CBI MARKET SURVEY

THE GIFTS AND DECORATIVE ARTICLES MARKET IN THE EU

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This survey was compiled for CBI by DCT BV in collaboration with TuYu BV

Report summary

This survey profiles the EU market for *"Gifts and decorative articles" (2008)*. The emphasis of this survey lies on those products which are of importance to suppliers based in developing countries. The product groups discussed in this survey include: Candles, Woodware, Wickerwork, Artificial flowers & fruits, Ceramics, Glassware, Metalware, Plasticware and Paperware.

Consumption
Divergences in tastes and interests mean that there is an enormous diversity of gifts and decorative articles. This makes it hard to define this sector. According to Eurostat statistics, Total EU-27 consumption of gifts and decorative articles amounted to € 10,579 million in 2005. The average percentage change in EU-27 consumption of gifts and decorative articles during the period under review amounted to 0.2% (2001-2005). Germany was the country with the largest share of consumption of the total EU-27 for 2005. Italy was the second largest market for gifts and decorative articles, amounting to 14.8%, followed by United Kingdom (14.7%), France (11.9%), Spain (9.5%), The Netherlands (4.3%), and Poland (4.3%). The rest of the countries under review shared a total of 20.3% of the EU-27 consumption.

Branch-related forecasts about consumption developments for the gifts and decorative articles market indicate that in the coming years the market will increase slightly, by approximately 2.4% per annum during the period 2006-2009 (Source: Euromonitor).

Production
Total EU-27 production of gifts and decorative articles amounted to € 8,968 million in 2006. The average percentage change of EU-27 production of gifts and decorative articles during the period under review amounted to -8.6%. Over the last decade, the gifts and decorative articles market has become increasingly competitive, mainly due to the pressure of low-cost imports, principally from Asia and Eastern Europe. An expensive labour force and strict regulations in the EU countries have made it difficult for EU manufacturers to compete. To cope with the increasing competition, several EU manufacturers established manufacturing bases in Asia, where they combine their state-of-the-art technology with a low cost-base. In this way, they can maintain an efficient, high-quality production system at low cost. The increased competition fuelled by these pressures has led to the reshaping of the EU gifts and decorative articles market, illustrated by a series of mergers and acquisitions, as smaller companies found it impossible to re-brand themselves and so create a market niche which would have enabled them to survive.

Imports
In 2006, EU-27 imports of gifts and decorative articles were valued at € 8.2 billion. In general, during the period under review an increasing trend was observed in terms of value for imports. Total EU-27 imports increased by 6.7% during the period under review. Countries, which experienced the largest increase in imports in terms of value, were Romania, Hungary, Bulgaria, Slovakia, Latvia, Poland and Lithuania. Countries which experienced a decrease in imports in terms of value were Portugal, Luxembourg and Malta between 2002 and 2006.

The developing countries are playing an increasingly important role in the import of gifts and decorative articles within the EU-27. In 2006, 35.0% of total imports into the EU-27 of gifts and decorative articles came from developing countries; this share was 33.8% in 2004. The imports from developing countries have increased in terms of absolute value as well (2,893 in 2006 and 2,681 in 2004). Between 2002 and 2006, imports of gifts and decorative articles coming from developing countries have increased by 20.9% in terms of value.

Export
In 2006, EU-27 exports of gifts and decorative articles were valued at € 7.3 billion. Germany was the leading exporter, accounting for 16.6% of the total value imported into EU-27

countries, followed by France (13.5%), Italy (11.2%), the Netherlands (10.7%), Poland (7.7%), Belgium (7.3%), United Kingdom (5.7%), Spain (4.7%) and Austria (3.6%).

Opportunities

Although the gifts and decorative articles market seems to be very sensitive to the economic climate, prospects for manufacturers in developing countries are good. Developing countries have increased their role in most of the product groups discussed in this survey. Consumers are looking for one-of-a-kind items, which personalize their homes; they change their homes by adding small decorative articles. Manufacturers, however, should take into account that quality and value for money are still the major purchasing criteria. For relatively small-scale manufacturers, we advise looking at creating a niche position in the market. Other opportunities lie in the production of private label products. Manufacturers should, however, be aware that they will face fierce competition from low-priced Eastern European and Asian manufacturers. The trend towards a more fashionable market has some implications, like, for example, shorter product life cycles, making well-organized new product development and fast, accurate distribution indispensable. This survey offers you a framework for deciding on whether or not to export to the European Union and, if your decision is positive, this survey provides you with leads and guidelines on what products and markets to focus upon. For information on current CBI Programs and training & seminars, and to download market information and CBI News Bulletins, please refer to CBI's internet site http://www.cbi.nl/.

Introduction

This CBI market survey profiles the gifts and decorative articles market in the EU. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. The role of and opportunities for developing countries are highlighted.

This market survey discusses the following product groups: Candles, Woodware, Wickerwork, Artificial flowers & fruits, Ceramics, Glassware, Metalware, Paperware and Plasticware.

For detailed information on the selected product groups please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU countries, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from http://www.cbi.eu/marketinfo Go to 'Search CBI database' and select your market sector and the EU.

1 Consumption

In this chapter, data from the Prodcom (production) database and CN (imports and exports) database as supplied by Eurostat is used to indicate apparent consumption. Apparent consumption is the sum of production and imports minus exports. Variations in inventory are not taken into account. Two problems occur: sometimes negative consumption is calculated, this is the case when exports are higher than production and imports combined, in that case figures are treated as not available. Furthermore, the figures sometimes show a discrepancy between years, e.g., a large fall or extraordinary growth. For decision-making these figures are therefore not accurate enough and they should be used in conjunction with further market research.

1.1 Market size

The EU-27 ranks among the leading markets for gifts and decorative articles in the world right after the Asian and American markets. In the latter two, the consumption of gifts and decorative articles has grown up more than Europe for the last decade. While ceramic gifts and decorative articles are the most popular products and account for the highest growth in Europe, wooden gifts and flowers are the most popular in Asia and America.

Total EU-27 consumption of gifts and decorative articles amounted to € 10,579 million in 2005. The average percentage change in EU-27 consumption of gifts and decorative articles during the period under review amounted to 0.2% (2001-2005).

Looking at the development of the different markets, the countries with the greatest average increase in consumption in terms of Euro value during the period under review 2001–2005 were Lithuania, followed by Slovakia, Czech Republic, Slovenia, and Ireland. Countries that have experienced decline in consumption of gifts and decorative articles were Sweden, with a total decline of 4.7% during the period under review, Italy (-4.7%), UK (-4.4%), Belgium (- 2.7%), and Finland (-0.2%).

Table 1.1 Apparent total consumption EU-27 2001 - 2005 in € million

	2001 € mln	2003 € mln	2005 € mln	Average % change 2001-2005	Share of the Total Consumption
Germany	2,578	2,637	2,597	0.2%	24.5%
Italy	1,947	1,551	1,564	-4.7%	14.8%
UK	1,881	1.705	1,555	-4.4%	14.7%
France	1,227	1,253	1,261	0.8%	11.9%
Spain	777	986	1,003	6.8%	9.5%
Netherlands	349	360	500	6.9%	4.3%
Poland	N.A.*	227	322	N.A.	3.0%
Denmark	217	240	244	3%	2.3%
Belgium	273	239	242	-2.7%	2.3%
Austria	203	186	207	0.9%	2.0%
Finland	204	169	196	-0.2%	1.9%
Ireland	131	160	180	8.5%	1.7%
Sweden	292	86	127	-4.7%	1.2%
Greece	115	112	125	2.7%	1.2%
Hungary	84	102	105	5.7%	1.0%
Portugal	100	88	102	1.1%	1.0%
Czech Republic	36	57	75	22.4%	0.7%

Romania	46	31	43	1.1%	0.4%
Slovenia	23	32	34	19.4%	0.3%
Slovakia	21	10	31	28.3	0.3%
Bulgaria	3	6	25	N.A.	0.2%
Estonia	17	20	23	8%	0.2%
Lithuania	8	15	23	34.3%	0.2%
Luxemburg	19	28	19	4.9%	0.2%
Cyprus	N.A.	13	13	N.A.	0.1%
Latvia	8	8	8	1.4%	0.1%
Malta	N.A.	6	6	N.A.	0.1%
Total EU-27	**10,561**	**10,328**	**10,579**	**0.2%**	

Source: Prodcom database, Eurostat (2006)
*NA Not available

Germany was the country with the largest share of consumption of the total EU-27 for 2005 representing 24.5%. Italy was the second largest market for gifts and decorative articles, amounting to 14.8%, followed by United Kingdom (14.7%), France (11.9%), Spain (9.5%), The Netherlands (4.3%), and Poland (4.3%). The rest of the countries under review shared a total of 20.3% of the EU-27 consumption.

Countries with increasing relative importance (percentage share of consumption) between 2001 and 2005 were: Spain and Poland. Countries with decreasing relative importance between 2001 and 2005 were Italy and the United Kingdom. The rest of the countries have kept their percentage share of the total consumption approximately stable.

Based on forecasts, the total gifts and decorative articles market will increase annually by approximately 2.4%, during the period 2006-2009. Ceramic gifts and decorative articles are forecast to increase by 2.5% during 2006 - 2009. In this group the largest increases in consumption are expected in Slovakia, the Czech Republic and Hungary. An increase of 1.6% is expected for china and porcelain (within the Ceramics group), with major increases of consumption in Slovakia, United Kingdom, and Hungary. The Glassware product group will enjoy a 2.5% increase, mainly due to increases in consumption in Slovakia, Hungary, Poland, and Ireland. Plastic gifts and decorative articles will increase by 1.9% during the forecast period, with the largest consumption increases in Poland and Ireland. The rest of the product groups, combined in ‘Other gifts and decorative articles’, are expected to increase by about 3.7%, with the largest increases coming from consumption rises in Poland, Slovakia and United Kingdom.

Table 1.2 Product group size forecast in % compound annual growth rate, 2006-2009

	Ceramic gifts & decorative articles	Glass gifts & decorative articles	Plastic gifts & decorative articles	Other gifts & decorative articles
Total EU	**2.5**	**2.5**	**1.9**	**3.7**

Source: Trade associations, Trade press

1.2 Market segmentation

A market segment can be defined as a group of customers with shared characteristics that responds to marketing activities in a similar way. Segmentation is generally based on one or more criteria which differentiate one group from another. In the gifts and decorative articles market, demographics, customer preferences, quality and level of income are amongst the most important criteria to segment on.

