Committee of Home Textiles Producers

January 11th, 2018
17:15 – 18:15 hrs.
Room «Argument», Messe Frankfurt
Frankfurt/Germany

Minutes

Participants

<table>
<thead>
<tr>
<th>Country</th>
<th>Organization</th>
<th>Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>Cotton Egypt Association</td>
<td>Schuman, Mr. Khaled</td>
</tr>
<tr>
<td>India</td>
<td>The Cotton Textiles Export Promotion Council</td>
<td>Lahoti, Mr. Ujwal</td>
</tr>
<tr>
<td>India</td>
<td>Texprocil</td>
<td>Rajagopal, Mr. Siddhartha</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Mahmood Group</td>
<td>Anees, Mr. Khawaja M.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Mahmood Group</td>
<td>Faisal, Mr. Ali</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Mahmood Group</td>
<td>Nauman, Mr. Ahmad</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Gul Ahmed Textile Mills Ltd.</td>
<td>Ali Mohammad, Mr. Bashir H.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Mahmood Group</td>
<td>Adeel, Mr. Ahmad</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Gherzi Textil Organisation</td>
<td>Shafei, Mr. Karim</td>
</tr>
<tr>
<td>Switzerland</td>
<td>ITMF</td>
<td>Zieschank, Mr. Olivier</td>
</tr>
<tr>
<td>Switzerland</td>
<td>ITMF</td>
<td>Schindler, Mr. Christian P.</td>
</tr>
<tr>
<td>Turkey</td>
<td>Anka Danismalik Tekstil</td>
<td>Sütçüoğlu, Mr. Serdar</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Euromonitor International</td>
<td>Sita Handayani, Mrs. Ratna</td>
</tr>
<tr>
<td>USA</td>
<td>Supima</td>
<td>Thompson, Mr. Jason</td>
</tr>
<tr>
<td>USA</td>
<td>Supima</td>
<td>Lewkowitz, Mr. Marc A.</td>
</tr>
<tr>
<td>USA</td>
<td>Supima</td>
<td>Curlee, Mr. Jesse</td>
</tr>
<tr>
<td>USA</td>
<td>1888 Mills</td>
<td>Fulton, Mr. Allen</td>
</tr>
<tr>
<td>USA</td>
<td>J. G. Boswell Company</td>
<td>Elder, Mr. Jeff</td>
</tr>
</tbody>
</table>
1. **Opening Remarks**

The meeting was opened with a few introductory remarks by Mr. **Christian Schindler**, Director General of the ITMF. He conveyed greetings from Mr. **Yang Zhaohua**, Chairman of the ITMF Home Textile Producers (HTP) Committee, who could not attend Heimtextil 2018 and therefore could not chair the meeting himself.

2. **Presentation “Home Textiles Prospects in the Hyperconnected Retailing World”**

**Ms. Ratna Sita Handayanim**, Senior Research Manager (Home & Technology) – Western Europe, Euromonitor gave a presentation on "**Home Textiles Prospects in the Hyperconnected Retailing World**".

The presentation was followed by a discussion about topics like the global market volume of the home textile industry and its regional distribution, the e-commerce shares and development in different countries or traceability of fibers in the textile value chain.

3. **Presentation “Update on the Standard Audit Label Initiative”**

**Mr. Karim Shafei**, Gherzi Textil Organisation, updated the Committee on the status of **ITMF Audit Initiative**. This initiative emerged from the HTP-Committee’s initiative “**Standard Code of Conduct**”, which the Committee initiated at its meeting in New York/USA in September 2014.

Mr. Shafei reported that he will have various meetings in the coming days in Brussels/Belgium and Amsterdam/Netherlands with other textile industry organisations, standard holder organisations, non-governmental organisation, etc. He will discuss with these organisations options for ITMF to join and/or support existing initiatives. He also informed the meeting that together with other ITMF representatives he plans to participate in the ‘**OECD Forum on Due Diligence in the Garment and Footwear Sector**’ at the end of the month in Paris/France. On the side-lines of the forum there will be another important meeting of the “**Social & Labour Convergence Project**” that should be attended by the ITMF delegation.

February 2018
Home Textiles Prospects in the Hyperconnected Retailing World

Ratna Sita Handayani
Senior Research Manager (Home & Tech - Western Europe)
Euromonitor International network and coverage

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

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

210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies
GLOBAL HOME TEXTILES OVERVIEW

HYPERCONNECTED RETAILING WORLD: CASE STUDIES AND HOW TO SUCCEED
102
Global home textiles
2016 value - USD billion

>40%
Online sales of home textiles in the US and China

13%
2017 volume share of connected washing machines
Modest global performance with contrast among regions

Home Textiles: Global Retail Value Sales and Growth 2011-2016

- Customisation
- Expanding beyond home textiles

China

- Private label shines amidst middle-class retreat
- Home textiles as cost-effective way to decorate

Western Europe

© Euromonitor International
Bed textiles to strengthen leadership

Home Textiles Constant Value Growth 2016-2021

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

2016-2021 Absolute Growth

2016-2021% constant value CAGR
Online sales a key driver in 2016-2017

Home Textiles: Top 10 Markets for Online Sales 2016 and CAGR 2011-2016

19% value CAGR over 2011-2016 globally

Top 10 countries mostly developed - China an exception
The time is now to focus on online

Why now?

• Household internet access
• Smartphone possession: 65% globally
• Smartphones as default screen:
  • Brand engagement
  • Online purchases (80% in China)

Why home textiles?

