

# Entering the European market for handwoven rugs

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The mid and higher-end segments of the European market offer good opportunities for handwoven rugs, but competition is strong. You need to add value to your products through design, craftsmanship, sustainability, and storytelling. Entering the European market means you need to comply with the European Union's mandatory (legal) requirements, as well as any additional or niche requirements your buyers may have. Banning child labour is an especially relevant issue in the handwoven rug industry.

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## 1. What requirements must handwoven rugs comply with to be allowed on the European market?

The following requirements apply to handwoven rugs on the European market. For a more detailed overview, see our study on [buyer requirements for Home Decorations and Home Textile \(HDHT\)](#).

### What are mandatory requirements?

When exporting to Europe, you must comply with the following legal requirements:

- General Product Safety Directive
- REACH
- Textile Regulation
- Packaging and Packaging Waste Directive

### General Product Safety Directive

Europe's [General Product Safety Directive](#) is a framework legislation, stating that all products marketed in the European Union must be safe to use. If there are no specific legal requirements established for your product and its use, the General Product Safety Directive still applies. If specific requirements do apply, the Directive applies in addition to those, covering additional safety aspects that may not have been described specifically.

Unsafe products are rejected at the European border or withdrawn from the market. The European Union has introduced a rapid alert system ([Safety Gate](#)) to list such products.

### Tips:

Read more about the [General Product Safety Directive](#).

Use your common sense to ensure that normal use of your product does not cause any danger.

Search the [Safety Gate alerts](#) for handwoven rugs for an idea of what issues may arise.

## Restricted chemicals: REACH

The [REACH regulation](#) (EC 1907/2006) lists restricted chemicals in products that are marketed in Europe. For example, REACH restricts the use of azo dyes in textile products. If you dye (the materials for) your products, make sure you do not use certain [azo dyes](#) that release any of the 22 prohibited aromatic amines. Be aware that the legislation lists the aromatic amines, not the azo dyes that release them.

REACH also restricts the use of certain flame retardants in textiles, including Tris (2,3-dibromopropyl) phosphate (TRIS), Tris (aziridinyl) phosphine oxide (TEPA) and polybrominated biphenyls (PBBs). These chemicals are prohibited in products intended to come into contact with the skin.

Since November 2020, new limits apply for 33 [CMR substances](#) (substances that are carcinogenic, mutagenic or toxic for reproduction). These limits affect textiles such as rugs and carpets. They are listed in [entry 72 of Annex XVII](#) and include substances such as formaldehyde, heavy metals and benzenes. In general, the maximum concentration is 1 mg/kg, but there are exceptions.

### Tips:

Make sure you comply with the restrictions for the use of chemicals as laid down in the REACH regulation.

If you dye your products, make sure they do not contain any of the azo dyes that release the forbidden aromatic amines. This includes checking your own suppliers and asking for certified azo-free dyes.

Follow developments in the field of flame retardants, as new alternatives are being developed. You can do so for instance through [pinfa](#).

Familiarise yourself with the full list of restricted substances in products marketed in Europe via the [Access2Markets](#) platform.

For useful information and tips from the European Chemical Agency (ECHA), see for instance [REACH Annex XVII](#) (a list of all restricted chemicals), [Information on REACH for companies established outside Europe](#) and [Questions & Answers on REACH](#).

## Textile Regulation

The European [Textile Regulation](#) states that textile products need to be labelled or marked. Its purpose is to make sure that consumers within the European Union know what they are buying. The regulation applies to all products that contain at least 80% (by weight) of textile fibres. It requires textile products to have a label that states the full fibre composition of the product and, if applicable, the presence of non-textile parts of animal origin. The label should be durable, easily legible, visible and accessible. It should also be printed in all the official national languages of the European countries the product is sold in.

There is no European Union-wide legislation on the use of symbols for washing instructions and other care aspects of textile articles. Because consumers do consider care instructions to be important information on a product label, you are advised to follow the [ISO 3758:2012](#) standards on the care labelling code using symbols

for textiles.

### Tips:

For more information, see the [Frequently Asked Questions](#) about the Textile Regulation.

Know your own product and study the European labelling rules to find out how it should be labelled in Europe. For example, if you use a cotton name, trademark, or other term that implies the presence of a type of cotton, the generic fibre name 'cotton' must be used with it. Find out more about [textile labelling rules](#) from Access2Markets.