Segmentation on demographic criteria
The size and age structure of the population and, more significantly, the number and age-profile of households are basic determinants of the levels of expenditure on gifts and decorative articles. The following consumer groups, with their own specific tastes and requirements, can be distinguished:

Youngsters (young, 18 - 29 years)
This group consists of students and single-person households. The people in this group usually live alone; they generally spend more time out of their homes. They mainly purchase low-priced decorative articles which are functional. Formats like Ikea are successfully targeting their products on these price-conscious consumers. According to Euromonitor, this consumer group has an increasing tendency to change the interior decoration of their homes more often and low price is a more decisive factor than quality. Generally, young consumers are more focused on fashionable products, convenience and low prices, whereas the older consumers prefer quality, comfort and durability. The younger consumers value novel ideas. According to Euromonitor, they seek the freedom and flexibility to customise and individualise their own ideas.

Singles (older 20 - 45 years)
This group consists of people whose circumstances necessitate the setting up of a new home e.g. single mothers setting up home or divorcees starting again. Independent career-men or women are also included in this group. Initially, they tend to buy products which are practical, multifunctional and meet the latest interior trends.

Couples (childless 20 - 35 years)
This group consists of couples, where both partners are employed, resulting in higher spending power. They are increasingly sensitive to fashion and are more responsive to new and modern design trends. People in this group are important customers for premium, designer gifts and decorative articles.

Couples (parents 25 - 45 years)
This group consists of people with young children. They are sensitive to fashion, but not as much as the childless couples. The parents prefer convenience and functional gifts and decorative articles rather than high-priced elegant items, which may get broken.

Older couples (middle-aged, 45 - 65 years)
This group consists of somewhat older people (baby boomers). In most cases, their children have left the house. These middle-aged people spend most of their leisure time at home, socialising with friends and family. They are gradually replacing and upgrading their current interior. The people in this group have high disposable incomes. With desire-driven spending on home furnishings replacing needs-based purchases, the luxury home segment is becoming increasingly important in this segment. Value-for-money and functionality however, also remain important purchase criteria in this group. They are less sensitive to fashion and mainly purchase the more traditional gifts and decorative articles. Of the consumer groups discussed, this group spends the most on their interior, according to Euromonitor.

Seniors (65+ years)
This is the fastest growing consumer group in the EU-countries. It mainly consists of retired people whose children have moved out. They like to re-furnish their home interior, suiting their own taste. In most cases these seniors move towards smaller houses. This group buys far fewer interior products, but the products they purchase are generally of higher quality and higher price. Value-for-money and functionality are important purchase criteria. The seniors mostly fancy traditional gifts and decorative articles, which they have collected throughout their lives. Collectibles are also very important in this consumer group. The older consumers generally value expert advice and high quality service over other purchase criteria.

Segmentation on customer preferences

Next to the demographic criteria there are number of other criteria which can be of interest when segmenting the gifts and decorative articles market. The Dutch research agency E.I.M. has segmented the gifts and decorative articles market into four groups, shown in Figure 1.1. They make a distinction between consumers who take a particular interest in their interior and therefore in interior articles, which includes gifts and decorative articles (vertical axis). The other criterion was the reason for buying these interior articles, functional or atmosphere enhancing (horizontal axis). The E.I.M. research was only done in the Netherlands. Extreme care must be taken with respect to projecting these results on other countries.

Figure 1.1: Function and intensity of using interior products.

Atmosphere(3)	Functional(4)	**Use of Accessories**
5%	**30%**	LOW(2)
50%	**15%**	HIGH(1)

Functional of Accessories

Use of interior articles
As can be seen in Figure 1.1, the majority of the consumers (65% (50% + 15%)) take a particular interest in interior articles. They frequently make use of these articles. Furthermore they have a tendency to replace them more often, mainly because they have lost interest in the product and want to give their interior a new look. For the remaining share (35%) the opposite applies. They do not preoccupy themselves with their interior and make hardly any use of interior articles. This group only purchases interior articles when they have to, for example when they are furnishing a “new” house. The differences between these two groups are also reflected in their purchasing behaviour. Looking at the expenditure of these two groups the results are striking, the average expenditure on interior articles of the two groups is similar. The first group, however, purchases 60 percent more articles than the second group. It seems that the people who frequently replace interior articles often choose cheaper products. The people who are not interested in their interior mostly purchase good quality and higher priced products, which generally have a longer lifespan.

Reason for buying interior articles
Gifts and decorative articles often form an important decorative and atmosphere enhancing element in the home interior. The decorative element of the products however is not the only thing that counts. A proportion of EU-consumers only purchase interior articles if these articles also have some sort of functional use. Looking at the reason for buying interior articles, somewhat more than half of the consumers (55% (50% + 5%)) find the decorative aspect more important than the functional or practical aspects of a product. Especially women and youngsters are generally more focused on the atmosphere-enhancing aspect of interior articles. Of all the women, 63 percent belong to this group, whereas only 45 percent of the men belong to this group. Of the youngsters (up to 20 years old) 61 percent belongs to this group. The remaining 45 percent regard the functional aspects of a product more important. For the elderly, functionality together with value-for-money are the most important purchase criteria. The elderly are also less sensitive to fashion than their younger counterparts. Of the

consumers older than sixty, nearly 60 percent only buy interior articles when they have functional value. For youngsters this percentage is only 6 percent.

Segmentation by price / quality

In spite of the trend towards low prices, fashionable products' quality is still an important purchase criterion. Regarding gifts, there is a trend towards better quality; consumers want to avoid buying gifts that fall apart after a short time. According to a survey of the British Giftware Association (BGA), consumers purchasing giftware products consider "quality" to be the most important criterion for buying. Other important purchase consideration are value for money, availability, fashion/ Image, recommendation and advertising.

Purchase criteria:
1 Quality
2 Value for Money
3 Availability
4 Fashion/ Image
5 Recommendation
6 Packaging
7 Advertising

1.3 Trends

This paragraph reviews different trends in the following fields:
- Demographic trends
- Social & cultural trends
- Other branch-related trends & developments

Demographic trends
- *Ageing society* - The composition of the EU population is changing. Europe is entering a period of accelerated population ageing. This phenomenon extends to the majority of the EU countries. According to Eurostat, there are three driving forces behind the ageing of the EU society: fertility below replacement level, greater longevity and the approach of the 'baby-boomers' to retirement age. In 2005 around 19.5% of the EU-25 population were less than 15 years old. Persons of working age (15-64) accounted for 67.2% of the EU-25 population. The remaining 16.0% were aged 65 and over, according to Eurostat. The retired generation (65+) will increase significantly in the near future, as the post-war baby-boom generation ages. Between 1960 and the present day, the proportion of older people (65 years and over) in the population has risen from 11% to 16%. Of the 69 million older people about 40 million are women. It is forecast that this ageing effect will continue in the near future. The ageing society in the EU also brings interesting developments for exporters from developing countries. These elderly people form an interesting segment, not only because of their growing number, but also for their considerable spending power. Also, because they have an increasing amount of free time, their spending on house, hobbies and vacations will increase. They will gradually replace and upgrade their home interior. Value for money remains an important factor for competing in this segment.
- *Household formation* - New household formation, which is an important engine for growth in the gifts & decorative articles market, is not expected to rise substantially in the near future. In 2002, there were approximately 156 million households in the EU-15. In the five-year period between 2002 and 2005 the number of households in the EU- countries only increased by 1.2% annually. While the absolute number of households has increased, the average household size has decreased. Through developments like 'dilution', family households are getting smaller because of the simple fact that people are having fewer children. Also, growing divorce rates and declining marriage rates have a positive effect on the number of households in the EU, more people live in single-person households. The average EU household is getting smaller. In 1982, a household consisted of, on average, 2.8 persons; in 2005 this had dropped to 2.6 persons per household (source: Eurostat).

Every EU country has experienced a decline in its average household size over this period. In Southern Europe, the average household size is somewhat higher; Spain and Portugal have 2.9 - 3.0 people per household. It is forecast that the number of households will increase more strongly than the growth of the population size in the EU.

- *Marriage rates & timing* - According to Euromonitor, the number of marriages is an important sales driver in the gifts and decorative articles market, as gifts and decorative articles make up a substantial share of the wedding gifts given. The marriage rate in the EU is steadily dropping. Pre-marriage households are very common. According to Eurostat, the EU marriage rate dropped from an average of 6.3 marriages per 1000 inhabitants in 1980, to 5.5 marriages in 2005. Many people today choose to delay their marriage until they are somewhat older. This development has some implications for the gifts and decorative articles market, newly-weds today tend to have well-equipped homes, making wedding gifts like decorative articles more or less redundant.

Social & Cultural trends

- *Individualization* - Increasing individualization is one of the most important social trends within Europe. More and more opportunities exist for individual persons to organize their lives as they see fit. The European consumer of today wants to distinguish him- or herself from the mass, consumption is a means of doing so. They are more likely to want to create comfortable and up-to-date interiors, which reflect their individual style and requirements. Partly, therefore, consumer behaviour is becoming more fragmented, whimsical and unstable, according to the Dutch Hoofdbedrijfschap Detailhandel (HBD). In general, it can be said that the taste of modern consumers regarding the decoration of their homes is very personal. Therefore, product design, colour and materials play an important role in the decision-making process, according to Euromonitor. Consumers are more likely to create comfortable and up-to-date interiors, which reflect their individual style and requirements. These developments also influence the demand for gifts and decorative articles, particularly in the (home) decorative sector. Consumers appreciate one-of-a-kind items, which personalize their homes. Products that have a personal and emotional link to the consumer, which appeal to multiple senses, including sight, sound and scent, are in demand as consumers seek to make their homes more comfortable and comforting. People are seeking decorative articles which contribute to a positive impact on the mood and emotional atmosphere in their home. Next to 'improving the quality of life', the following reasons are important for buyers of gifts and decorative articles: pleasure, beautify the home, education, relaxation, and entertainment.
- *The house ownership ratio (percentage of the population owning a house)* - This is also an important factor for the sales of gifts and decorative articles. Within Europe, this ratio is very diverse, ranging from 39% in Germany to 85% in Spain.
- *Seasonality* - Seasons play a major role in the buying patterns of gifts and decorative articles. According to the Dutch HBD, approximately two thirds of decorative articles are sold in the second half of the year. This has much to do with the fact that people spend more time within their homes in this period. Christmas and New Year are also important sales drivers. In springtime, the garden is more important, especially in the Northern European countries. The peak periods for the sales of gifts generally revolve around special occasions, such as Christmas and New Year, Valentine's Day, Easter, Mother's Day and Father's Day.
- *Increasing interest in interior decoration* - According to Euromonitor, public interest in interior design has rocketed across much of Europe, led by a rash of interior decoration magazines and the popularity of television programmes featuring creative ideas for interiors, home improvement suggestions, interior architects, 'home make-overs' and designer talk-shows etc. These developments have in turn led to an increased interest in purchasing household accessories, which follow these themes and complement the overall décor of the house and garden (Source: Euromonitor). These developments in turn have had an effect on the lifecycle of products. Generally, it can be said that the lifecycle of gifts and decorative articles is getting shorter, between 3 to 5 years nowadays. Another important driver is the increased availability of new colour palettes (Source: Euromonitor).

