative or experimental use of material or techniques), functionality (superior ergonomics or professional quality), origin (cultural traditions in a contemporary styling) or values (such as "green" or Fairtrade). Exporters who are clear about their own identity can find segments with matching identities and establish profitable, longer-term relationships.

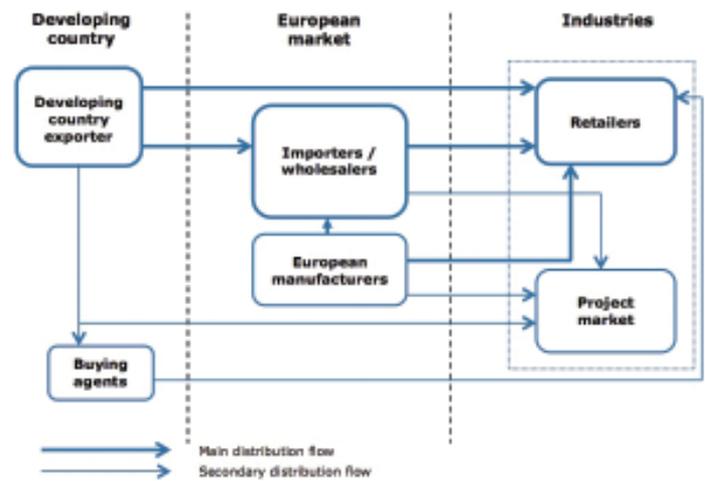
On the one hand, consumers seek "value-for-money" products and opt for the convenience goods offered by the lower-end markets. On the other hand, they save up for products with "added value" from higher-end segments. This situation may leave the traditional mid-market on the back foot. For you, it may again point to the need to develop clear concepts, either based on "more for less" or "less is more" rather than "everything for everybody".



**Tip:** You need to differentiate yourself on more than just price when targeting the mid-high and high-end markets. Develop clear concepts, either based on “more for less” or “less is more” rather than “everything for everybody”. Dare to choose a limited set of special values and you will find a meaningful connection with a like-minded importer on interesting and potentially premium markets for home decoration in Europe. Only focus on the lower end of the market if you are able to compete with large producers from developing countries such as China, Vietnam and, to some extent, Indonesia. These producers benefit from economies of scale (they have low prices and margins, but they can make sufficient profit due to large quantities). The middle market can be a good option, but you have to make a clear choice on the benefits to be gained. To supply the mid-end, you must be able to supply large-volume, trendy products at competitive prices.

The diversification of the green market - A whole array of segments is on display, based on one or more elements of the People, Planet and Profit principle. Concepts based on recycling, the use of natural materials, bio-mimicry (imitating nature), clean processes, and so on are available for exporters with similar values to offer. Marketing communication on sustainability can range from passive to explicit (labelling or storytelling). The green market seems to find a structural place on the European market for home decoration. Segmentation not only takes place according to “environmental” or “social” impact but also according to price/value. Green concepts can be found on higher and (mid-)lower markets, as well as in different forms.

Apart from the environmental aspects of green marketing, social sustainability is also making headway. In home decoration, this segment used to be dominated by the Fairtrade movement with its own associated chain of Fairtrade exporters, importers and retailers. The movement itself has mainstreamed, offering food and non-food products to other segments than the traditional world shop, such as supermarkets and “shop-in-shop” concepts. The “mainstream” market has responded to the growing identification of consumers with fair buying. It has developed its own versions of fair trade, offering consumers the reassurance that their purchases contribute to the greater well-being of producers in developing countries. With the “fair trade” market becoming more mainstream and the “mainstream” market adopting fair trade principles, the opportunities grow for exporters with similar principles. As green marketing has moved on from “trust me” to “show me”, any claim to a social or environmental impact needs to be verifiable. This fact can be realised in various gradations, from supplying verifiable information to certification. Transparency is the key for anybody in the chain.



**Tips:** Find your own slot, based on who you are and what true benefits you can offer to your chain partner and the consumer.