## Packaging legislation

Europe has specific [packaging and packaging waste legislation](#). EU [Directive 94/62/EC](#) aims to prevent or reduce the impact of packaging and packaging waste on the environment. Buyers may therefore ask you to minimise the use of packaging materials (paper, carton, plastic) or to use, for example, recycled materials.

Europe also has [requirements for wood packaging materials](#) (WPM) used for transport, such as:

- packing cases
- boxes
- crates
- drums
- (box) pallets
- dunnage

All wood packaging material and dunnage from non-European Union countries must be:

- heat treated or fumigated in line with International Standards for Phytosanitary Measures ([ISPM15](#))
- marked with the ISPM15 stamp and the [IPPC logo](#)
- debarked

These requirements do not apply to:

- wood 6mm thick or less
- wood packaging material made entirely from processed wood produced using glue, heat and pressure, such as plywood, oriented strand board and veneer
- wood packaging material used in trade within the European Union

The objective is to prevent organisms that are harmful to plants or plant products from being introduced into and spreading within the European Union. It also regulates imports from third countries in line with international plant health standards. Keep this in mind when you decide on the packaging of your handwoven rugs.

### Tips:

For more information, see the European Union's [wood packaging material factsheet](#).

Get familiar with the [ISPM15 procedure](#). Check out the [Frequently Asked Questions](#) and the [explanatory document](#).

## What additional requirements do buyers often have?

### Sustainability

Social and environmental sustainability make your products stand out on the European market. Think of sustainable raw materials and production processes, as well as the impact your company has on the environment, the wellbeing of your workers and society as a whole. Buyers appreciate good storytelling to create an emotional connection with their customers.

An increasing number of European buyers would like you to comply with the following schemes:

- **Business Social Compliance Initiative (BSCI)**: European retailers developed this initiative to improve social conditions in sourcing countries. They 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 a company is audited, it is included in a database for all BSCI participants.
- **Ethical Trading Initiative (ETI)**: This initiative 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.
- **Sedex**: this membership organisation strives to improve working conditions in global sourcing chains. It offers a collaborative platform where you can share information on your ethical and labour standards with (potential) buyers, based on a Self-Assessment Questionnaire (SAQ).

You can use standards such as [ISO 14001](#) and [SA 8000](#) to read up on sustainable options. However, only niche market buyers demand compliance with such standards.

In the home textiles industry, organic cotton is becoming an increasingly popular sustainable option. Although this is not (yet) a mainstream requirement, you can study your options for certification from the [Global Organic Textile Standard \(GOTS\)](#). The easiest way to use certified organic cotton is by either sourcing certified yarn or, if you do not weave yourself, certified organic cotton fabric.

In 2020 the European Commission adopted the [Circular Economy Action Plan](#) as a main building block of the [European Green Deal](#). The action plan includes the intention to launch a new Strategy for Textiles in 2021. The goal of this strategy is to strengthen competitiveness and innovation in the sector, boosting the European market for sustainable and [circular textiles](#).

This increasing importance of sustainability is reflected in a recent Maison et Objet Barometer, where [62% of HDHT retailers have noticed growing interest from their customers in ethical products](#). They indicate that 92% of their customers think natural materials are (very) important, 77% value socially responsible production methods, and 71% care about recyclable/recycled materials.

#### Tips:

Optimise your sustainability performance. Reading up on the issues included in the initiatives such as [BSCI](#) and [ETI](#) will give you an idea of what to focus on.

If you can show your sustainability performance, this may be a competitive advantage. For instance with a self-assessment like the [BSCI Producer Self-Assessment](#) and [Sedex' SAQ](#), or a code of conduct such as the [ETI base code](#).

Check out the [Circular Economy Action Plan](#) for details on the planned Strategy for Textiles.

For more information, see our special study on [sustainability](#) and our webinar on [the sustainable transition in apparel and home textiles](#).

## Labelling

The information on the outer packaging of handwoven rugs should correspond to the packing list sent to the importer. The external packaging labels should include:

- producer name
- consignee name
- quantity
- size
- volume
- caution signs

The most important information on the product labels of handwoven rugs is composition, size, origin and care labelling. Your buyer will further specify what information they need on the product labels or on the item itself, such as logos or 'made in' information. This is part of the order specifications. It is common in Europe to use [EAN or barcodes](#) on the product label. For more information, please refer to the labelling-specific rules under the Textile Regulation.

## Packaging specifications

### Importer specifications

You should pack handwoven rugs according to the importer's instructions. They have their own specific requirements for the use of packaging materials, filling boxes, palletisation and stowing containers. Always ask for the importer's packaging specifications, which are part of the purchase order.