- *Fashion* - Consumers have become more adventurous in their use of colour and style within the home. People today generally take more pride in the way they furnish their homes and create their own individual choice and style of decoration, which can change according to trends in fashion. Currently, consumers tend to look not only for products but for a complete lifestyle solution, according to Euromonitor. An increasing share of retailers are therefore selling matching accessories and lifestyle-enhancing items such as candles, cushions, etc., next to their core product range.
- *The 'Health' trend* - There is a growing trend towards health and wellness. Today's stressful society has a positive effect on the sale of health-related products, like for example fragranced candles. According to the International Trade Centre (ITC), an increasing number of consumers believe that a certain scent can enhance their well-being by having a calming, relaxing or anti-depressant effect and they therefore fragrance the air.
- *Vacations* - The increasing number of vacations in developing countries leads to people becoming more familiar with the art, i.e. the handicrafts and culture, of a particular region or country, even during a limited vacation stay. This, in turn, leads to the fact that these people are more likely and willing to buy typical items from that region or country when they have returned home, (Source: the African Technical Department).
- *Increasing immigration* - The increasing immigration into the EU of people from developing countries has also led to a specific demand for home-country related products. France, for example, has strong ties with Algeria, Morocco and Tunisia, largely due to colonial history. Therefore, there is a strong market in France for products related to these countries.
- *Popularity of gardening* **-** Gardening has also benefited from the increasing interest of European people in their homes and their general living situation. According to Euromonitor, European people often treat their garden as an extension of their house. It is considered to be a place of peace and relaxation. Gardening is also considered as one of the most popular hobbies amongst European people. There are number of determinants affecting the popularity of gardening. First, the expenditure on garden-related products responds positively to warm and dry weather and negatively to cold and wet weather. As the European climate, especially in the North-western part of Europe, is very variable due to the influence of the sea, the garden market is also very variable. Second, the house ownership ratio is also an important determinant. In Europe, this ratio is very diverse. According Euromonitor, house owners generally spend more on garden related products than people who rent their homes. The third import factor is the level of disposable income. It is generally believed that this has an important influence on the expenditure on non-essentials and hobby products, such as garden related products. Looking at gardening developments, Euromonitor states that decorative garden products like (hanging) pots, baskets and sundries such as canes, ornaments, etc. are expected to benefit from the shift towards more ornamental gardening styles. As with the trend towards more designer gardens, the trend towards more ornamental styles has been triggered by the popularity of television programmes.
- *Environmental concern* - There is a tendency to replace plastics with "organic" products in the EU. Environmental awareness has also influenced the demand for gifts and decorative articles, but its impact can be negative as well as positive. Customers concerned with ecology tend to prefer goods made of traditional organic materials, which appear to be close to their natural state. Moreover, there seems to be a tendency to replace plastic by wood. Sales of wooden products are nevertheless limited and therefore more expensive than plastics. These organic products, however, may not be finished in an environmentally friendly way (e.g. chemicals may be used, instead of natural dyes). Furthermore, use of endangered plants, or products made from endangered species such as hardwoods from rain forests or ivory, can create an environmental backlash against a product. Producers who take these aspects consciously into account generally gain more appreciation from consumers and buyers, than those who do not.

Other branch-related trends & developments

- *Brand awareness* - EU consumers are generally not very familiar with the different brands of gifts and decorative articles, as can be derived from the high market share for private label products. Most consumers do not believe that famous brands automatically mean

better quality. Brand awareness, however, differs per product group. In the Ceramics, and Glassware sectors, brand awareness is generally higher than in the other segments, mainly due to the marketing efforts of the manufacturers in these sectors. In the higher end of the market, brand awareness is generally higher. Examples of brand names (mainly operating in the higher segments) are Ginori, Waterford-Wedgwood, Arc.
- *Advertising* - The trade press and trade fairs are important means for gifts and decorative articles manufacturers to promote their products. This indicates that most manufacturers target their advertising efforts towards specialist buyers and push their products into the distribution chain. The retailers selling gifts and decorative articles to the consumer use the media, catalogues, Internet and consumer fairs to promote their products.

1.4 Opportunities and threats

Although the gifts and decorative articles market seems to be very sensitive to the economic climate, prospects for manufacturers in developing countries are good. Developing countries have increased their role in most of the product groups discussed in this survey. Consumers are looking for one-of-kind items, which personalize their homes; they change their homes by adding small decorative articles. Manufacturers, however, should take into account that quality and value for money are still the major purchase criteria. For relatively small-scale manufacturers, we advise looking at creating a niche position in the market. Other opportunities lie in the production of private label products. Manufacturers should, however, be aware that they will face fierce competition from low-priced Eastern European and Asian manufacturers. The trend towards a more fashionable market has some implications, like, for example, shorter product life cycles, making well-organised new product development and fast, accurate distribution indispensable.

1.5 Useful sources

General sources of consumption information on EU level
- Market Research (research agency) - (http://marketresearch.com/)
- Marketline (research agency) - (http://www.market-line.com/)
- Datamonitor (research agency)- (http://www.datamonitor.com/)
- Euromonitor International Research (research agency) (http://www.euromonitor.com/)
- Mintel International Group Ltd (research agency) (http://www.mintel.com)
- Eurostat – official statistical office of the EU – (http://epp.eurostat.ec.europa.eu/newxtweb/)
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/

Trade associations
EUROPEAN UNION
- Association of European Candle Manufacturers
  E-mail: (mailto:bougies@fncq.fr)
  Internet: (http://www.europecandles.com)
- EFSA – European Floral Suppliers Association
  E-mail: (mailto:info@efsa.com)
  Internet: (http://www.efsa.com)
- Network of European Worldshops (http://www.worldshops.org/)
- European Fair Trade Association (http://www.eftafairtrade.org/)

2 Production

2.1 Size of production

The EU-27 ranks among the leading producers for gifts and decorative articles in the world, in second place after Asia and before the USA. Compared to Europe and the USA the total production in Asia has increased significantly in the last decade. Total EU-27 production of gifts and decorative articles amounted to € 8,968 million in 2006. The average percentage change in EU-27 production of gifts and decorative articles during the period under review amounted to -8.6%.

Table 2.1: Production of gifts and decorative articles by EU member countries, 2002-2006, € million

	Production			Average % change	Share of the total
	2002	2004	2006	2002-2006	Production
Germany	2,153	2,068	2,052	-4.7%	22.9%
Italy	2,215	1,804	1,632	-26.3%	18.2%
France	1,198	1,136	1,075	-10.3%	12.0%
UK	1,418	1,086	947	-33.2%	10.6%
Spain	797	830	889	11.5%	9.9%
Netherlands	305	393	525	72.4%	5.9%
Poland	319	376	499	56.4%	5.6%
Belgium	210	233	273	29.9%	3.0%
Denmark	224	246	221	-1.1%	2.5%
Sweden	271	15	171	-37.0%	1.9%
Finland	189	153	170	-10.3%	1.9%
Portugal	106	99	93	-12.0%	1.0%
Austria	63	75	79	25.8%	0.9%
Hungary	98	97	78	-20.5%	0.9%
Ireland	71	72	71	-0.3%	0.8%
Czech Republic	73	73	36	-50.7%	0.4%
Estonia	22	23	36	61.2%	0.4%
Slovenia	7	24	29	313.9%	0.3%
Slovakia	12	4	28	127.4%	0.3%
Romania	30	19	24	-21.5%	0.3%
Greece	22	31	20	-9.7%	0.2%
Lithuania	12	12	19	59.1%	0.2%
Bulgaria	0	14	13	NA	0.1%
Latvia	5	4	1	-89.4%	0.0%
Cyprus	0	0	0	NA	0.0%
Luxemburg	0	0	0	NA	0.0%
Malta	0	0	0	NA	0.0%
EU 27 Total	**9,809**	**8,877**	**8,968**	**-8.6%**	**100.0%**

Source: Eurostat, 2006
*NA Not available

During the period under review, 2002 - 2006, Slovenia experienced the largest growth in terms of value, increasing by 313.9% (mainly due to missing information, please use these numbers with caution). Slovakia ranked second with an increase of 127.4%, followed by the Netherlands (72.4%) and Lithuania (60.8%). Countries which experienced the greatest decline in production of gifts and decorative articles during the period under review were Latvia

(-89.4%), Czech Republic (-49.3%), the United Kingdom (-36.3%) and Italy (34.9%), (see Table 2.1).

Countries with increasing relative importance (percentage share of total production) between 2002 and 2006 were: the Netherlands, Poland and Spain. Countries with decreasing relative importance between 2002 and 2006 were: Italy and the United Kingdom. The rest of the countries have kept their percentage share of the total production almost stable.

Over the last decade, the gifts and decorative articles market has become increasingly competitive, mainly due to the increasing pressure of low-cost imports deriving from low wage countries. The increase in imports from outside the EU is concentrated on Asia, especially China, Malaysia, Thailand and Indonesia. This made the future picture of EU-25 production quite uncertain, especially in the lower segments of the market where production costs in Western Europe and the Far East are not comparable when it comes to low prices. However, in the upper segments Northern Europe countries, as well as Italy and Spain, are leaders in fine and sophisticated gifts and decorative articles. The future of manufacturers in those areas is quite optimistic according to Euromonitor, especially bearing in mind the economic revival of the region.

