Committee of Home Textiles Producers

Minutes

September 10, 2015 (16.45 – 17.45 hrs.)
Westin St. Francis Hotel, San Francisco / USA

1. Opening Remarks

The meeting was opened with a few introductory remarks by the ITMF Director General, Mr. Christian Schindler. He conveyed the apologies of the Committee’s Chairman, Mr. Benoit Hacot (France) who unfortunately had to cancel his participation.

2. Presentation by Euromonitor International

Ms. Cruz del Barrio, Head of Home and Garden Research at Euromonitor International, gave a presentation with the title “Bath Textiles – From Staples to Innovation”.

3. Presentation by Gherzi Textile Organisation

Mr. Karim Shafei, Gherzi Textile Organisation, presented an update on the status of the Committee’s initiative “Standard Code of Conduct”.

4. Next Meeting

The next meeting of the Committee will take place on Tuesday, September 29, 2015 (17.00-18.30 hrs.) in New York/USA (Textile Building, 295 Fifth Ave. 30th & 31st Street) in conjunction with the Home Textile Market Week.

5. Elections

The Committee was called upon to elect a new Chairman. Mr. Yang Zhaohua, Chairman of the China Home Textile Association (CHTA) was nominated and endorsed by Mr. Bashir Ali Mohammad (Pakistan). The Committee elected Mr. Yang unanimously as the next Chairman of the Committee.

Mr. Schindler congratulated Mr. Yang to the election as Chairman. On this occasion he also thanked Mr. Hacot for his dedicated service for the Committee as Vice Chairman and Chairman of the Committee during the past 6 years.

September 25, 2015
HOME TEXTILES: 
FROM STAPLES TO INNOVATION – FINDING THE ROAD TO GROWTH

M. CRUZ DEL BARRIO
HEAD OF HOME AND GARDEN RESEARCH
10 September 2015
Who Is Euromonitor International?

Our Services

- Syndicated Market Research
- Custom Research and Consulting

Expansive Network

- On the ground researchers in 80 countries
- Cross-comparable data across every market

Our Expertise

- Consumer Trends & Lifestyles
- Product Categories & Distribution channels
- Economics & Forecasting
Euromonitor International’s Network and Coverage

12 OFFICE LOCATIONS
London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, and São Paulo

80 COUNTRIES
in-depth analysis on consumer goods and service industries

210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies
Euromonitor International – Who are we?
HOME TEXTILES: MARKET OVERVIEW
EMERGING MARKETS: STAPLES
DEVELOPED MARKETS: INNOVATION
KEY TAKEAWAYS
HOME TEXTILES: MARKET OVERVIEW

The Building Blocks of the Global Home Textiles Industry

Home Textiles
US$109bn

- Bed Textiles
  US$49bn
- Bath Textiles
  US$22bn
- Rugs
  US$15bn
- Living Room Textiles
  US$12bn
- Kitchen and Dining Textiles
  US$11bn
US$109bn
GLOBAL RETAIL SALES OF HOME TEXTILES (2014)

1.6%
GLOBAL GROWTH (ANNUAL AVERAGE 2009-2014)

27%
OF TOTAL SALES COME FROM CHINA (2014)
China Leads Growth in Emerging Economies…

Home textiles value sales by region (2014)

- Western Europe: 22%
- North America: 23%
- Asia Pacific: 41%
- Latin America: 6%
- Eastern Europe: 5%
- Middle East and Africa: 3%
- Australasia: 2%
... but Developed Countries Remain Key Players

Home textiles value sales by region (2014)

- Developed markets 46%
- Asia Pacific 41%
- Latin America 6%
- Eastern Europe %
- Middle East and Africa 3%
Staples Boosts Sales

Home textiles retail sales growth by category (World, 2014)

- Bath Textiles
- Bed Textiles
- Kitchen and Dining Textiles
- Living Room Textiles
- Rugs

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HOME TEXTILES: MARKET OVERVIEW
How does Home Textiles Compare with other Industries?

Global retail sales by industry, US$ billion, 2014

- Cheese: 125 US$ billion
- Skin Care: 100 US$ billion
- Home Textiles: 100 US$ billion
- Laundry Care: 75 US$ billion
- Ice Cream: 75 US$ billion
Homes = Home Textiles: Rising Ownership Drives Sales

Total housing completions and home textiles growth (2009-2014)

- China: High housing completions with significant home textiles growth.
- Brazil, Russia, USA: Moderate housing completions with lesser home textiles growth.
- UK: Low housing completions with minimal home textiles growth.

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Homes = Home Textiles: My Home is My Castle

New housing completions growth: top and bottom countries, 2012-2014 % CAGR

- China
- Russia
- S. Korea
- Turkey
- Brazil
- France
- US
- Mexico
- Spain

Housing construction growing fastest

Housing construction yet to recover to pre-recession levels
Staples Drive Growth

Home textiles growth by category (2009-2014)

- Bed Textiles
- Bath Textiles
- Living Room Textiles
- Kitchen and Dining Textiles
- Rugs

US$ Billion

2009-2014 absolute
2009-2014 CAGR %
US$49bn
GLOBAL RETAIL SALES OF BED TEXTILES (2014)

2.7%
GLOBAL GROWTH (ANNUAL AVERAGE 2009-2014)

US$85
PER HOUSEHOLD EXPENDITURE IN THE US (2014)
US$22bn
GLOBAL RETAIL SALES OF BATH TEXTILES (2014)

1.9%
GLOBAL GROWTH (ANNUAL AVERAGE 2009-2014)