## Trade Channels

### Buying Agents

Buying agents do not import, but they represent European buyers on the local market. Sometimes, agents have a more limited role; for instance, checking the quality of the shipments in your warehouse on behalf of a specific importer or checking the codes of conduct that you agreed with the buyer. Agents can work individually or as part of purchasing companies. If you do not have any experience in exports, you may consider using a buying agent to open up export markets and to facilitate export logistics and quality management. Based on a commission, agents will link you to buyers that they work for or are able to approach.

### Importers and wholesalers

Importers/wholesalers sell products to retailers in their own country or region, often taking care of the import 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 home decoration 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. Importers/wholesalers are interesting if you want to develop a long-term relationship. They usually have good knowledge of the European market, and they can provide you with valuable information and guidance on European market preferences.

### Retailers

Retailers are the resellers of the imported product to the final consumer. Some retailers, especially the larger chains, are increasingly importing directly from their suppliers in



## Market channel trends that offer opportunities

### Find more opportunities by targeting retailers

Wholesale importers are the main channel between exporters in developing countries and European retailers. 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. Because of this trend, the self-importing retailers might want to drive a much harder bargain with you.

Furthermore, prominent retailers and brands originally from the fashion industry such as Zara, Esprit, Fendi or Missoni are quickly gaining market share in Europe by offering fashionable home products. In recent years, the idea of products as the primary source of value has moved towards services as sources of added value. Now, the overall customer experience is increasingly seen as an opportunity for adding even greater value. Smaller, independent European retailers continue to purchase mainly from domestic wholesalers/importers. As in other European market sectors (such as food or clothing), independent retailers in home decoration are struggling to compete with retail chains. They need to differentiate on value-added service, as well as specialised offers and authenticity.

These buyers typically prefer orders for small quantities of each item, small total order volumes and delivery to their doorstep (COD/CIF), with limited likelihood of repeat orders. You need to calculate whether such small orders are cost-effective for you. Recently, smaller retailers have been engaging with exporters to see whether direct imports are possible. However, this process means delivery to the retailer's doorstep and in small quantities. With improving technology and logistical services, this option may become viable in future.



developing countries. Others, mainly the smaller independent stores, order in Europe from wholesalers of brands. 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 decoration and textiles as well as fashion accessories and furniture). Smaller independent retailers are more specialised and carry collections that are closer to the needs of the local consumer. They buy from wholesalers or agents representing European brands, usually by visiting trade fairs, as well as from local manufacturers. These specialists still represent the highest proportion of distribution in most European countries. They are the best channel for selling your product to a targeted consumer group. As they need small quantities and need them as soon as the shelf is empty, an exporter usually cannot directly service them effectively.

### The Project Market

This segment mostly covers the market of the interior designers. They decorate corporate markets such as public buildings and the hospitality market (e.g. hotels) as well as people's private homes, both in Europe and globally. Interior decorators need displays of material and techniques as an inspiration for the process of designing for this market. They go to specialised wholesalers to find such product and material collections, or they work for these companies on a fixed or project basis. This segment is likely to grow in the coming years due to: An ageing population, resulting in more sheltered accommodation, hospitals, and so on; and A growing demand for leisure and entertainment, such as hotels, spas and restaurants, as well as yachts.



This trend poses a threat to your business, as production in Europe shortens lead times, allows for smaller and partial shipments, and enables lower stock levels in retail. Communication may also be easier than with overseas partners. However, the overall costs may not always match imports from developing countries and not every product category is available in Europe.

**Tips:** *Be different; make sure that you offer authentic materials and techniques which are not available in Europe. Be indispensable; the more effective your business relationship with European buyers, the less inclined they will be to look for alternative sources in Europe or elsewhere.*

### e-Commerce offers opportunities

The industry is rapidly embracing online platforms for “Business-to-Business”. Retailers can log in to their wholesaler websites for specific price offers and ordering, as well as for promotional material. This way, the websites support retail customers in logistics and marketing communication. A related issue for exporters is that they will increasingly need to pack and label goods for direct distribution to the retailer without unpacking and repacking by the wholesaler first. Online “Business-to-Consumer” concepts in European home decoration are not generally used to import directly, except for a few large brands. Buyers prefer sourcing close to home (nationally or from western European brands), keeping stock risks low and with the wholesaler. Although there are exceptions, you as an exporter from a developing country would generally have to source a European wholesaler first in order to have your products distributed to online shoppers.