2.2 Trends

This paragraph reviews different trends in production:

- *Increasing manufacturing costs* - According to Euromonitor, the high costs derive from a number of factors, including higher land costs, a more expensive labour force with regulated minimum wages and stricter regulations regarding production.
- *Mergers and acquisitions* - Besides the increasing pressure of low-priced imports, the EU gifts and decorative articles market was shaken by the popularity of retailers such as Ikea which redefined the market. The increased competition fuelled by these pressures led to the reshaping of the EU gifts and decorative articles market, illustrated by a series of mergers and acquisitions, as smaller companies found it impossible to re-brand themselves and so to create a market niche which would enable them to survive.
- *Repositioning* - Pressure on prices, especially at the low and middle end of the market, forced many EU manufacturers to restructure in order to maintain margins, or to reposition themselves at the premium end of the market.
- *Outsourcing* - Well-known European manufacturers shifted or outsourced their production, or part of it, to low-wage countries, enabling them to enter the European market with a newly designed and competitive range. Cheaper production overseas, however, has its downside for known EU manufacturers. According to KeyNote, some manufacturers risk endangering their reputation and prestige when they shift their production to these countries. Exclusive brands, which are cherished by EU consumers, are no longer perceived as being the sole preserve of the very wealthy, which has the effect of decreasing exclusivity, as the brand becomes more visible to the general public. This leads to the inevitable decline in demand from prestige consumers, as the social image of the brand erodes.
- *Socially responsible companies* - To cope with the negative effects of outsourcing, many EU manufacturers therefore mostly only outsource their low- and medium-priced ranges and maintain the production of their premium range in their current location. Another solution has been to buy the labour intensive parts of their products from low-wage countries at relatively low prices, and to assemble the product in attractive packaging in their European workshops. This enables them to check every stage of production ensuring that the merchandise meets with international standards.

The above-mentioned trends are mostly present in the initial members of the EU, as the market in those countries is very mature. Companies in that part of Europe have to be very innovative and flexible in order to stay in the market. On the other hand, in the new member states such as Hungary, Czech Republic, Poland, etc. those trends are not so intense, but can be considered more or less as a forecast for the new members in the coming years.

Nevertheless, Eastern and Central European region production is also experiencing tough price pressure from imports coming from low income countries (mainly in the low and middle segments of the market).

2.3 Opportunities and threats

In the gifts and decorative articles market there are a number of opportunities for manufacturers from developing counties. The first is as a production partner of an outsourcing European partner (licensing, co-makership, etc.). In this case quality and reliability are extremely important. However, in the low-end of the market the most interesting opportunities for developing countries exist, as labour costs are generally lower in developing countries and, especially, products with a high labour intensity offer good opportunities, as European manufacturers cannot compete on this terrain. Examples are sculpted statuettes or braided baskets or other types of Wickerwork. The third opportunity, though a small segment, is in products with original ethnic value. This segment contains, for example, products that are handmade, original, artistic and exclusive. Usually the quantities are relatively small, sometimes unique pieces of which each one is different. Examples of such articles are statuettes made of wood, metal, ceramic or earthenware.
Threats for the manufacturers from developing countries are the increasing consumer expectations in terms of quality, design, colours, shapes, exclusivity, environmental friendliness of the product, etc. The segment which is most under threat is the middle one, where consumers generally expect a lot of added value for their money. There, manufacturers from developing countries have to compete with their more experienced counterparts in Europe.

2.4 Useful sources

General sources of production information on EU level
- Market Research (research agency) - (http://marketreserch.com/)
- Marketline (research agency) - (http://www.market-line.com/)
- Datamonitor (research agency)- (http://www.datamonitor.com/)
- Euromonitor International Reserch (research agency) (http://www.euromonitor.com/)
- Mintel International Group Ltd (research agency) (http://www.mintel.com)

Trade associations
EUROPEAN UNION
- Association of European Candle Manufacturers
  E-mail: (mailto:bougies@fncg.fr)
  Internet: (http://www.europecandles.com)
- EFSA – European Floral Suppliers Association
  E-mail: (mailto:info@efsa.com)
  Internet: (http://www.efsa.com)

For information on the sites for the leading manufacturers per country, please, look at the country-specific surveys.

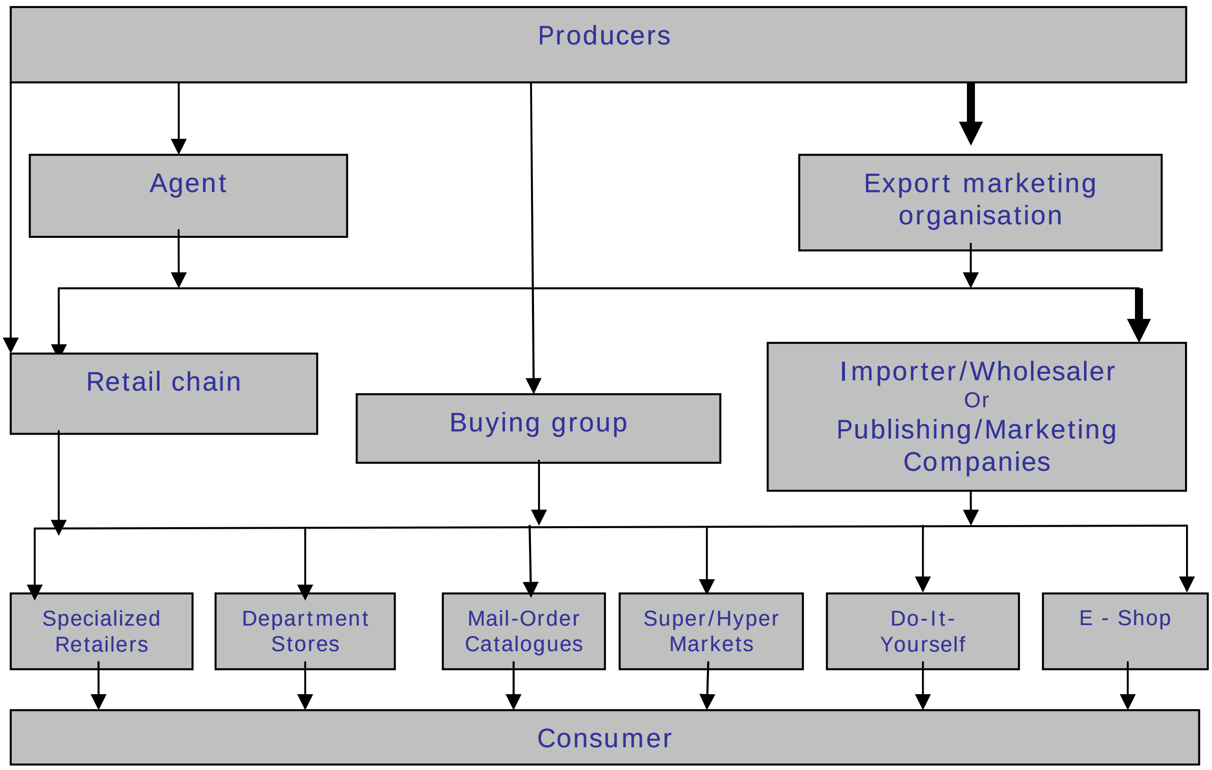
3 Trade channels for market entry

3.1 Trade channels

As goods move from producer to consumer they may have to pass through various intermediaries. In this chapter we will discuss the characteristics of the European gifts and decorative articles trade channels.

Gifts and decorative articles are distributed through many different intermediaries and retailers. Figure 3.1 shows the basic functions of the various kinds of intermediaries, like agents, importers/wholesalers, retailers, etc.

Figure 3.1 Trade and distribution channels for gifts and decorative articles



As gifts and decorative articles pass though the distribution chain, each intermediary adds a margin to the price of the products. Different functions are performed by the various types of intermediaries in return for their margins. Some purchase an assortment of products from various suppliers and then add value by storing, breaking bulk, and adding services (e.g., credit, delivery, etc.) during the resale process. In some situations, product transformation may take place, especially in packaging and in the image of the product, which may be enhanced by in-store promotion.

In the gifts and decorative articles market, the importer/wholesaler is the most important intermediary when it comes to distribution. Most of the importers/wholesalers have a national or regional distribution function. Because of the large variety of products included in the gifts and decorative articles market, there are a lot of specialized importers/wholesalers, for example, specialists in supplying flower shops. The large retailers generally source their product range directly from the producer, because of the benefits discussed earlier. The different types of intermediaries are described below.

Agents

Agents are intermediaries who have the legal authority to act on behalf of the manufacturer, although they do not take legal title to the gifts and decorative articles. Their prime function is to bring buyer and seller together and serve as an intermediary between them. The agent receives a commission from the manufacturer. The level of commission depends on a number of factors, including the turnover rate of the product concerned, commitments to be undertaken, e.g. participation in local trade shows, advertising and promotional activities, etc. Roughly speaking, an agent's commission generally ranges between 3 and 15 percent of turnover. Most agents represent more than one manufacturer, although competition is avoided. Agents usually have a good knowledge of distribution structures and consumer behaviour. Some foreign manufacturers have their own sales offices in Europe or elsewhere. This is interesting if a manufacturer wants to make sure that his products are properly advertised and distributed. However, only the larger companies, which cover a substantial part of the market, maintain their own offices, and therefore do not use the agent's services. The agent also often supplies to importers/ wholesalers and publishing & marketing companies. *Agents are mostly suitable for medium- to large- manufacturers from developing countries or for export organisations from developing countries which combine two or more small producers under one umbrella.*

Importer/ Wholesalers

The importer/wholesaler is another important distribution channel for gifts and decorative articles and probably the most important for exporters from developing countries. Generally, the importer/wholesaler distributes gifts and decorative articles to all sorts of retailers, from specialist stores to department stores. In addition to their primary tasks of buying and selling, managing import and export procedures, and holding stock, they can supply considerable information and guidance to a manufacturer. So developing a successful working relationship with your importer/wholesaler can lead to a high level of teamwork, providing you with appropriate designs and information on the latest market trends, materials and quality requirements. Most importers/wholesalers offer extensive product ranges, which can range up to 15,000 or 20,000 articles. Importers/wholesalers do not normally deal with end-users but mainly with other intermediaries, usually retailers. The importer/wholesaler purchases from manufacturers and takes legal title to the products as well as taking physical possession of them. The importer stocks at his own risk. The mark-up of the wholesaler is approximately 20%.