### Damage prevention

Handwoven rugs are transported as rolls, wrapped in plastic film and jute/hessian sacking. They are rolled up with the face inside and packaged before they are put into a container. Sometimes two rugs are rolled up together, but this may make the roll too heavy. Runners are often protected with hardboard disks at the ends, to stop them from slipping and telescoping. When in doubt, check the requirements with your buyer.

Rugs must not be handled with bag or plate hooks, as the film packaging can easily be torn. A carpet carrying mandrel should be used for handling rolled rugs.

### Material

Importers are increasingly banning wooden crating and packaging due to their unsustainability and high material and disposal costs. Economical and sustainable packaging materials are more popular. Using biodegradable packing materials can be a market opportunity. For some buyers, it can even be a requirement.

#### Tips:

Always ask for the importer's order specifications, packaging and labelling requirements.

See [Packaging Europe](#) for more information on the latest packaging developments, including regular news articles about biodegradable packaging.

## Payment and delivery terms

Payment terms are usually agreed upon with the buyer in the order contract. They vary from buyer to buyer and are related to the volume and value of the order, the type of distribution partner, whether or not an agent is

involved, and what delivery terms apply.

Delivery terms, officially known as Incoterms, depend on the type of distribution partner and their preferences regarding physical distribution. Importers generally prefer Free On Board (FOB) or Free Carrier (FCA) arrangements.

FOB is restricted to goods transported by sea or inland waterway. It means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays the cost of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. FCA can be used for any transportation mode. In this type of arrangement, the seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the specified place or point.

Retail multiples can ask for Cost Insurance Freight (CIF). That means that they will ask you to include the shipping and insurance charges in your quotation. Small retailers may go a step further and ask you to arrange that the goods be delivered to their doorstep via a Delivered Duty Paid (DDP) arrangement. For importers who consolidate orders in your country, Ex Works (EXW) terms are often best.

### Tips:

For a more elaborate overview of the various terms and conditions, and how to work with these, see our study on [terms and conditions](#), which also explains the benefits of having your own terms and conditions.

Study the different types of [Incoterms](#), including what your and your buyer's rights and obligations are.

## What are the requirements for niche markets?

### Ethical rugs and carpets

Several ethical initiatives focus specifically on the carpet industry:

- [GoodWeave](#) (formerly known as Rugmark) works to end child labour in the carpet industry in South Asia. You can [search retailers per country](#) for an indication of the relevance in your target market.
- [Care & Fair](#) aims to combat illegal child labour and improve the situation of carpet knotting families in India, Nepal and Pakistan. Care & Fair has about 400 members in 21 consumer countries.
- [Label STEP](#) is present in the Swiss, Austrian, French and German markets. Key issues are working and living conditions of carpet weavers and the fight against child labour.

### Tips:

To target the ethical niche market, you need to find business partners in this niche. Study the initiatives and how they work to determine if your company would be a good match.

Read more on [GoodWeave](#) in the ITC Standards Map.

Determine which certification programme would be the best fit for you and apply.

## Fair trade

According to the World Economic Forum, [86% of people want significant change to make the world fairer and more sustainable after COVID-19](#). The concept of fair trade supports fair pricing and improved social conditions for producers and their communities. Especially if the production of your products is labour intensive, like with handwoven rugs, fair-trade certification can give you a competitive advantage. Common fair-trade certifications are issued by the [World Fair Trade Organisation \(WFTO\)](#) and [Fair For Life](#).

Figure 1: Kiliim – kilims manufactured in compliance with WFTO-guidelines

Source: [Kiliim @ YouTube](#)

### Tips:

Ask buyers what they are looking for. Especially in the fair-trade sector, you can use the story behind your product for marketing purposes.

If certification is not feasible, work according to [fair-trade principles](#) without being officially guaranteed or certified. Carefully document your company processes so you can support your story.

Check the ITC [Standards Map](#) database for more information on voluntary standards and their requirements, including fair production.

## Sustainable textile certification

While sustainability is gaining ground, the actual use of certification is still not common in this sector, apart from organic certifications that are becoming widespread. As this is a means of demonstrating sustainability, there is an increasing interest from buyers.