**Tips:** *Consider a “Business-to-Consumer” strategy to sell your goods online nationally, regionally or even globally. Remember that e-Commerce requires a totally different and tailor-made business model, involving specific arrangements for working capital, investment, logistics, communication, stocking, range development and marketing. Offer the service that online wholesalers need in order to ship to their retailer or consumer effectively (without loss of time and money). Consider regional marketing and/or help your European partner to develop this market further.*

### Requirements to comply with for both sectors

For home decoration and home textile products, legal requirements focus mainly on consumer health and safety. Products should function well and risks should be minimised; for example, by avoiding hazardous chemicals. Trade in wildlife

The trend of direct sourcing is expected to continue in 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 are ordering for their own shops and can therefore place orders much more quickly than importers/wholesalers, who first need to show samples to their retailers before exporters receive their orders.

**Tips:** *Consider targeting retailers directly. Relate your offer and terms to the targeted retailer (large/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. Offer suitable service and build a relationship based on mutual benefits. When you are participating in international trade fairs, especially within 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).*

### “Made in Europe” may pose a threat

European retailers and wholesalers are considering buying closer to home from manufacturing sources on the continent. These sources include the few traditional manufacturing bases remaining in Europe (such as Portugal for ceramics) as well as eastern Europe, where some remaining heavy and light industries can be tapped into or have been revived. In eastern Europe, one can still find some traditional craftsmanship (for instance, in wood or metal), which can be used for interior decoration. Most importantly, labour costs are still lower than in western Europe. Sustainability also plays a role, as locally sourced home goods have a smaller ecological footprint.

and timber products is also restricted. Both social and environmental sustainability are becoming increasingly common requirements. There is an interesting niche market for certified sustainable and Fairtrade home products.

## Legal and non-legal requirements

The European Union has several laws applying to home decoration and home textile products. Several of these directives and regulations may apply to a single product. This study gives an overview of all relevant requirements for the whole sector of home decoration and home textiles (HDHT), with all its diverse products and materials.

**Tips:** Contact Open Trade Gate Sweden if you have specific questions on rules and requirements in Sweden and the European Union. Ask the Ministry of Trade or Business Service organisations in your country for help. Contact testing institutes about what needs testing and what the standards are (for example, SGS, Bureau Veritas or Tüv).

## General Product Directive

The European Union's General Product Safety Directive applies to all consumer products. It states that all products marketed in Europe must be safe to use. You should only place safe products on the market and inform consumers of any potential risks associated with your products. You must also make sure that any products on the market can be traced, so dangerous products can be removed.

Unsafe products are rejected at the European border or withdrawn from the market. The RAPEX database lists such products. In 2013, the European Commission adopted a proposal for a Product Safety and Market Surveillance Package. These regulations would simplify market surveillance of non-food products, and put more emphasis on product identification and traceability. So far, however, the Council has not reached an agreement on this proposal.

**Tips:** Read more on the General Product Safety Directive. Check the RAPEX database to gain an idea of what issues may arise with your type of product. Follow the legislative procedure of the

proposed Product Safety and Market Surveillance Package. Use your common sense to ensure that the normal use of your product does not cause any danger.

## CE marking of toys and electronic products

CE marking shows that a product has been assessed before being placed on the market and that it meets European requirements for safety, health and environmental protection. The European Union has set specific requirements for a variety of categories, including the Toy Safety Directive, the Restriction of Hazardous Substances Directive and the Low Voltage



Directive. If you produce toys or electronic products (such as decorative lighting), your products will need CE marking in order to be allowed on the European market. In addition, electronic products must be labelled according to their energy efficiency. In July

2017, the European Commission published a new Energy Labelling Regulation as a gradual replacement of the Energy Labelling Directive.

