Committee of Home Textile Producers

January 16, 2010 (12.00-14.00 hrs.)

Messe Frankfurt Fair Ground
Hall 3, Level C, Room, APROPOS
Frankfurt/Germany

Minutes

Participants

China:  Mr. Donghui YANG  
Mr. Zhaohua YANG  
Mrs. Hongpin YUAN  
Ms. Sarah GAO

France:  Mr. Hubert DU POTET  
Mr. Benoit HACOT

India:  Mr. KANNAPPAN  
Mr. Rajesh MANDAWEWALA  
Mr. A. L. RAMACHANDRA  
Mr. Updeep SINGH  
Mr. K. V. SRINIVASAN  
Mr. P. K. MARKANDAY  
Mr. Anish DOSHI  
Mr. Rajinder GUPTA  
Mr. Vikram KRISHNA

Pakistan:  Mr. Bashir ALI MOHAMMAD  
Mr. Zaki BASHIR  
Mr. Iqbal EBRAHIM  
Ms. Sulema JAHANGIR

Portugal:  Mr. José PINHEIRO

Turkey:  Mr. Hasan Halil AGAOGLU  
Mr. Sertac ERPAMUKCU  
Mr. Erhan OZKAN  
Mr. Hasim BUYUKBALCI  
Mr. Zeki OZKAN

Mr. Vedat AYDIN  
Mr. Sevcan OZKOK

USA:  Mr. Allen TERHAAR

ITMF:  Mr. Christian Schindler
1. Opening Remarks

Mr. Schindler, Director General of the ITMF, thanked everybody for having accepted the invitation to this meeting in Frankfurt at the end of the Heimtextil 2010. He wished the meeting interesting and fruitful discussions. Mr. Schindler then introduced Mr. Olaf Schmidt, Vice President, Textile Fairs of Messe Frankfurt, who kindly provided the room for the meeting. He reported that the Heimtextil 2010 was a success in difficult times with a good attendance with regard to both exhibitors and visitors. He mentioned especially that the fair has become truly international with the vast majority of the exhibitors coming from outside Germany. Mr. Rajesh Mandawewala, Joint Managing Director & CEO of Welspun India Limited (India) and Chairman of this ITMF Sub-Committee of Home Textile Producers, then opened the meeting formally thanking everybody for having accepted the invitation of the ITMF to attend this meeting which will hopefully be the start for many more meetings to come in the future.

2. Kick-off Meeting in Shanghai/China 2009

Mr. Mandawewala then asked Mr. Benoit Hacot, Vice Chairman of the Committee, to brief everybody on the kick-off meeting of the Committee of Home Textile Producers which was held during the ITMF Annual Conference 2009 in Shanghai on October 23, 2010. Mr. Hacot informed the participants that the formation of this Committee was initiated by the two current ITMF Vice Presidents, Mr. Josue Gomes (Coteminas, Brazil) and Mr. Bashir Ali Mohammad (Gul Ahmed, Pakistan). The principal idea of this ITMF Sub-Committee is to provide home textile producers an additional platform for discussions and networking. After the briefing Mr. Hacot emphasized that according to his perception one of the biggest challenges home textile producers are facing these days is the continuous pressure of retailers on prices.

3. Presentation by Mr. Madawewala

Mr. Mandawewala gave an overview-presentation on the current situation of the international home textile industry thereby identifying some of the major challenges and opportunities of the industry (see attached document).

4. Summary of the Discussion on the Situation and Challenges of the Home Textile Industry within the Textile Value Chain

Following Mr. Mandawewala’s presentation the participants of the meeting discussed the reasons for the current price pressure, which is especially strong in the US:

One of the reasons for this development can be seen in the fact that the home textile market in the US got fragmented as a result of a major shift of the production base from the West (USA, Europe, etc.) to the East (Asia). An increasing number of new producers of home textiles in Asia entering the US-market did not have sufficient experience with and knowledge of the US-end-consumer. Consequently the only existing variable in an extremely competitive environment was the price.

This pressure on prices exerted by the retail industry on the home textile producers lead to a deflationary trend which is threatening the entire home textile industry as it is neither possible nor desirable to having falling prices in a mature industry.

In order to change the general pattern of retailers asking for lower prices every season the home textile industry has to learn how to add additional value to its products with respect to design, applications or features. This additional value must be knowledge based.
The home textile industry has to start educating the end-consumer as well as the retailers regarding the true value incorporated in home textiles. Retailers do not know how to sell home textiles since they often do not know or do not estimate its production.

It was also stated that the US-market and the European market differ in the sense that in Europe the price pressure is not as bad as in the US due to the fact that there are more retailers in the business. The home textile industry should do everything to prevent a development as in the US where only a few dominating retailers remain. This is also true for the emerging markets.