Several eco-labels are used for textiles:

- 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.
- [OEKO-TEX Standard 100](#) certification guarantees that no hazardous chemicals are used in the production of textiles. It provides textile and clothing companies with more transparent supplier relationships and facilitates the flow of information regarding potential problematic substances.
- The European Union's [Ecolabel](#) seeks to minimise products' environmental impact by looking at the use of environmentally friendly chemical options. The label is awarded only to products with the lowest environmental impact in a product range.
- The voluntary [Nordic Swan eco-label](#) is used for textile products in Sweden, Norway, Finland, Denmark and Iceland.

### Tips:

Check the possibility of sourcing organic cotton. Textile products that contain a minimum of 70% organic fibres can become [GOTS certified](#). The easiest way is to use certified organic cotton yarn in case you are weaving the fabric yourself, or certified organic cotton fabric if you are in CMT (Cutting Making Trimming) only.

Read more about [GOTS](#), [OEKO-TEX](#) and the European Union's [Ecolabel](#) in the [ITC Standards Map](#).

Determine which certification programme would be the best fit for you and apply if possible.

## Woolmark

Woolmark certification provides consumers with guaranteed wool fibre content and an assurance of quality. It contains specific standards for several product groups, including handwoven rugs.

### Tip:

If you supply woollen products, study [how to become a Woolmark licensee](#).

## 2. Through what channels can you get handwoven rugs on the European market?

The European handwoven rug market is segmented into low, mid and high-end (premium) market segments. The rugs are put on the market through the traditional channels: importers/wholesalers that supply to retailers, as well as retailers that buy directly from suppliers.

### How is the end market segmented?

Figure 2: Handwoven rug market segmentation in Europe





## Low-end market

In the low-end segment, simple and low-priced rugs are common. They are usually small sized and made of inexpensive materials. Typical retailers include [Aldi](#) and [HEMA](#). Products from India, Pakistan and Bangladesh generally dominate this market. Competing with these cheap and relatively mass-produced small rugs is almost impossible. Instead, the (higher) middle and (lower) high segments offer you, as a small or medium-sized enterprise (SME) from a developing country, the most opportunities.

## Mid-end market

The middle segment puts more emphasis on design and finish, while prices are still reasonable. [Zara Home](#) and [Habitat](#) are key players. The mid-high market responds well to local character, identity and craftsmanship. Sustainability is increasingly important to consumers in this segment. This makes the use of natural and/or recycled materials for your rugs an interesting option, as well as natural dyes.

## High-end/premium market

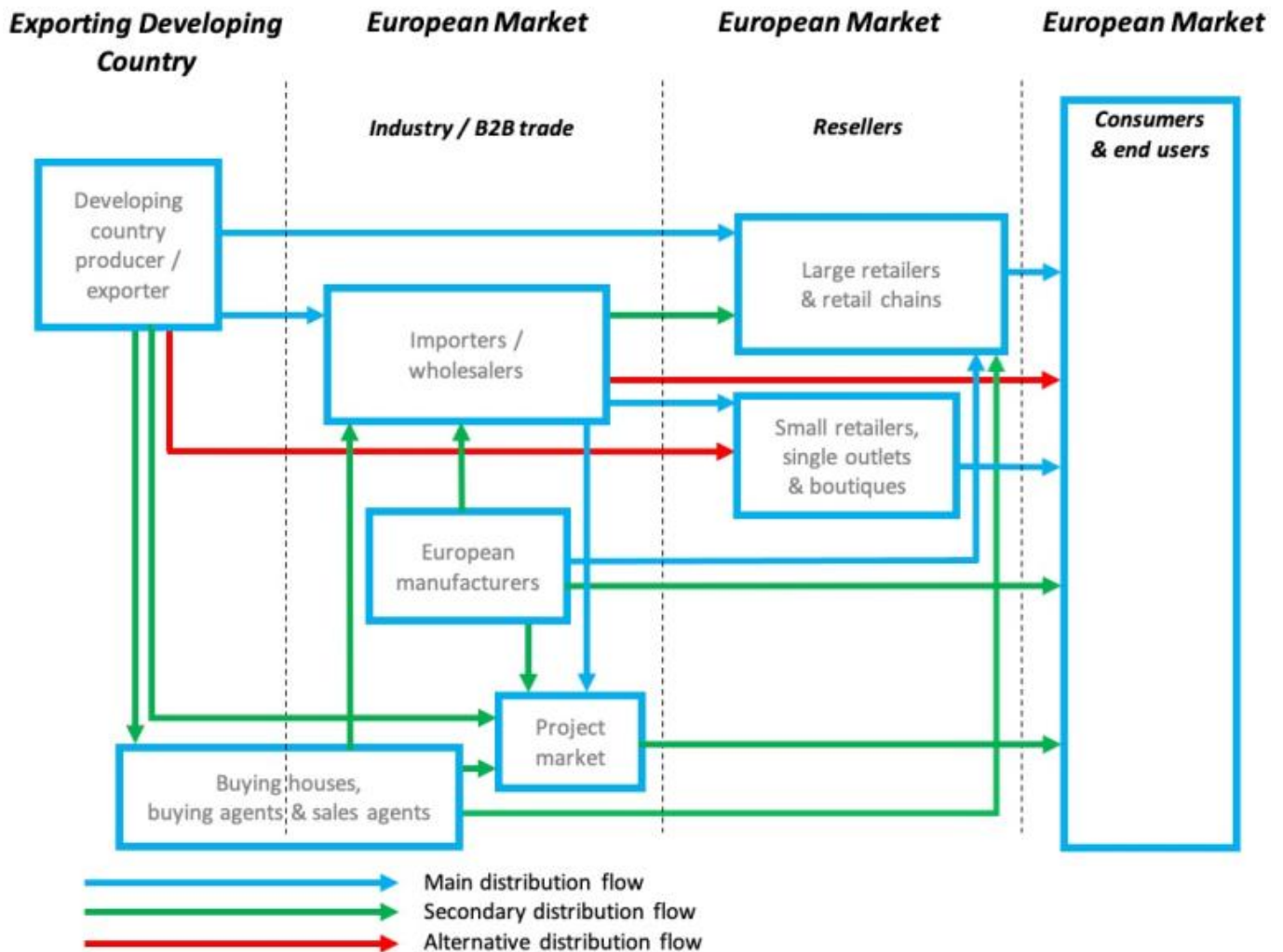
In the high-end segment, designer quality is common and private labels are the standard. Products for this market are relatively timeless. They can also be made with high-end materials such as silk, cashmere, other high-quality wool, and blends of these fibres. Luxury department stores such as [Harrods](#) play an important role here.