Export marketing organisations

Besides designing their own gifts and decorative articles, the publishing & marketing companies are also active with licensed gifts and decorative articles. They make use of the intellectual property of other companies to sell their products. Through a licence agreement with the holder of the intellectual property rights of a brand, trademark, patent, character, etc., the company is authorized to make use of the property right under certain defined circumstances. The company has to pay a certain fee, when making use of the intellectual property of another company. One of the largest licensors in the world is Disney. In general, the publishing & marketing companies mostly only concentrate on the design and the marketing aspects of the products, outsourcing the production of their products to manufacturers in low-wage countries, with manufacturers in Eastern Europe an important sourcing location, because of the shorter supply lines. *Those companies are very important for producers in the developing countries, as they are a direct link to big and long-established companies in Europe. Licensing is becoming increasingly popular in the gifts and decorative articles market, especially in the markets which target their products at children.* Retailers selling gifts and decorative articles offer product ranges with the names of popular brands like, for example, O'Neill and Coca Cola. Also the licensing of movie characters like Winnie the Pooh, Mickey Mouse, Paddington Bear and, more recently, Harry Potter and Bob the Builder are very popular with children.

Buying groups

The role of buying groups is of considerable importance in the gifts and decorative articles *market and especially for medium- to large importers/manufacturers from developing countries. Good connections with a buying group are prerequisites for the imports of larger quantities*. However, these buyers are less common in the newly admitted EU countries. They are more relevant for Germany and The Netherlands than for Spain and Italy, for example where they have insignificant role. Buying groups are individual dealers, wholesalers and retailers who unite together and cooperate as a single buying and marketing force. Membership of such a group by an individual company offers the opportunity to source around 50-90% of his requirements, depending on the buying group, at a considerable discount. By becoming a member of such an organisation, the individual retailer aims to reduce his costs. The original function of the buying groups is therefore to reduce costs by centralizing buying and logistics. Participating in a buying group can however, involve a restriction of choice, if the group aims at maximising the volume of the order which is placed at the manufacturers. Important buying groups in the Netherlands are Gepea, Spectra and Goed Idee Winkel.

Overview of the most important distribution channels for DC exporters/ manufacturers:
Importer/ Wholesaler - The most interesting distribution channels for developing country exporters of gifts and decorative articles are importers. Main reasons: familiarity with local markets, guidance to the overseas manufacturer, strong relationships with suppliers and buyers all over the world.
Buying and selling agent
Buying agents are companies which negotiate and settle business on the instructions of their principals and which act as intermediaries between buyer and seller. They do not buy or sell on their own account and work on a commission basis. Most agents represent more than one manufacturer.
Department stores and other large retailers
Department stores and other large retailers also buy gifts and decorative articles directly from foreign suppliers. This may involve intermediary activity by a selling agent on behalf of the manufacturer or a buying agent on behalf of the (multiple) retailer. This method of doing business has become more popular since it cuts out several intermediaries, thus reducing costs and enabling the retailer to offer the product at a lower price. General overview of the nature of department stores is given in the sub-chapter 'Retail".

In the country- specific documents websites and names of the above mentioned channels are listed.

- **Retail**

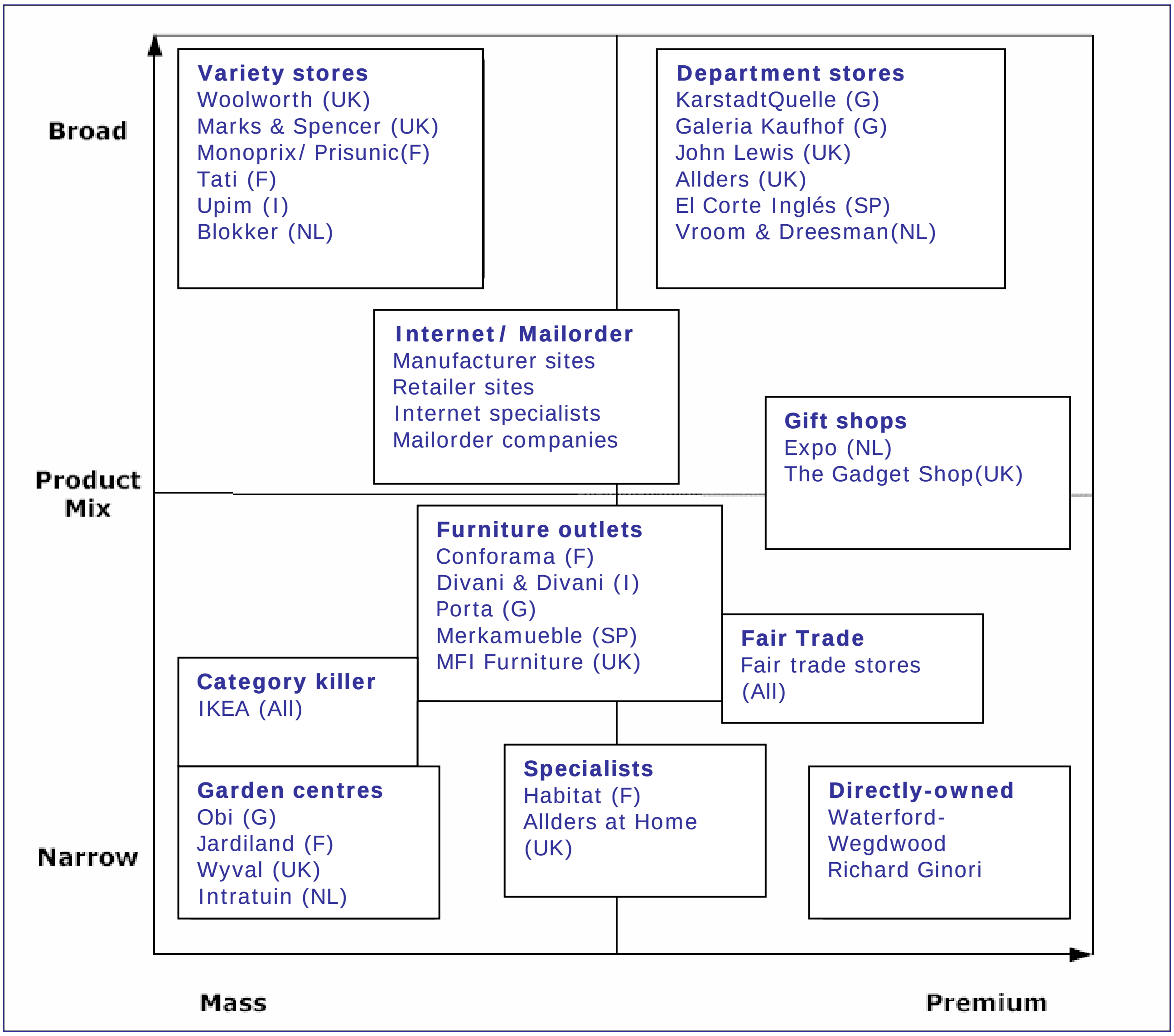
Retailers constitute the final stage before products reach the consumer. The gifts and decorative articles sector covers a very wide variety of products, which can be bought at a wide variety of locations ranging from directly-owned stores to variety stores, which sell a broad range of mass-market products. The major retailers for gifts and decorative articles include: variety stores, department stores, interior specialists and garden centres. Other formats selling gifts and decorative articles are catalogue showrooms, including Argos and Kijkshop, factory outlets, and discounters, such as Matalan and CostCo, bazaars and markets.

While there are a number of stores that concentrate mainly on selling gifts and decorative articles, the vast majority of businesses are fairly general in nature, selling gifts and decorative articles to complement their product range. The importance of gifts and decorative articles therefore varies per format. Gifts and decorative articles, for example, make up approximately 9% of the turnover of a garden centre, whereas for the specialty shop this share can range up to 80% of the turnover. The non-specialist retailers generally add gifts and decorative articles to their product range to generate more "traffic" in their stores and because of the generally favourable margins on these types of products. According to Euromonitor, the margin on gifts and decorative articles is usually very profitable, with margins often 12-15% higher than furniture margins, for example.

Because of the wide range of products included in the gifts and decorative articles market and the large variety of stores where gifts and decorative articles are sold, it is difficult to give quantitative information on the market shares of the different retailers of these products.

Therefore we will only discuss the main retailers of gifts and decorative articles and their specific characteristics.

Figure 3.2 Distribution of gifts and decorative articles by format



Variety retailers

Based on information from the Dutch research agency E.I.M., the variety stores are one of the most important formats for the sales of gifts and decorative articles. According to E.I.M., gifts and decorative articles make up around 45 percent of the turnover of the variety stores. But, like the department stores, the variety stores suffer from their old-fashioned image, according to Euromonitor. Traditionally, the variety stores offer a wide range of cheap products at inner-city locations. However, due to fierce competition from supermarkets/hypermarkets and discount stores, it is no longer viable for them to concentrate solely on cheap products. Consequently, variety stores need to redefine themselves.

Furniture & home interior retailers

This group includes a large variety of formats (all selling interior decoration products) like specialists, large furniture outlets, etc., each aiming at a specific area or consumer group. Specialists include stores which specialise in equipment for the home as well as general furniture specialists, kitchen furniture specialists, living and dining room specialists, independent craftsmen, and small independent outlets. The large furniture outlets are generally large stores, with different types of products under one roof. A notable development in the European furniture landscape is the arrival of 'category killer' Ikea. With a limited number of outlets, Ikea's large stores and appealing product mix generate a high level of sales per store, (Source: Euromonitor). Ikea has obtained a leading market role in most European countries.

Garden centres
Garden centres' main assortments consist of plants, flowers, seeds, fertilisers and other garden care products, garden furniture, barbecues, garden equipments like lawnmowers and other hand tools. Gifts and decorative articles only make up a small share of the turnover of a general garden centre. However, due to the increasing popularity of gardening, largely due to the popularity of home & gardening magazine and television shows, the importance of this format is expected to increase in the future. Garden centres are generally large in size and therefore mainly located in out-of-town areas.