**Tips:** If you produce toys or electronic products, study how to meet the requirements of the Toy Safety Directive, Restriction of Hazardous Substances Directive, Low Voltage Directive and Energy Labelling Regulation. To affix CE marking to your products, follow the steps outlined at CE Marking for Manufacturers. It provides instructions per product group. Stay up to date on the roll-out of the Energy Labelling Regulation.

## Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

The so-called REACH Regulation restricts the use of chemicals in products that are marketed in Europe. Which chemicals are relevant for you depends on your specific products and materials. For example, REACH restricts use of: Several azo dyes used particularly for textile products; Lead in the paints and glazing of ceramics; Cadmium compounds in various applications; Arsenic and creosotes as wood preservatives; Flame retardants, including TRIS, TEPA and PBB; organostannic compounds and phthalates in PVC.



**Tips:** The European Chemical Agency (ECHA) provides useful information and tips on REACH. See, for example, Substances restricted under REACH (Annex XVII), Information on REACH for companies established outside the European Union and Questions & Answers on REACH. Follow new developments in the field of flame retardants, as new alternatives are being developed. You can do so, for instance, through the European Flame Retardants Association (EFRA).



## Food Contact Materials

Food safety is of major concern in Europe. Safety measures reach further than food itself to cover materials that come into direct contact with food. The Food Contact Materials regulations include home decoration products such as kitchenware and tableware. These products should not release substances of which they are composed into food at levels that



may be harmful to consumer health. The regulation also sets out rules for the labelling of Food Contact Materials.

### Products resembling foodstuffs

According to the Directive on products resembling foodstuffs, products that imitate food so closely that they could be confused for edible products are not allowed on the European market. This fact could be due to, for example, their shape, colour, smell, appearance and size. Because children could be tempted to eat them, these food-imitating products pose a choking hazard. A variety of products fall within this category, such as food-shaped candles and soaps.

## Wildlife Trade Regulations and CITES

The Convention on International Trade in Endangered Species (CITES) restricts the international trade in specimens of wild animals and plants to ensure it does not threaten their survival. This Convention includes wildlife products derived from these species, such as timber or exotic leather goods. The European Union implements CITES through the Wildlife Trade



Regulations. These regulations actually go beyond the requirements of the Convention in some respects. For example, they include more species

than the standard CITES list and set some stricter import conditions. The European Union's Timber Regulation aims to counter illegal logging. It also applies to home decoration products such as wooden furniture or decorative objects. Recycled products and printed papers are not included. **EPCH has been authorised by Ministry of Environment, Forests and Climate Change (MOEFCC) to issue comparable document (Vriksh Shipment Certificate) in lieu of CITES permit for wooden handicrafts made from Dalbergia sissoo (Sheesham) and Dalbergia latifolia (Rosewood).**

## Textile Regulation

EU's Textile Regulation states that textile products should be labelled or marked to indicate their fibre composition. These labels should be durable and tear-resistant, securely attached, easily legible, visible and accessible. The main purpose of this

regulation is to ensure that consumers know exactly what they are buying when purchasing textile products.

## Liability for defective products

The Directive on liability for defective products entitles consumers to compensation if a product bought in the European Union is damaged or does not work. Producers have to provide compensation if a defective product causes damage to consumers or their property. Technically, the importer (your buyer) is liable, but they may pass on a claim to you.

## Packaging

The EU's Directive on Packaging and Packaging Waste aims to prevent or reduce a negative impact on the environment. For example, it sets recovery and recycling targets, and restricts the use of certain heavy metals. This fact means that packaging design must incorporate these aims while also considering the marketing aims of attractive packaging, as well as of course protecting the product. There are also requirements for wood packaging materials (WPM) used for transport. These requirements apply to, for example, packing cases, boxes, crates, drums, pallets, box pallets and dunnage.

