Committee of Home Textiles Producers (HTP)

January 10, 2019
17:15 – 18:15
Room: “ARGUMENT” (Hall: 3.C, West)
Messe Frankfurt
Frankfurt / Germany

Minutes

1. Opening Remarks
On behalf of Mr. Zhaohua Yang, Chairman of the Committee of Home Textile Producers (HTP), the meeting was opened by Mr. Christian Schindler, Director General of the ITMF, with a few introductory remarks. He thanked the speakers for taking the time and making the effort to present at the meeting as well as Messe Frankfurt for their hospitality.

2. Presentation
Ms. Sharon Hesp, Social Labor Convergence Project (SLCP), made a presentation about “SLCP’s Mission: Ending Audit Fatigue” (document no. 1).

In her presentation Ms. Hesp outlined the main idea and the concept of the SLCP. After more than 2 years of development of the “Converged Assessment Framework” and 2 pilot tests – the last one included already 170+ facilities in 23 countries, the SLCP decided to test the processes and functionalities in real time in two countries, namely China and Sr Lanka. Since October 2018, the “Converged Assessment Framework” is implemented in these 2 countries where around 200 verified assessments took place. In the first quarter of 2019, this test-phase will be evaluated before the roll-out in 10 countries will start.

Ms. Hesp mentioned also that while SLCP has until now focused on apparel producers, it is open to (home) textile companies as well. Home textile companies are invited to participate and to encourage their customers to make use of the SLCP-data base as well.

More information about the SLCP is available at: https://slconvergence.org/
3. Presentation

Ms. Ratna Sita Handayanim, Senior Research Manager (Home & Technology), Euromonitor, made a presentation about “Technology Disruption – Impact on Home Textiles” (document no. 2).

Miss Handayanim pointed out that online sales keep growing while other distribution channels continue losing market share like department stores or hypermarkets. The share of online sales has reached a level of around 15%, while that of home furnishing stores reached around 30%, grocery around 15%, department stores around 15% home improvement stores around 10% and others around 15%.

She pointed out that while pure online players disrupted the traditional offline business models, many of them started to sell also offline and vice versa. Digitalisation provided so many new ways of promoting, marketing, selling and delivering goods that omnichannel distribution became the rule. IKEA, Walmart, Alibaba, Amazon and others have become omnichannel distributors.

Other technologies like Virtual Reality (VR) / Alternative Reality (AR), Big Data Analytics and Artificial Intelligence (AI) will have a great impact in the way consumers will purchase their products in the future. This will have also consequences for the textile value chain. One will certainly be that the textile suppliers will need to understand the business models of the brands and retailers and adapt their business models accordingly with regard to product development, lead times, flexibility, or quality.

January 2019
Social & Labor
Convergence Project


Committee of Home Textiles Producers (HTP)
January 10, 2019
Social & Labor Convergence Program (SLCP)

VISION
Converged Assessment
Collaborative Action
Improved Working Conditions

MISSION
Implement a Converged Assessment Framework that supports stakeholders’ efforts to improve working conditions in global supply chains

Website: www.slconvergence.org


Agents (6) Ethical Apparel Africa, Haddad Group, Li&Fung (Trading) Ltd., MGF Sourcing, Piece&Co, Randa Accessories

National Governments (2): Denmark - Ministry of Foreign Affairs, Netherlands Government


Industry Association (11) AFAA, EURATEX, European Outdoor Group (EOG), Istanbul Apparel Exporters’ Association (İHKİB), International Apparel Federation (IAF), ITMF, JAAF, MVO Netherlands, Outdoor Industry Association (OIA), Proudly Made in Africa, Turkish Textile Employers Association


Intergovernmental organizations – observer status (3): ILO, OECD, Better Cash Alliance
Non-signatory Advisory Group of Standard Holders/Multi Stakeholder Initiatives (3): FWF, GSCP-CGF, SAI
SLCP Goal and Methodology

Converged Assessment Framework

- Improved working conditions
  - Mutual trust and respect, accelerated & collaborative improvement actions
  - Measured and understood working conditions
  - Comparability of results across industry