## Through what channels do handwoven rugs end up on the end-market?

Traditionally, the trade channels for carpets and rugs were separate from other home textile products. However, these items have now established themselves in the mainstream trade channels and have become lifestyle products. Whereas top class kilims were previously only sold in speciality shops, they are now available at department stores. Large retail chains like [IKEA](#) now also sell handmade rugs and carpets.

This means the channels through which handwoven rugs are put on the market now also follow the traditional patterns: import takes place via importers/wholesalers that supply to retailers. Larger retail chains often bypass the importers/wholesalers and import themselves, while more and more smaller retailers have also started buying directly from suppliers. In some cases, buying agents play a role. Below, the main actors in the market for handwoven rugs are highlighted.

Figure 3: Trade channels for handwoven rugs in Europe



## Importers/wholesalers

Importers/wholesalers sell products to retailers in their own country or region, or re-export to the broader European continent. Some European markets are therefore supplied by wholesalers/importers from other European countries (intra-European trade). Supplying to buyers in the project market (such as hotels and spas) can be considered as a secondary distribution flow for European importing wholesalers.

These importers/wholesalers take care of the import procedures. They take ownership of the goods when they buy from an exporter (as opposed to agents), taking on the risk of the onward sale of the 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.

## Importing retailers

Retailers come in many sizes: large and part of a chain, or small and independent. Especially larger retail chains often import directly from their suppliers in developing countries. Many, such as IKEA, even have their own buying offices in developing countries. Others, mainly the smaller independent stores, order in Europe from wholesalers.

There is a tendency for consolidation in European retail. Large retail brands are becoming more widespread in Europe and more 'lifestyle-centred', offering home decoration and textiles as well as fashion accessories and furniture.

## Buying agents, buying houses and sales agents

You can encounter several types of intermediaries in your dealings with European buyers. In your own country there may be buying houses, and in Europe there are both buying and sales agents.

European buying agents represent European buyers in sourcing countries. They act as intermediaries, meaning they do not import products themselves. Sometimes agents have a more limited role, such as checking the quality of the products in your warehouse on behalf of a specific importer or checking the codes of conduct that you have agreed on with your buyer. Buying agents can work individually or as part of purchasing companies.

Buying houses are comparable to buying agents, but they are based in your country and usually have a broader spectrum of services. This can range from raw material sourcing to design and sampling services.

European sales agents can represent you in helping to find buyers in the European market. However, you should be careful before entering into (exclusive) agreements with them, as [European legislation is quite protective when it comes to the position of commercial agents](#).