US$37
PER HOUSEHOLD EXPENDITURE IN THE US (2014)
HOME TEXTILES: MARKET OVERVIEW

EMERGING MARKETS: STAPLES

DEVELOPED COUNTRIES: INNOVATION

FUTURE CHALLENGES AND OPPORTUNITIES

KEY TAKEAWAYS
Access to Water Supply…

Households with water supply (% of total)

Netherlands
Germany
UK
US
Poland
Brazil
Russia
Indonesia

94.50%

% of households

0 20 40 60 80 100

Indonesia
Brazil
US
UK
Poland
Russia
Germany
Netherlands

Access to Water Supply...
... Doesn’t Mean Access to a Shower

Households with a Bath or Shower (% of Total)(2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>% of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>100</td>
</tr>
<tr>
<td>Germany</td>
<td>100</td>
</tr>
<tr>
<td>UK</td>
<td>100</td>
</tr>
<tr>
<td>US</td>
<td>100</td>
</tr>
<tr>
<td>Poland</td>
<td>90.4</td>
</tr>
<tr>
<td>Russia</td>
<td>87.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>64.30%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30</td>
</tr>
</tbody>
</table>

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HOME TEXTILES: MARKET OVERVIEW
EMERGING MARKETS: STAPLES
DEVELOPED MARKETS: INNOVATION
FUTURE CHALLENGES AND OPPORTUNITIES
KEY TAKEAWAYS
How to Create Value Growth in Developed Markets?
AG + CuO

Bed Textiles
GLOBAL RETAIL SALES OF ANTI-AGERS (2014)

US$20

GLOBAL GROWTH (ANNUAL AVERAGE 2009-2014)

3.5%

PER CAPITA EXPENDITURE IN GERMANY (2014)

US$24.6bn
HOME TEXTILES: MARKET OVERVIEW
EMERGING MARKETS: STAPLES
DEVELOPED COUNTRIES: INNOVATION
KEY TAKEAWAYS
Strong growth forecast
Buoyant housing market
Strong social mobility
Young population
Home textiles = Staple products

Asia Pacific
Latin America
Middle East and Africa

Contrasting Factors Shaping the Future of the Regions

- North America
- Australasia
- Western Europe

- Weak growth forecast
- Struggling property market
- Uncertain economic situation
- Ageing population
- Home Textiles = Discretionary products

KEY TAKEAWAYS
**Key Takeaways**

**Emerging Markets**
- Lower expenditure per household
- Growth potential

**Access to Products**
- Improving living standards

**Developed Markets**
- High expenditure per household
- Stagnant growth

**Creating Value**
- New product development
THANK YOU FOR LISTENING

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Note: 2014 figures are based on part-year estimates.
Standard Code of Conduct

Initiative by
ITMF – Home Textiles Producers Committee
2015
Social Compliance
Current practices are not optimal

- Confusing and conflicting standards
- Gaps in coverage
- Costs
- Disruption to production
- Lengthy process
## CONFLICTING STANDARDS
Example from working hours and days off

<table>
<thead>
<tr>
<th></th>
<th># of hours</th>
<th>Overtime</th>
<th>Hours exceptions</th>
<th>Days off</th>
<th>Days-off exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>48</td>
<td>12</td>
<td>None</td>
<td>1 / 7</td>
<td>Could be 1 / 14</td>
</tr>
<tr>
<td>Sears</td>
<td>48</td>
<td>12</td>
<td>72 in peak season</td>
<td>1 / 7</td>
<td>Could be exchanged</td>
</tr>
<tr>
<td>JC Penny</td>
<td>Local Laws</td>
<td>Local Laws</td>
<td>None</td>
<td>Local Laws</td>
<td>None</td>
</tr>
<tr>
<td>IKEA</td>
<td>48</td>
<td>12</td>
<td>None</td>
<td>1 / 7</td>
<td>None</td>
</tr>
<tr>
<td>Macy’s</td>
<td>48</td>
<td>12</td>
<td>72 in peak season 14 / day max</td>
<td>Yes</td>
<td>-</td>
</tr>
</tbody>
</table>
## Gaps in code of conduct

Example from toilet policy

<table>
<thead>
<tr>
<th></th>
<th>Toilets : workers</th>
<th>Cleaning</th>
<th>Ventilation</th>
<th>Privacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sears</td>
<td>1:25 – 1:40</td>
<td>Cleaning schedule</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Macy’s</td>
<td>1:30</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>JC Penny</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Next</td>
<td>At least 1 male &amp; 1 female / 2 floors</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
</tr>
</tbody>
</table>

- Elaborate Policy
- Basic Policy
- No Policy
Costs
Disruption and redundancy

Disruption (production interruption)

Adaptation (different standards)

Resources (time & manpower)

Audit Fees

COST
A universal code of conduct
Standardization of requirements

1. Create a collaborative platform for communication between retailers and manufacturers
2. Unify requirements and create a comprehensive industry standard
3. Continue to elaborate code of conduct
Business made easier
A win-win initiative

- Easy to implement
- Simpler auditing
- Better communication between brands/retailers and vendors
- Optimization of resources
- Evolution NOT revolution
- Best-practice and capacity building tools
- Opportunity for developing a collaborative database
What can the future of this initiative include?

1. Auditing
2. Traceability across the supply chain
3. Label of differentiation
4. Communication with consumers
5. ..........................
Status
Draft of 1st edition ready for review

- Scrutinized codes of conducts of 20 top retailers (USA – EU)
- Combined strictest requirements in most comprehensive code of conduct
- Currently communicating with various leading retailers
- Working on expanding participation by manufacturers
- Establishing contact with like-minded organizations
Next Steps
Standardization

1. Building a board of founding members / agree to structure
2. Elaborate existing code of conduct / finalize 1st edition
3. Bring more retailers and manufacturers on board

Take it forward
Thank You