- Redeploy resources towards improvement actions
  - Saved resources
  - Reduced duplications and improved quality

Contribution to Sustainable Development Goals:
SLCP Assessment Process

STEP 1: DATA COLLECTION
Collection can be done by either self-assessment ‘SA’ (facility only) or a joint assessment ‘JA’ (facility + external assistance)

STEP 2: VERIFICATION
The SLCP Verifier will check the correctness and completeness of the data gathered through the assessment tool. They will confirm or amend the original assessment report data. A Verifier Oversight Organization (VOO) will be in place to select verifiers and perform quality checks.

STEP 3: DATA HOSTING & SHARING
The Verified assessments will be shared through a semi-decentralized model with a Distribution Gateway and Accredited Hosts
Converged Assessment Framework (CAF)

DATA COLLECTION TOOL
(Excel and online)

VERIFICATION PROTOCOL
(PDF)

VERIFIER GUIDANCE
(PDF)

- Integrated package for data collection and verification (3 elements)
- Built together with all SLCP signatories from mid-2016 to mid-2018
- 2 pilot tests, last one to include 170+ facilities in 23 countries
- Gone through public consultation
- Approved by Steering Committee 1 June 2018 and all signatories by vote August 2018 (97% approval)
- Published on the Gateway in English and Simplified Chinese: https://gateway.slconvergence.org

At present:
- Implemented during 2018 Light Operation (Sri Lanka + China)
- Evaluated in Q1 2019 and updated before 2019 Operation
To make sure the Converged Assessment Framework can replace all current audit methodologies:

1. Audit questions from 21 different brand, audit firms and standards were analyzed
2. Major topics were translated into 8 key sections (Compliance, Management Systems and “Above & Beyond”)
3. 97% of audit information requests is covered when compared to the most comprehensive tool

SLCP Data Collection Tool

DATA COLLECTION TOOL
(Excel and online)

VERIFICATION PROTOCOL (PDF)

VERIFIER GUIDANCE (PDF)
**Scope CAF**

**SLCP Converged Assessment Framework will**

- Collect compliance and performance information from production facilities
- Employ a robust verification process
- Facilitate operation (data hosting & sharing)

**SLCP Converged Assessment Framework will NOT**

- Set minimum requirements
- Be a scoring/ranking system, certification program or code of Conduct
- Instead: it will be compatible with existing systems
In-Scope of SLCP
Verified data on labor topics such as:
✓ Age
✓ Working hours
✓ Wages
✓ Health & Safety
✓ Facility management systems
+ the sharing of that data to end users

Out-of-Scope of SLCP
Data value judgements and follow-up actions such as:
→ Scoring/ranking
→ Benchmarking
→ Industry standard
→ Compliance with company Code of Conduct
→ Certification scheme
→ Collaboration
→ Remediation efforts
Operation on limited scale (China + Sri Lanka) to pressure test full SLCP system and prepare for scaled roll out from 2019 onwards:

- In-person training + data collection at facility level with final tool version (S/J)
- Verification of facility data
  - Around 200 verified assessments
  - 100+ approved verifiers
- Coordination verification + quality assurance
  - Sumerra acting as the SLCP Verification Oversight Organization (VOO)
- Data hosting & sharing (semi-decentralized)
  - Gateway built and hosted by ITC
  - Accredited Hosts (3): Assent, FFC and SAC
SLCP 5-Year Strategy

**Vision**
Converged Assessment. Collaborative Action. Improved Working Conditions

**Mission**
Implement a Converged Assessment Framework that supports stakeholders’ efforts to improve working conditions in global supply chains

**Industry benefits**
- Eliminate audit fatigue and duplication
- Redirect resources to improvement actions
- Greater comparability of social & labor data

**SLCP Specific Aims**
- Industry Adoption
- Resources unlocked
- Data access & comparability
- Financial resilience

**2023 Targets**
- 25,000 verified assessments
- $130m for improvement actions
- Industry’s #1 source of verified S&L data
- Self-sustaining through earned income
This translates to **77% of apparel and footwear facilities** estimated to be currently under social audits: - SLCP internal research August 2018.