Agents and buying houses mostly operate based on commission. They may approach you directly, or your (potential) buyer could indicate they prefer working through an intermediary. However, if possible, working directly with a buyer is preferable. This saves on commission and allows you to communicate directly with the buyer.

## E-commerce

E-commerce in the HDHT sector is growing and can help you reach a broader range of customers. However, it is important to understand that for most producers this is not a completely separate channel in itself and that catering to buyers that sell online does not differ from your regular business. Retailers often combine online and offline channels but the way of supplying them is the same. Companies that only sell online also need to take stock before they can sell.

Channelling online sales via your own website would mean:

- supplying small batches/individually packaged items, and being prepared to pre-stock and offer more just-in-time supply concepts
- needing to be found in a crowded space of European and producer country wholesalers and retailers that are ahead of the game in understanding and responding to online consumers' needs
- being able to deal with aftersales on a B2C level, including returns and replacing items
- having an 'economic operator' in Europe, to comply with the new [Market Surveillance Regulation](#)

Because of this, selling online to consumers in Europe is not feasible for most exporters from developing countries.

### Tips:

To find potential buyers, search the list of exhibitors or attend the main (online) trade fairs in Europe: [Ambiente](#) (February), [Domotex](#) and [Heimtextil](#) (January) in Frankfurt, and [Maison et Objet](#) (January and September) in Paris.

Search the member lists of relevant industry associations to find potential buyers, such as [ECRA](#) (European Carpet and Rug Association) and [EURATEX](#) (European Apparel and Textile Confederation).

See our [tips for finding buyers](#) in the European HDHT market.

## What is the most interesting channel for you?

Wholesale importers are the main channel between exporters in developing countries and European retailers. They are interesting if you want to develop a long-term relationship and they usually have good knowledge of the European market. They can provide you with valuable information and guidance on European market preferences.

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. In the lower-end market segments, self-importing retailers might want to drive a much harder bargain with you. However, in the mid-high segment, which offers you the most opportunities, price is less of an issue.

Smaller, independent European retailers continue to purchase mainly from domestic wholesalers/importers. As in other European market sectors (such as food or clothing), independent HDHT retailers struggle to compete with retail chains. They need to differentiate on value-added service, as well as specialised offers and authenticity. These buyers typically prefer small order quantities per item, small total order volumes and delivery to their doorstep, with a limited likelihood of repeat orders. You need to calculate if this is cost-effective for you.

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

### Tips:

Consider targeting retailers directly, to improve your bargaining position and increase your chances of closing deals faster.

Relate your offer and terms to the targeted retailer (large or 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.

For more information on the pros and cons of dealing directly with smaller retailers, read our study on [alternative distribution channels](#).

Offer suitable services, such as fast delivery and after sales support, to build a relationship based on mutual benefits.

When you participate in international trade fairs, especially in 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.

## 3. What competition do you face on the European handwoven rug market?

Europe mainly imports its handwoven rugs directly from India and Pakistan. To compete with these manufacturers in the mid to high-end market, you need to add value by focusing on sustainability and using high-quality natural and/or recycled materials.

(!) The HS-code for handwoven rugs (570210) used in this study refers specifically to Kelem, Schumacks, Karamanie, and “similar handwoven rugs”. The main suppliers in this chapter reflect this. Different types of handwoven rugs and mats, such as sotronjis, are often registered under other HS-codes that specify the materials used rather than whether they are handwoven or industrially produced.

India is by far the leading handwoven rugs supplier to Europe, with a direct import market share of 40%. Germany (13%) follows at a distance. Pakistan (6.5%), Denmark (5.8%), Turkey (5.2%) and Iran (4.8%) are next on the list.

Be aware that European countries have different roles in the market. You can make a rough distinction between countries that are mainly importers and countries that are mainly manufacturers. Western European countries are mainly importers and re-exporters. Most Western European importers do not just sell their products in their own country, but they distribute them across the continent.

European production mainly takes place in Eastern European countries, mostly because of their proximity and their relatively low labour costs. This can make them a good alternative for sourcing low to mid-end products. Western and Southern European countries also produce some high-end products from well-known premium brands with a long history.

Mass-produced rugs are segmented in the lower ends of the market and produced in the most cost-effective countries. You do not compete with these countries, as your best chances are in the mid to high-end market.

## Which countries are you competing with?

### India dominates the market

As discussed, India is Europe’s main supplier of handwoven rugs. With a share of 40%, the country dominates the market despite a 16% export decline in 2020. Its skilled labour and transportation at competitive costs give India a strong position in the European market.