5. **Size, Composition, Objective as well as Future Activities of the Committee**

The meeting concurred that the objective of the newly formed ITMF Committee of Home Textile Producers is to provide a common platform for home textile producers for the exchange of views, experiences and information. The Committee is open primarily to representatives of the home textile industry. In the future only representatives of textile companies should be eligible to attend the meetings of the Committee if they are affiliated with the ITMF.

6. **Next Meeting**

It was proposed to hold the next meeting of the Committee during one of the Home Fashion/Textiles Market Week in the second half of 2010. A precise date for the meeting will be fixed in the near future. The Committee will also meet in Sao Paulo/Brazil on the occasion of the ITMF Annual Conference 2010 which will take place from October 17-19, 2010.

March 2010
ITMF Meeting Heimtextil- January 2010

Presentation by

Mr. Rajesh R Mandawewala
Jt. Managing Director
Welspun India Ltd.

Home Textile Industry

- World Home Textile Market estimated @ US $ 35 billion
- USA and EU account for nearly 70% of the market
- Other Major Markets are Japan, Australia & New Zealand
- Potential Growth Markets are China, Russia, South American countries, India and the Middle East
- The Industry is estimated to be growing at a CAGR of 4%

Figures in US $ Bn
**Market Growth Opportunity EU**

European Home Textile consumption imports

- Developing Countries has increased from 41% to 48%.
- Top Suppliers from DC’s are Turkey, China & India
- Intra EU trade increased from 21% to 28%

All figures in Million US $

**US Home Textile Industry**

- India, China & Pakistan are the major suppliers of Home Textiles to USA and Europe
- India, China & Pakistan account for 84% of overall Imports in the USA
- Bangladesh, Vietnam & Cambodia also emerging as competing locations with lower costs

The contribution of Imports to US Home Textile consumption has increased from 16% in 1997 to approximately 75% in 2008

Asia – The New Centre of Gravity

- India, China & Pakistan are dominant participants in the Home Textile imports into USA –
  - Account for 76% share in Towels
  - Account for 86% share in Sheets
  - Account for 83% share in Comforters/BIAB’s
  - Account for 88% share in Pillows/Pads/Other Basic Bedding Products

Reasons for shift of Home Textile Manufacturing Outside USA & Europe

- The emerging manufacturing centres were able to leverage the following advantages
  - Cost Advantage
    - Low Labour Cost
    - Low Cost of Raw Material
    - Low Cost of Setting Up
  - New & Modern Plants
    - Flexible & Scalable
    - Meet increasing customer expectations
  - Providing an “end to end solution” through Competency Development
    - Product Development & Design
    - Packaging & POS
    - Branding
    - Innovation
    - Providing value to the customers

Advantage comes from cost arbitrage
Cost competitiveness under pressure from new manufacturing locations

Need to build a focused marketing & product development approach to maintain competitive advantage

Source: Otexa
Department Stores seeing a sharper decline, Discounters have entered negative territory after showing growth till May’09
However, Comp Sales are on an improving trend turning positive in Oct’09

Source: Home Textiles Today
The UK Retail Sales have been in a positive territory since Jun’09

Source: Home Textiles Today

Current Challenges

✓ Prices of All Inputs
  ✓ Crude Oil
  ✓ Cotton
  ✓ Yarn

Source: Home Textiles Today
Retailers: Strategies for Growth

- Offer Value
  - Price Leadership
  - Provide fashion & Deliver affordable Luxury
- Merchandise
  - Develop Advantage of Scale & Range
  - Integrated Merchandising, Product Design & Development
  - Inspire Customers with Innovation & Excitement
  - Alignment with Marketing Channel
- Supply Chain Management
  - Improve ROI through lower inventory & improvement in Merchandise quality
  - Improve Speed to Market for new introductions
  - Improve the planning & forecasting
  - Consolidate the vendor base
- Brands
  - Private Label
  - Exclusive Brands
  - National Brands
- New Product Development
- Engaged & Motivated Associates
- Leverage Technology
- Sustainability

Retailer Strategies: Impact on Partners/ Suppliers

- Offer Value across Products
- Merchandise
  - Develop Products meeting Consumer Requirements & Expectations
  - Innovative Design
- Supply Chain Management
  - Collaborative Planning Forecasting & Replenishment
  - Use of Technology
  - Reduce Time to Market for new developments
- Brands
  - Private Label
  - Own Brands/ Licensed Brands?
- Sustainability
- Ethical Standards
- Create Scale of Manufacturing Facility
Path Forward

- Detailed discussion on the
  - Objective
  - Composition
  - Condition for Participation & Activities of the Committee
- Discussion on the Situation & Challenges Of the Home Textile Industry
- Any other Subject for discussion