In this scenario the implementation targets are achieved for 75%, the resources unlocked for 2023 are estimated at **134,371,875 USD.**

### Possible Audit Resources Unlocked

<table>
<thead>
<tr>
<th>Year</th>
<th>Resources unlocked for improvement (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$41,250</td>
</tr>
<tr>
<td>2019</td>
<td>$1,837,500</td>
</tr>
<tr>
<td>2020</td>
<td>$10,312,500</td>
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<tr>
<td>2021</td>
<td>$27,225,000</td>
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<tr>
<td>2022</td>
<td>$94,312,500</td>
</tr>
<tr>
<td>2023</td>
<td>$134,371,875</td>
</tr>
</tbody>
</table>

'Rapid increment of adoption over next coming years, after 2018 Light Operation.'
Thank you!

Contact:

sharon@apparelcoalition.org
Technology Disruption – Impact on Home Textiles

Ratna Sita Handayani
Head of Research - DACH
Euromonitor International network and coverage

14 OFFICE LOCATIONS
London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, São Paulo, Hong Kong and Seoul

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

+ 210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies
108
Global Home Textiles
2017 value – USD billion

1:4
Value sales ratio via online vs. specialists in 2017

69
2017 spend per household on home textiles in China - USD
Online sales march on as department stores and hypermarket sales fall
Technology Disruptor: Online

Emergence of pure players

Marketplace
Direct to Consumer (D2C)

Pure players go offline

To strengthen consumer engagement
sacrifice profitability for share
Pop-up / permanent stores, Showrooms

Specialists’ response

Omni-channel + acquisitions
Repurposing the store: experiential, as pick-up / order points
Pure Players as Online Disruptors

Amazon
- Launch of private label line
- Changes to its third party furniture sellers programme - nationwide shipment no longer required
- Invested in fulfilment centres/warehouses (e.g. India)

Alibaba
- Offline store opening: Home Times (Hangzhou, 2017)
- Localisation: product range decision using Big Data
- Online purchase in-store
- Virtual display allows visualisation in home setting

Pepperfry
- Expands number of studios via franchise to reduce expenditure
- Broaden home decor offering, private label
- Furniture exchange and rental services
Main Response – Omnichannel

Walmart
• 3D Virtual Shopping Tour – including “buy the room” option, features themed collections
• Enhances Home section on website via blogs and mimicking home décor magazine style

Qumei
• Partners with JD.com – digital Qumei Home store (Beijing, 2018)
• Digital meets physical: virtual shelves, electronic price tags, smart cameras

IKEA
• Experiential centre with playground, home design area (Beijing, Nov 2018)
• One of only 2 stores serving as pick-up and order point
GLOBAL HOME TEXTILES: ONLINE DISRUPTORS

FUTURE TECHNOLOGY DISRUPTORS
While the mother gets ready for the day, the robotic assistant plays games with the child.

The mother also has a tech-infused experience - an interactive mirror as personal stylist, purchase channel and social sharing tool.

A virtual personal stylist gives recommendations based on her wardrobe, day’s weather, upcoming activities.

A holographic brand representatives makes appearance with suggestions from their brand.
Sooner: Alternative Reality and AI

**AR/VR**

- User modifies real world experience / explores digital world
  - Wayfair, IKEA, Ashley Furniture introduced AR mobile apps
  - Macy’s mixed reality in-store furniture experience (US)

**AI**

- Voice-enabled
- Machines interpreting visual inputs → better categorisation
- Machine learning and analysis → product personalisation
What this Means for Home Textile Players

Opportunities through technology

- Automated purchases ➔ recurring revenue stream
- More available data – more tailored, personalised products

Work with retailers

- Greater access to user generated content
- Lower rate of product returns

Communicate product USP

- VR headsets: replicate in-store consumer experience
- Home robot assistants - platform to share messages
Thank you

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