India has a long history of carpet and rug production. The town of Bhadohi is also known as Carpet City, home to [one of the largest handwoven carpet industries in South Asia](#). Indian producers have easy access to a variety of natural materials and specialise in craftsmanship. This allows them to target the mid- to high-end market segments, where handwoven rugs are mainly sold. These strengths make the country a fierce competitor in the market for handwoven rugs.

### Pakistan has a strong tradition in handwoven rug production

Handwoven rug production is one of Pakistan’s leading small-scale and cottage industries, allowing weavers (often women) to work from their homes. The rugs come in various designs, styles and materials, and have been exported to Europe for centuries.

Pakistan has a large workforce and low wages. It is one of the world’s leading cotton producers, with a large spinning capacity to produce textile products. This gives Pakistan a competitive edge in the production of cotton rugs. To compete with Pakistani suppliers, you can differentiate by using other natural and/or recycled materials, or high-end materials such as silk and high-quality wool (blends).

### Turkey specialises in kilim production

Turkey is another country with [a long tradition in producing \(kilim\) rugs](#), particularly in the Anatolian region. In

addition to its expertise in handwoven rug production, the country's strengths include its relatively low wages and its convenient location close to the European market, allowing for relatively easy and affordable transport. These benefits make manufacturing locations in Turkey more attractive, primarily based on cost. With a 3.6% increase in supplies in 2020, Turkey has strengthened its position on the European market.

## **Iran is known for its Persian rugs**

Iran has a strong reputation in handmade rug production. When Westerners think of Persian rugs, they think of Iran. The craft is so important to Iranian culture, that [UNESCO has recognised the traditional skills of carpet weaving in Fars as intangible cultural heritage](#). Although these rugs are traditionally made of wool, materials such as cotton and silk (or blends) can also be used.

## **Morocco shows steady growth**

Like most other leading suppliers, Morocco has [strong rug weaving traditions](#). Berber rugs are among the best-known types of rugs traditionally produced there. Morocco is the only leading supplier that managed to steadily increase its exports of handwoven rugs, from €0.9 million in 2016 to €1.8 million in 2020. Because these values are relatively modest, this resulted in an average annual growth rate of 19%.

## **China is a relatively small player**

In general, Chinese producers mainly supply the lower ends of the market with low-priced products, as product development and creativity are not their core strengths. This explains why China is a relatively small player in the market for handwoven rugs, which are not suited to China's usual mass-production strategy. In the coming years, disruptions following China's trade war with the United States and the COVID-19 pandemic may negatively impact the country's trade performance.

## **Which companies are you competing with?**

### **Sharda - India**

The Indian manufacturer [Sharda](#) is known for its wide variety of techniques, all by hand, and its (recycled) materials. One of the company's strong points is the fact that they have an in-house design department that allows them to offer a wide range of different designs, as well as the possibility to develop customised products for their buyers.

In addition to business-to-business (B2B) sales, to further capitalise on its wide range of rugs, the company has created [The Rug Republic](#), offering handmade rugs from stock on a business-to-consumer (B2C) level.

Figure 5: The Rug Republic - Handloom rugs

Source: [The Rug Republic @ YouTube](#)

## **Kirkit Rugs - Turkey**

[Kirkit Rugs](#) offers both restored vintage/antique rugs and contemporary rugs and kilim. Both categories have their roots in the traditional rug weaving from Anatolia, a region in Turkey that is well known for its handmade rugs. As such, the heritage aspect of Kirkit's products plays a major role. The company uses this as an important part of its promotion and storytelling. Kirkit is a Certified Label STEP Fair Trade Partner, guaranteeing the company's commitment to comprehensive social and environmental standards.

## **IKEA - Sweden**

Even though [IKEA](#) as a company is one of the biggest players in HDHT worldwide, their approach towards handwoven rugs is quite similar to some of your other competitors in this field. You can take inspiration from the way in which the sourcing of raw materials is described, as well as the production process itself and the photography of both product and production. The company aims to [make all the wool they use for their handwoven rugs to be 100% responsibly sourced wool by 2025](#).

Figure 6: IKEA - Handwoven rug made from fabric leftovers

Source: [IKEA @YouTube](#)

### **Which products are you competing with?**

Handwoven rugs mainly compete with their industrially produced, machine-made counterparts. Their main quality is decorativeness, provided by the designs, patterns, materials and techniques used to make them. The handmade aspect further adds to the story behind the rugs. All these characteristics bring additional value and uniqueness to these products, making them more interesting for European consumers. However, if a consumer mainly needs a functional, standard rug, then these handwoven pieces cannot compete with cheap mass production.