## Additional Requirements

### Sustainability

Social and environmental sustainability are increasingly important on the European market. Think of sustainable raw materials and production processes. European buyers increasingly demand compliance with the following schemes: The Business Social Compliance Initiative (BSCI) is an initiative of European retailers, aiming to improve social conditions in sourcing countries. Buyers 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 your company is audited, it is included in a database for all BSCI participants. The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organisations. It aims to improve the working lives of people across the globe that make or grow consumer goods. You can use standards such as ISO 14001 and SA 8000 or read up on sustainable options. However, only niche market buyers demand compliance.

**Tips:** *Optimise your sustainability performance. Reading up on the issues included in the initiatives will give you an idea of what to focus on. Buyers appreciate a good story. If you can show that you have considered your company's performance, this fact may yield a competitive advantage. You can do so with a selfassessment such as the BSCI Self-Assessment for Producers, or a code of conduct such as the BSCI Code of Conduct or the ETI base code. Read more about BSCI and ETI on the ITC Standards Map.*

## Requirements for niche markets

As sustainability gains ground, there is a growing niche market for certified sustainable home decoration and home textile products. The concept of Fairtrade supports fair pricing and improved social conditions for producers and their communities. Especially for labour-intensive products such as handicraft objects, Fairtrade certification can give you a competitive advantage. Common Fairtrade certifications are issued by World Fair Trade Organization (WFTO); Fairtrade International; and Fair for Life.

**Tips:** Ask buyers what they are looking for. Especially in the Fairtrade sector, you can use the story behind your product for marketing purposes. Read more about the WFTO, Fairtrade International and Fair for Life programmes on the ITC Standards Map. Determine which certification programme would be the best fit for you and apply if possible.

The Global Organic Textile Standard (GOTS) is a textile-processing standard for organic fibres. It ensures environmental and social responsibility throughout the production chain of textile products. To qualify for GOTS certification, textile products must contain at least 70% organic fibres. OEKO-TEX Standard 100 certification guarantees that no hazardous chemicals were used in the production of textiles. This standard includes the chemicals banned by the European REACH regulations. The EU Ecolabel strives to minimise products' environmental impact. Textile products generally have the strongest impact when they are dyed, printed and bleached. As a result, the criteria for textiles focus on minimising harm at the manufacturing stage.

**Tips:** Read more about GOTS, OEKO-TEX and the EU Ecolabel on the ITC Standards Map. Determine which certification programme would be the best fit for you and apply if possible.

There are several ethical initiatives focused specifically on the carpet industry. GoodWeave (formerly known as Rugmark) works to end child labour in the carpet industry of South Asia. You can search retailers per country for an indication of the relevance on your target market. Label STEP is present on the Swiss, Austrian, French and German markets.

Key issues are the working and living conditions of carpet weavers as well as the fight against abusive child labour. Care & Fair has around 400 members in 21 consumer countries.

**Tips:** To target the ethical niche market, you need to find business partners in this niche. Study the initiatives and their working methods to determine whether your company would be a good match. Read more about GoodWeave on the ITC Standards Map. Determine which certification programme would be the best fit for you and apply if possible. ■ Source: CBI, EU

## EPCH Invites Members Recover Your Export Dues and settle quality or other international debt disputes

EPCH has been receiving complaints from its Members Exporters regarding their disputes related to payment of shipments. Members have shared the agnony faced due to these disputes with foreign buyers/clients with EPCH. In view of such member concerns, the



**Free**  
Service for  
upto 1000 EPCH  
members for upto  
3 months

Council has engaged an **International Debt Recovery Organisation** so that the cases pertaining to debt/lost payments of exporters can be minimized. This international debt recovery agency has been engaged to facilitate resolution of disputes and recovery of money from the concerned overseas buyers. In case a member exporter wishes to avail the services of this international debt recovery agency, he /she has to pay US\$ 10 towards the same. However, in order to facilitate exporters to avail the benefit under this initiative, the Council has initiated free of cost service to first 1,000 Member Exporters or three months (whichever is earlier). You are requested to fill the form available on EPCH website [www.epch.in](http://www.epch.in) (<http://www.epch.in/circulars/unrecoveredpayment.pdf>). To avail the benefits of the initiative taken by the Council & give your consent. You can also send your request on the email [renu.gupta@epch.com](mailto:renu.gupta@epch.com).