Department stores
Traditionally, department stores were one of the few retailers located in city centres to offer a wide range of gifts and decorative articles. By nature, department stores can be regarded as generalists, with a wide range of products under one roof. Despite the increasing competition from other formats, the department stores still account for a substantial share of the gift & decorative article sales. Most department stores offer a wide range of both major brands and private-labelled products. They are mostly situated in the mid- and high-priced segment of the market.

Mail-order houses
This distribution channel only plays a minor role in the sales of gifts and decorative articles, although in countries like, for example, France, Germany and the United Kingdom, this channel of distribution shows substantial sales figures. Mail-order houses send illustrated catalogues of their merchandise to prospective customers, who can do their shopping at home, rather than paying a visit to a store. All that has to be done is to fill out the order form and mail it, or place the order by telephone, fax or e-mail, and the product(s) will be sent to their homes within a couple of days. Mail-order houses operate mainly in the low and middle ranges as regards price, quality and design.

Grocery multiples
Supermarkets and hypermarkets are increasingly tapping into the gifts and decorative articles market. The influence of cheap imports from Asia and Eastern Europe have increased the possibilities for the formats like grocery multiples to sell these products in their outlets. Both supermarkets and hypermarkets allow more and more shelf space for non-food articles like compact discs, table linen, napkins, candles, pots and pans, tableware, cutlery and kitchen utensils. These grocery multiples do not have a very large permanent range of gifts and decorative articles but often introduce these products on a promotional basis. According to an article in Tdctrade, this is mainly because non-food products offer better margins than the standard grocery lines. Furthermore, supermarkets and hypermarkets mostly position gifts and decorative articles as impulse purchases through cross merchandising with core grocery items.

Websites of major players in the distribution channel are given in the country specific documents.

3.2 Price structure

According to the International Trade Centre, pricing is the process of determining the amount of money for which your product will sell, based on the costs of producing and marketing your product, balanced against what the market

Important questions:
- What are the price developments on the market regarding your product(s)?
- Are there standard market prices for your products?
- How price sensitive are your clients?
- How competitive is your pricing compared with your main competitors?

will bear. Costs of raw materials, labour costs and overhead determine the price of your products. The overhead includes all the costs which cannot be allocated to a product individually, like for example electricity and heating, maintenance, insurance, marketing costs, etc.

Most products from developing countries go through a number of intermediaries. Each intermediary in the distribution channel has distinct responsibilities. There are, however, costs associated with them. A good knowledge of the costs per link in the export chain is very important to determining your retail price. A good knowledge of different retail prices in the market is also very important. If your price is too high, you cannot compete with other manufacturers.

Table 3.1 Calculation schedule: Prices & Margins

	Low	Medium	High
FOB Manila	90.00	90.00	90.00
C&F Rotterdam/Amsterdam	100.00	100.00	100.00
- Import duties charges on C&F basis*	Pm*	Pm*	Pm*
- Handling charges, transport, insurance and bank service	6.00	6.00	6.00
Subtotal:	106.00	106.00	106.00
- Agent/Importer/wholesaler's margin (40 / 65 / 100%)	42.00	69.00	106.00
Subtotal:	148.00	175.00	212.00
- Retailer's margin (45 / 60 / 100%)	66.60	105.00	212.00
Net selling price	214.60	280.00	424.00
- Value Added Tax (VAT) 19% of net selling price**	40.77	53.20	80.56
Gross selling price (end-user price)	**255.37**	**333.20**	**504.56**
ratio end-user price/FOB	2.84	3.70	5.61
ratio end-user price/C&F	2.55	3.33	5.05

* Between 0 and 11% of C&F value
** In practice, retailers calculate a 40 - 100 percentage mark-up, excluding VAT. The VAT rates vary per country in the EU. If your price is too low, it will affect your profitability. Furthermore it is possible you will receive more orders than you are able to fill, according to the International Trade Centre.

In Table 3.1, we describe three different mark ups, low, medium and high. It is impossible to draw up a schedule of actual margins for each product/market combination. Even within the same type of combination, different importers use different margins. The height of this multiplier is influenced by seven factors:

- Degree of risk (highly innovative, new brand, etc.)
- Volume of business (turnover)
- Functions or marketing services rendered (advertising, etc.)
- General economic conditions (booming or depressed business)
- Competition
- Exclusiveness
- Velocity of stock turnover

The effect of low, medium and high margins on consumer end price, based on one CFR for three different products, is shown in Table 3.1. A multiplier of between 2.55 and 5.05 on the manufacturer’s or importer’s price should be used to calculate an appropriate final consumer price. The multiplier has decreased in the last decade, caused by factors like increasing competition at all levels in the distribution chain, further concentration and integration. Elimination of the wholesaler, for instance, can lead to a lower multiplier for multiples, department, variety stores and mail-order companies.

3.3 Useful sources

- Euromonitor (http://www.euromonitor.com)
- Datamonitor (http://www.datamonitor.com)
- Market Research (http://www.marketresearch.com/)
- Market Line (http://www.market-line.com/)
- International Chamber of Commerce

E-mail: (mailto:webmaster@iccwbo.org)
Internet: (http://www.iccwbo.org)

- International Trade Centre UNCTAD/ WTO
  E-mail: (mailto:tirc@intracen.org)
  Internet: (http://www.intracen.org)
- European Union (official site)
  (http://europe.eu.int/)
- Association of European Candle Manufacturers (http://www.europecandles.com)
- EFSA – European Floral Suppliers Association (http://www.efsa.com)

4 Trade: imports and exports

The trade statistics given in this chapter derive from Eurostat, which bases its statistics on information from the Customs and from EU companies. Especially in the case of Intra-EU trade, not all transactions are registered, such as those made by smaller companies and transactions from non-EU sources. On the other hand, figures for trade between the EU and the rest of the world (Extra-EU) are accurately registered and are, therefore, more precisely represented in these statistics. Nevertheless, these statistics must be treated with extreme caution and are only intended to give an indication of trade flows in the international gifts and decorative articles market.

The main focus of the import as well as the export statistics is on Euro values. As the product groups discussed contain a large variety of different products, volume statistics are in this respect less meaningful as an indicator.

4.1 Total EU imports

The statistics below specify total imports, divided into values sourced from other EU countries (Intra-EU) and from non-EU-countries (Extra-EU) also with the value of imports from developing countries. Sometimes figures for Extra-EU excluding developing countries are given to show more visually the size and share of DC (Developing Countries). The developing countries are as defined by the OECD (Organisation for Economic Co-operation and Development) and are listed in Appendix C.

In 2006, EU-27 imports of gifts and decorative articles were valued at € 8.2 billion. In general, during the period under review an increasing trend was observed in terms of value for imports. Total EU-27 imports increased by 6.7% during the period under review. Countries, which experienced the largest increase in imports in terms of value, were Romania, Hungary, Bulgaria, Slovakia, Latvia, Poland and Lithuania. Countries which experienced a decrease in imports in terms of value were Portugal, Luxembourg and Malta between 2002 and 2006.

Table 4.1 Imports of gifts and decorative articles by EU member countries, 2002-2006, € million / 1,000 tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	**7,200**	**2,924**	**7,930**	**3,281**	**8,186**	**4,493**	**6.7%**
Intra-EU	**4,262**	**1,886**	**4,677**	**1,890**	**4,718**	**2,921**	**5.3%**
Extra-EU	**547**	**1,038**	**571**	**1,391**	**575**	**1,572**	**2.6%**
DC	**2,392**	**1,103**	**2,682**	**1,342**	**2,893**	**1,540**	**10.0%**
Germany	1,373	580	1,615	745	1,506	660	5.4%
Utd. Kingdom	1,020	510	1,077	505	1,073	516	2.6%
France	940	369	950	406	989	391	2.6%
Netherlands	687	368	666	472	713	464	2.0%
Belgium	515	221	515	221	590	234	7.3%
Italy	566	205	565	233	562	192	-0.4%
Spain	452	182	514	229	515	201	7.0%
Austria	332	83	370	98	366	100	5.2%
Sweden	227	100	284	125	297	134	14.8%
Denmark	251	117	234	109	269	114	4.1%
Poland	N.A.*	N.A.	198	95	232	111	N.A.
Czech Republic	108	50	132	87	168	66	24.7%
Ireland	118	38	131	47	152	52	13.5%

Greece	122	44	149	58	149	62	11.1%
Portugal	134	46	114	44	111	49	-8.8%
Finland	84	30	96	36	106	36	12.4%
Hungary	72	33	86	41	87	34	10.3%
Romania	23	12	34	18	62	31	65.1%
Slovakia	40	26	53	29	58	29	21.0%
Lithuania	17	8	22	11	30	14	32.9%
Slovenia	25	10	24	10	30	12	10.5%
Luxembourg	33	7	39	16	29	5	-3.7%
Latvia	14	5	15	7	26	9	40.2%
Bulgaria	11	6	14	8	25	12	52.9%
Estonia	18	7	19	9	24	14	15.9%
Cyprus	19	6	18	7	20	8	2.9%
Malta	11	1	9	2	10	3	-3.5%

(Source: Eurostat, 2007) *Not available

Germany was still the leading importer, accounting for 18.4% of the total value imported into EU-27 countries in 2006, followed by the United Kingdom (13.1%), France (12.1%), The Netherlands (8.7%), Belgium (7.2%), Italy (6.9%), Spain (6.3%), and Austria (4.5%). Countries with increasing relative importance (percentage share of total imports) between 2002 and 2006 were: Belgium, Romania and the Czech Republic. Countries with decreasing relative importance between 2002 and 2006 were: Germany and Denmark. The rest of the countries kept their percentage share of the total imports stable.