#### **Tips:**

Compare your products and company to the competition. You can use [ITC Trade Map](#) to find exporters per country and compare on market segment, price, quality and target countries.

To differentiate from your main competitors, focus on design, craftsmanship, quality and the story behind your products.

## **4. What are the prices for handwoven rugs on the European market?**

Prices for handwoven rugs vary across market segments, ranging from low-end to high-end. After adding logistics costs, wholesaler and retail margins, and Value Added Tax (VAT), European consumer prices amount to about 4-6.5 times your selling price.

Table 1 gives an overview of the indicative prices of handwoven rugs in the low-, mid- and high-end market segments. 'Indicative' is key here, since prices for handwoven rugs vary depending on weaving technique, size, material, design, brand, and other ways of value addition. Size is especially relevant, since differences in size



directly influence the price.

Table 1: Indicative consumer prices of handwoven rugs in Europe

	Low-end	Mid-end	High-end / premium
Handwoven rugs (120x180cm)	€5* - €50	€50 - €200	€200 or more

\* small size 60x90cm

Consumer prices depend on the value perception of your product in a particular segment. This is influenced by your marketing mix:

- product benefits
- promotion (brand or not, communication of product benefits)
- points of sale (reseller positioning)
- price

The European consumer price of your rugs is about 4-6.5 times your selling (FOB) price. Besides energy, labour and transport costs, FOB prices depend heavily on the availability and cost of raw materials. For example, in recent years the price of wool has increased considerably, largely due to renewed demand from China. Occasional increases in the price of raw materials are not directly passed on to the consumer, but do put pressure on exporters', importers' and retailers' margins.

The following percentages give an indication of a price breakdown for handwoven rugs in the supply chain:

- shipping, import, handling costs: +15-20%
- wholesaler: +50-90%
- retail: +90-150%
- VAT\*: +20%

\*VAT percentages in Europe range from 18% in Malta to 27% in Sweden. On average, these percentages are about 20%.

For example, in Table 2 the FOB price is set at €10. Depending on the market segment your product is designed for, the consumer price ranges from €41 in the low-end market to €65.50 in the high-end market.

Table 2: Example of the price breakdown per market segment

	Low margin	Middle margin	High margin	
FOB price	€10.00	€10.00	€10.00	Your FOB price
Transport, handling charges, transport insurance, banking services (20/15/15%)	+2.00 €12.00	+1.50 €11.50	+1.50 €11.50	Landed price for the wholesale importer

Wholesalers' margins (50/75/90%)	+6.00 €18.00	+8.60 €20.10	+10.40 €21.90	Selling price from the wholesale importer to the retailer
Retailers' margins (90/110/150%)	+16.20 €34.20	+22.20 €42.30	+32.70 €54.60	Selling price excluding VAT from the retailer to the end consumer
Selling price incl. VAT (20%)	+6.80 €41.00	+8.50 €50.80	+10.90 €65.50	Selling price including VAT from the retailer to the end consumer

The FOB price of €10 includes your own margins as a producer. These margins depend on your efficiency and price setting. Generally, margins in the lower segment, which deals with high volumes for low prices, are smaller than those in the middle and higher segments.

Examples of handwoven rug prices across Europe are:

- Sedex-compliant recycled plastic rug, 60x90cm, [Ian Snow](#) (United Kingdom), about €30.00
- Care & Fair certified rug, 200cm diameter, [Kwantum](#) (Netherlands), €100.00
- woollen rug with geometric pattern, 170x240cm, [IKEA](#), €220.00
- designer rug by Tina Ratzer, 170x240cm, [Muuto](#) (Denmark), €669.00

### Tips:

Study consumer prices in your target segment to determine your price and adjust your cost accordingly. The quality and price of your handwoven rugs must match what is expected in your chosen target segment.

Calculate your prices regularly and carefully, especially when you know that prices of your raw materials regularly fluctuate. When prices of your raw materials pressure your margin for a longer period, consider increasing your price or finding another suitable alternative.

Understand your segment. Offer a correct marketing mix to meet consumer expectations. Adapt your business model to your position in the market.


This study has been carried out on behalf of CBI by [Globally Cool B.V.](#) in collaboration with Remco Kemper.

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