• In-store perusal less crucial
• Products easier to transport
• Broadens access - those struggling to visit physical stores

Highly fragmented markets (eg Indonesia, Philippines) have appeal
GLOBAL HOME TEXTILES: OVERVIEW

HYPERCONNECTED RETAILING WORLD: CASE STUDIES AND HOW TO SUCCEED
The shopper journey in an “unconnected world”
The shopper journey in a “connected world”

Pre-Purchase | Purchase | Post-Purchase
Tao Café (China): Frictionless payments of the future, today

Alibaba, a leading pure play retailer with 19% share globally, attempts to replicate the online experience in an offline environment.
Evrythng (UK): Making everyday consumer products smarter

Global consumers purchased 106 billion articles of clothing in 2016, which equates to 14 items per person. Evrythng aims to track every piece.

- IoT data platform Evrythng
- Turns every day items (e.g., clothing) into digitised and identifiable products
- Can be tracked through the supply chain until they reach the end-consumer’s home
Miele Blue Horizon (Austria-Germany): Subscription

- Shared economy business model “Blue Horizon”
- Leasing arrangements for 24-month period
- Top pricing structure EUR24.99/month = 250 washes/year
- Adding detergent into the lease as auto-replenished and forecast element within the leasing costs
- Servicing and repairs included in the cost
How to succeed in hyperconnected retailing world

1. Interaction
   - Engage with consumer throughout their shopping journey
   - Maximise online and mobile channels

2. Partnerships
   - Collaborate with retailers, as well as appliance, software and detergent companies
Thank you

Ratna Sita Handayani
Senior Research Manager (Home & Tech - Western Europe)

ratna.sita@euromonitor.com
Standard Audit Initiative

by

Audit initiative update

ITMF Annual Heimtex HTP meeting
Frankfurt - German

January 2018
Background: Standard Audit Label initiative

Several meetings were organized with retailers and organizations to build support for the initiative.
Background: Standard Audit Label initiative

Feedback although positive has also shown several challenges..

1. Retailers are aware of “audit fatigue”

2. They are happy to cooperate

3. Biggest issue: agree with other retailers on methodology

4. Second biggest issue: cross-industry standardization

5. Every retailer is part of one or several initiatives / takes time
### Background: Standard Audit Label initiative

Recently Walmart switched to using 3rd party audits and other retailers seem to be following suit.

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>- Target currently reevaluating their social compliance</td>
</tr>
<tr>
<td></td>
<td>- Not clear on next steps yet but might follow Walmart steps</td>
</tr>
<tr>
<td>Walmart</td>
<td>- Rolling out their social compliance to 3rd parties (8 organizations</td>
</tr>
<tr>
<td></td>
<td>including WRAP and BSCI)</td>
</tr>
<tr>
<td></td>
<td>- Could evaluate our initiative if we have a program</td>
</tr>
<tr>
<td>IKEA</td>
<td>- Interest in standardizing social compliance but don’t know how yet</td>
</tr>
<tr>
<td>JC Penny</td>
<td>- Recognize audit fatigue do not have a plan yet for next steps</td>
</tr>
<tr>
<td></td>
<td>(information from 2016)</td>
</tr>
<tr>
<td>Li &amp; Fung</td>
<td>- Founding members of GAFTI and hosting it in their premises for now</td>
</tr>
</tbody>
</table>
Recently Walmart switched to using 3rd party audits and other retailers seem to be following suit.

- Walmart shifted to 3rd party audits for social compliance
- They scrutinized 8 social compliance programs across different industries:
  - Best Aquaculture Practices (BAP)
  - Business Social Compliance Initiative (BSCI)
  - Electronic Industry Citizenship Coalition (EICC)
  - International Labor Organization – Better Work
  - International Council of Toy Industry CARE
  - Sedex Members Ethical Trade Audits (SMETA)
  - Social Accountability International (SA 8000)
  - Worldwide Responsible Accredited Production (WRAP)
- Suppliers can select any one of the above 8 programs
- Walmart will continue to carefully review the audits and ensure that companies are compliant through those 3rd party audits
An effort to consolidate Social Compliance across the industry entails working with the 3 key players..

1. **Social Compliance initiatives**
   - Identify key partners

2. **Industry bodies**
   - Consolidate efforts

3. **Retailers**
   - Endorse social compliance initiatives
Proposed process: consolidate the industry efforts

Focus to build a coalition of initiatives and industry bodies to address retailers and brands jointly.
There are multiple reasons why retailers would join the initiative:

1. **Increase efficiency**  
   Opportunity to reduce cost, time and effort

2. **Consolidate know-how**  
   Make available best practices from several platforms

3. **Expand supplier base faster**  
   Easier to bring new manufacturers on board

4. **Visibility into the entire value chain**  
   A unified code of conduct will facilitate auditing earlier stages of the process

5. **Support a universal industry standard**  
   Opportunity to communicate with consumers
Proposed process: Possible pitfalls

Some factors can affect the success of the project. However, market conditions are favourable and there are no risks to the ITMF.

1. Buyers do not join
   They continue to use their own methodology

2. Inability to consolidate the industry
   ITMF is not able to bring together various organizations or support from members

3. No active role in decision making
   ITMF does not secure a voice (seat) in the targeted organizations

4. Too many initiatives
   Inability to select winning initiatives
Future strategy: Time frame

The initiative is expected to take 3 years to reach full maturity.

**Year 1**
- Partnership with existing initiatives
- Build consensus in the industry
- Approach select retailers

**Year 2**
- Expand the initiative to other retailers and organizations
- Expand ITMF membership

**Year 3**
- Expand initiative beyond social compliance

The initiative is expected to take 3 years to reach full maturity.
Standard Audit Initiative

by

Audit initiative update

ITMF Annual Heimtex HTP meeting
Frankfurt - German

January 2018