Total imports of gifts and decorative articles have increased during the period 2002 - 2006 mainly due to:

- Stronger consumption/demand for gifts and decorative articles, arising mainly from improved disposable incomes in the countries under review. Moreover, the trend of positive growth of consumption is continuing (see also 'Table 1.2 Product group size forecast in % compound annual growth rate, 2006-2009').
- Much stronger Intra-EU imports, possibly the result of the incorporation of the new EU member states during the period covered (next to increase in consumption).
- Higher demand for cheap imports coming from developing countries and other low wage countries, due to the price-consciousness of consumers (especially in the newly admitted members of the EU).
-

There were several other reasons for the trend of increasing imports overall which can be further exploited in the coming years:

  - improved import product quality (especially DC goods had improved substantially the quality of their gifts and decorative articles, e.g. China)
  - increasing interest in ethnically produced products (especially exotic, oriental or handicrafts with rougher forms)
  - increasing sophistication of producers in the emerging markets
  - as a result of the outsourcing by major European companies in the Far East and Eastern Europe, local manufacturers there made use of the know-how and economies of scale and used that in their advantage

4.2 EU imports per product group

Table 4.2 EU imports and leading suppliers for gifts and decorative articles, 2002 – 2006, share in % of value
share in % of value

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Total	**7,201**	**7,930**	**8,186**	**Intra-EU:** Germany 11.8%, The Netherlands 8.5%, Italy 5.8%, France 5.6%, Poland 4.4% **Extra-EU excl. DC:** USA 2.1%, Switzerland 1.0%, Hong Kong 0.9%, Lichtenstein 0.9%, Israel 0.4% **DC*:** China 26.0%, Vietnam 2.3%, Turkey 1.4%, India 1.2%, Indonesia 1.1%, Thailand 1.0%	**58%** **7%** **35%**
Plasticware	1,912	2,259	2,410	**Intra-EU :** Germany 20.3%, The Netherlands 10.6%, France 9.1%,Italy 7.7%, Belgium 7.3% **Extra-EU excl DC:** USA 2.9%, Switzerland 2.3%, Israel 1.2%, Norway 0.6%, Japan 0.5% **DC:** China 6.0%, Turkey 1.3%, Singapore 0.4%, Malaysia 0.3%. South Korea 0.2%	82% 9% 9%
Glassware	1,245	1,322	1,254	**Intra-EU:** France 11.9%, Germany 8.5% Poland 6.3%, Netherlands 5.3%, Austria 5.0% **Extra-EU excl DC:** Lichtenstain 5.9%, USA 0.6%, Taiwan 0.5%, Switzerland 0.4%, Hong Kong 0.3% **DC:** China 23.9%, Turkey 4.7%, India 1.0%, Brazil 0.7%, Indonesia 0.3%	60% 8% 32%
Ceramics	990	961	958	**Intra-EU:** Germany 9.2%, The Netherlands 7.0%, Italy 5.8%, Portugal 3.5%, Spain 3.5% **Extra-EU ecxl. DC:** USA 3.3%, Japan 1.0%, Switzerland 0.4%, Hong Kong 0.4%, Taiwan 0.2% **DC:** China 30.2%, Vietnam 10.7%, Thailand 1.6%, Malaysia 1.5%, Turkey 1.2%, Indonesia 0.6	45% 6% 49%
Candles	663	863	945	**Intra-EU:** the Netherlands 17.2%, Poland 12.2%, Germany 12.1%, UK 4.4%, Belgium 3.4% **Extra EU-excl. DC:** USA 2.0%, Hong Kong 0.5%, Canada 0.3%, Israel 0.3%, Switzerland 0.2% **DC:** China 29.9%, Thailand 0.6%, India 0.3%, Vietnam 0.3%, Indonesia 0.2%	64% 4% 32%
Woodware	667	688	720	**Intra-EU:** Poland 5.6%, Italy 4.6%, The Netherlands 4.0%, Belgium 3.8%, Germany 3.4% **Extra-EU excl. DC:** Russia 1.7%, Switzerland 1.5%, Hong Kong 1.2%, USA 0.5%, Taiwan 0.4%	37% 6% 57%

				DC: China 38.5%, Indonesia 5.5%, Thailand 4.7%, India 3.0%, Vietnam 1.6%	
Metalware	485	542	557	**Intra-EU:** The Netherlands 7.6%, Germany 7.6%, Italy 6.6%, Spai 2.7%, France 2.6% **Extra-EU excl. DC:** Hong Kong 1.9%, USA 1.5%, Taiwan 1.3%, Switzerland 0.6%, Japan 0.3% **DC:** China 39.0%, India 8.8%, Vietnam 2.7%, Thailand 2.1%, Turkey 0.7%	38% 6% 56%
Artificial flowers & fruits	459	475	463	**Intra-EU :** the Netherlands 7.1%, Belgium 4.3%, Germany 4.3%, France 1.2%, UK 1.1% **Extra-EU excl. DC:** Hong Kong 6.9%, USA 0.3%, Taiwan 0.1% **DC:** China 68.0%, Thailand 1.2%, India 0.4%, Philippines 0.3%, Sri Lanka 0.2%	22% 7% 71%
Wickerwork	380	424	453	**Intra-EU:** the Netherlands 4.7%, Belgium 4.4%, Germany 4.1%, Poland 1.9%, Denmark 1.0% **Extra-EU excl. DC :**Hong Kong 0.2%, Taiwan 0.1% **DC:** China 55.1%, Vietnam 10.8%, Indonesia 6.9%, Philippines 2.0%, Madagascar 1.0%	20% 0% 80%
Paperware	398	396	425	**Intra-EU:** Italy 21.2%, Germany 14.9%, UK 5.5%, Finland 5.0%, France 4.2% **Extra-EU excl DC:** USA 7.4%, Norway 2.5%, Switzerland 1.0%, Hong Kong 0.5%, Canada 0.5% **DC:** China 12.9%, Turkey 1.5%, Indonesia 0.8%, Philippines 0.8%, Tunisia 0.6%	67% 13% 20%

(Source: Eurostat, 2007) *Developing Countries

Imports per product group by individual member states are given in country surveys.

Most recently, in the period 2002 – 2006, only one of the nine product groups showed a decreasing import in terms of value, namely Ceramics, with a decrease of 3.2%. The other product groups increased their value between 2002 and 2006.

Ceramics
Imports of Ceramics decreased by 3.2% in terms of absolute value (Euros). Major suppliers for Ceramics in 2006 were China (30.2%), Vietnam (10.7%), from the DC group, Germany (9.2%), The Netherlands (7.0%), from the Intra-EU group and USA (3.3%) and Japan (1.0%), from the Extra-EU excluding DC group.

Metalware
Imports of Metalware increased by 14.8% in terms of absolute value (Euros). Major suppliers for Metalware in 2006 were China (39.0%) and India (8.8%) from the DC group, The Netherlands (7.6%) and Germany (7.6%), from the Intra-EU group and Hong Kong (1.9%) and USA (1.5%) from the Extra-EU excluding DC group.

Woodware
Imports of Woodware increased by 7.9% in terms of absolute value (Euros). Major suppliers for Woodware in 2006 were China (38.5%) and Indonesia (5.5%) from the DC group, Poland (5.6%) and Italy (4.6%) from the Intra-EU group and Russia (1.7%) and Switzerland (1.5%) from the Extra-EU excluding DC group.

Wickerwork
The segment Wickerwork increased by 19.2% in terms of absolute value (Euros). Major suppliers for Wickerwork in 2006 were China (55.1%) and Vietnam (10.8%) and Indonesia (6.9%) from the DC group, The Netherlands (4.7%) and Belgium (4.4%) from the Intra-EU group and Hong Kong (0.2%) and Taiwan (0.1%) from the Extra-EU excluding DC group.

Candles
Imports of Candles showed a considerable increase of 42.5% in terms of absolute value (Euros). Major suppliers for Candles in 2006 were China (29.9%) and Thailand (0.6%) from the DC group, The Netherlands (17.2%) and Poland (12.2%) from the Intra-EU group and USA (2.0%) and Hong Kong (0.5%) from the Extra-EU excluding DC group.

Artificial flowers & fruits
Imports of Artificial flowers & fruits increased by 0.08% in terms of absolute value (Euros). Major suppliers for Artificial flowers and fruits in 2006 were China (68.0%) and Thailand (1.2%) from the DC group, Hong Kong (6.9%) and USA (0.3%) from the Extra-EU group and The Netherlands (7.1%) and Belgium (4.3%) from the Intra-EU group.

Paperware
Imports of Paperware increased by 6.8% in terms of absolute value (euros). Major suppliers for Paperware from the Intra-EU group, were Italy (21.2%), Germany (14.9%) and the UK (5.5%). From the DC group those were China (12.9%) and Turkey (11.5%) and from the Extra-EU excluding DC group main suppliers were the USA (7.4%) and Norway (2.5%).

Glassware
Imports of Glassware increased by 0.07% in terms of absolute value (Euros). Major suppliers for Glassware in 2006 were China (23.9%) and Turkey (4.7%) from the DC group, France (11.9%) and Germany (8.5%) from the Intra-EU group and Lichtenstein (5.9%) and USA (0.6%) from the Extra-EU excluding DC group.

Plasticware
Imports of Plasticware increased by 6.7% in terms of absolute value (Euros). Major suppliers for Plasticware in 2006, all a part of the Intra-EU group, were Germany (20.3%), The Netherlands (10.6%) and France (9.1%). DC suppliers were China (6.0%) and Turkey (1.3%). From the Extra-EU excluding DC group, main suppliers were the USA (2.9%) and Swiss (2.3%).

Table 4.3 Detailed analyses of growing and declining suppliers per product group, (2002 – 2006)[1]

Country	Strongly increasing	Increasing	Stable	Decreasing
Ceramics	Germany	China, Indonesia	India, Vietnam, Turkey, Thailand	Malaysia, Thailand, The Netherlands
Metalware	China, Philippines	-	Vietnam, Malaysia, The Netherlands, Hong	Italy, India, Thailand

[1] Strongly increasing refers to suppliers increasing during the period under review by more than 5%. Increasing suppliers are the ones increasing by 1%-5%. Stable suppliers are countries that have increased or decreased by less than 1% and decreasing suppliers are those countries whose decrease was more than -1%.

			Kong, USA, Taiwan, Indonesia, Turkey	
Woodware	China	-	The Netherlands, Romania, Switzerland, USA, , Indonesia, Philippines, Vietnam	Italy, Thailand Poland India,
Wickerwork		China	Indonesia, Vietnam,Belgium, Germany, Romania, Hong Kong, Taiwan, India	China The Netherlands, Morocco, Philippines
Candles	Vietnam,	China	Germany, USA, Romania, Canada, Turkey, India	Thailand Indonesia Poland, The Netherlands
Artificial flowers & fruits	-	China Germany, Belgium	USA, Switzerland, India, China, Thailand, Philippines, Indonesia	The Nederlands, Hong Kong
Paperware	China, Germany	Italy, The Netherlands	Hong Kong, USA, Turkey	China, Vietnam, Thailand, Indonesia, Tunisia
Glassware	China	-	France, The Netherlands, Germany, Romania, Taiwan, USA, Indonesia, Thailand, Brazil, India	Turkey
Plasticware	-	Germany	The Netherlands, Romania, Israel, USA, India, Turkey, Tunisia, Malaysia, Thailand	China, France

Source: Eurostat 2007

4.3 The role of developing countries

The developing countries are playing an increasingly important role in the import of gifts and decorative articles within the EU-27. In 2006, 35.0% of total imports into the EU-27 of gifts and decorative articles came from developing countries; this share was 33.2% in 2002. The imports from developing countries have increased in terms of absolute value as well (€ 2,893 million in 2006 and € 2,392 million in 2002). During the period under review (2002 – 2006) imports of gifts and decorative articles coming from developing countries increased by 20.9% in terms of value. The increase in terms of share out of the total imports is despite the decreasing import prices of goods coming from developing countries and the high price competition amongst players on the market for lower segment gifts & decorative articles. Moreover, it should be noted that China makes up large a share of these imports and it is clear in Table 4.3 above that China is also the most strongly increasing supplier to EU-27. By developing countries is meant the countries on the DAC list, also known as list of developing countries, see Appendix C.

Wickerwork was easily the group with highest percentage of imports coming from DC in 2006. In that year, the relative share of DC suppliers out of the total supplying countries was 80%, by comparison the same percentage was 79% in 2002. Moreover, Wickerwork imports increased in absolute Euro value between 2002 and 2006 by about 7%. Major suppliers of Wickerwork are given in Table 4.2 and developments per supplier in terms of increasing or declining importance are given in Table 4.3.

Artificial flowers & fruits were the second most important segment with a very high percentage of imports coming from DC in 2006. In that year, the relative share of DC suppliers out of the total supplying countries was 69%, the same percentage as in 2002. However, Artificial flowers & fruits have increased in absolute Euro value by about 3%, between 2002 and 2006. The next most important segments in terms of percentage of imports coming from DC were *Woodware, Metalware and Ceramics.* In 2006, the relative shares of DC suppliers out of the total supplying countries were 57%, 56% and 41% respectively compared to percentages of 54%, 53% and 50% respectively in 2002.

The remaining segments with lower importance in terms of percentage of imports coming from DC were *Candles, Glassware, Paperware and Plasticware*. In 2006, the relative shares of DC suppliers out of the total supplying countries were 32%, 32%, 20% and 9% respectively compared to 28%, 27%, 20% and 9% respectively in 2002. A remark should be made about Paperware as this segment includes both hand-made and machine-made boxes. One should be aware of the fact that DCs account for the largest proportion of the imports of hand-made paper boxes, according to Euromonitor. Unfortunately, statistical data is not available separately for hand-made and machine-made boxes.

Table 4.4 Imports of Gifts and decorative articles from developing countries 2002-2006, € million / 1,000 tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total	**2,392.7**	**1,102.7**	**2,681.5**	**1,342.4**	**2,893.4**	**1,539.5**	**10.0%**
Germany	452	218	537	299	610	316	16.2%
Utd. Kingdom	475	251	490	289	497	285	2.3%
Netherlands	300	186	327	230	347	232	7.6%
Italy	283	120	302	146	304	125	3.7%
France	255	96	244	111	284	133	6.0%
Spain	184	76	215	118	204	109	5.9%
Belgium	133	69	145	85	159	85	9.3%
Sweden	66	36	75	46	90	51	16.8%
Denmark	60	40	58	43	73	49	11.3%
Poland	N.A	N.A.	56	32	66	37	N.A.
Greece	48	19	65	29	64	28	16.9%
Austria	26	11	35	16	38	16	21.6%
Ireland	18	11	20	12	24	13	15.6%
Czech Republic	21	10	23	14	24	15	6.9%
Hungary	13	6	26	15	24	11	46.2%
Finland	18	8	19	11	23	11	13.3%
Romania	4	3	7	7	16	11	101.8%
Portugal	16	9	14	9	14	9	-6.3%
Bulgaria	3	3	6	5	9	6	75.0%
Lithuania	4	2	5	3	7	4	32.5%
Cyprus	6	2	6	3	7	4	8.3%
Slovakia	7	4	8	4	6	4	-5.4%
Slovenia	6	3	4	3	6	4	8.3%
Latvia	2	1	2	2	4	3	50.0%
Malta	3	1	2	1	3	2	8.3%
Estonia	4	2	4	2	3	2	-12.5%
Luxembourg	1	1	1	1	1	1	0.0%

Source: Eurostat (2007) *Developing Countries

4.4 Exports

The same reservations as described in the previous section for the import trade statistics apply to the export trade statistics in this section. Note that the export statistics discussed also include exports to other EU-27 countries.

Table 4.5 Exports of gifts and decorative articles by EU member countries, 2002-2006, € million / '000 tonnes

	2002		2004		2006		Average % change in value
	value	volume	value	volume	value	volume	
Total EU	**6,785.7**	**2,636.5**	**7,197.7**	**2,562.3**	**7,259.9**	**2,301.6**	**3.5%**
Intra-EU	**4,600.4**	**2,081.3**	**5,150.7**	**1,971.7**	**5,166.6**	**1,726.3**	**6.1%**
Extra-EU	**1,689.0**	**389.2**	**1,570.9**	**435.6**	**1,529.7**	**390.6**	**-4.8%**
DC	**496.2**	**166.0**	**476.1**	**155.0**	**563.7**	**184.6**	**7.2%**
Germany	1,135	334	1,216	377	1,207	360	3.2%
France	1,087	367	978	356	984	263	-4.7%
Italy	955	375	844	340	814	257	-7.6%
Netherlands	652	236	771	289	779	247	9.6%
Poland	N.A.	N.A.	463	272	560	297	N.A.
Belgium	493	180	520	186	528	170	3.5%
Utd. Kingdom	408	512	398	101	415	109	0.9%
Spain	414	142	359	139	341	97	-9.1%
Austria	262	46	280	44	258	38	-0.5%
Cz. Republic	222	78	235	87	244	68	4.8%
Denmark	245	52	230	56	234	55	-2.2%
Sweden	196	56	236	65	215	67	5.8%
Portugal	222	101	192	87	165	85	-13.8%
Hungary	65	25	67	24	76	29	8.3%
Finland	67	23	62	22	69	23	1.9%
Romania	77	40	71	42	67	37	-6.7%
Slovakia	38	19	54	17	60	20	26.6%
Ireland	110	8	81	7	58	4	-27.4%
Slovenia	37	12	38	13	46	18	11.9%
Estonia	22	11	24	13	31	20	19.1%
Greece	20	8	20	8	27	10	17.5%
Lithuania	14	8	20	11	25	13	33.9%
Latvia	10	5	16	8	23	11	51.9%
Malta	25	1	19	1	20	2	-9.4%
Bulgaria	8	9	8	8	13	11	31.3%
Luxembourg	12	2	8	2	12	3	8.3%
Cyprus	1	1	1	1	1	1	0.0%

(Source: Eurostat, 2006)

In 2006, EU-27 exports of gifts and decorative articles were valued at € 7.3 billion. Germany was the leading exporter, accounting for 16.6% of the total value imported into EU-27 countries, followed by France (13.5%), Italy (11.2%), the Netherlands (10.7%), Poland (7.7%), Belgium (7.3%), United Kingdom (5.7%), Spain (4.7%) and Austria (3.6%).

In general, during the period under review (2002 – 2006) an increasing trend was observed in terms of export value and total EU-27 exports increased by 3.5%. Countries which experienced the largest increase in exports in terms of value, were Portugal, Slovakia, Latvia, Malta and Slovenia. Spain, Italy and France experienced the largest decrease in export values.

The segments which were most exported were Paperware and Plasticware, with Intra-EU trade of those product groups amounting to about 80%. The two main reasons for the large export and small import of those 2 segments are that they are regarded more as industrial products and their production is more capital- than labour-intensive. Another important export product group was Candles. With the Netherlands being the largest producer of Candles in the EU, Intra-EU trade accounts for about 60% of this product group. Main destinations for the exports of the above-mentioned segments were other EU countries.

Main re-exporting countries are the Netherlands and Belgium, with a large share of their imports re-exported to the other members of EU (mainly neighbour countries.)

4.5 Opportunities and threats

A number of emerging economies in Asia, like China, Vietnam and India, with natural resources and low labour costs, have a gifts and decorative articles industry strongly dedicated to low-priced exports. At the same time, many EU manufacturers have shifted their production to these countries to benefit from these same advantages. They combine their efficient and high-quality production systems with the low labour costs in the DC countries. Outsourcing their production to cheap(er) contract manufacturers was also a popular means to benefit from the more favourable conditions in these countries. This development, in turn, has offered the local producers in developing countries a chance to copy the new technologies and production systems. Therefore, the quality of their products has improved considerably. Especially China has taken advantage of these developments and therefore poses an increasing threat to EU manufacturers.

Furthermore, the outsourcing trend gave the manufacturers in these countries the opportunity to learn the preferences of the EU market consumers. Eastern European countries such as Poland, Czech Republic, Romania and Hungary, though not considered to be developing countries, have also benefited from the outsourcing EU-manufacturers. These countries are therefore considered to be the most important competitors of the developing countries. The producers in Eastern European countries distinguish themselves by offering a higher quality, since they are not able to compete with the low Asian prices.

4.6 Useful sources

- EU Expanding Exports Helpdesk
  → http://export-help.cec.eu.int/
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.cec.eu.int
  ➔ go to ‘themes’ on the left side of the home page
  ➔ go to ‘external trade’
  ➔ go to ‘data – full view’
  ➔ go to ‘external trade - detailed data’
- Understanding eurostat: Quick guide to easy comext
  ➔ http://fd.comext.eurostat.cec.eu.int/xtweb/assets/guide.pdf
- International Chamber of Commerce
  E-mail: (mailto:webmaster@iccwbo.org)
  Internet: (http://www.iccwbo.org)
- International Trade Centre UNCTAD/ WTO
  E-mail: (mailto:tirc@intracen.org)
  Internet: (http://www.intracen.org)
- European Union (official site)
  (http://europe.eu.int/)

5 Price developments

5.1 Price developments

Price is an important aspect in the gifts and decorative article sector. Because there is such a broad range of items, qualities, materials, raw materials and styles, it is almost impossible and hardly meaningful to give typical prices. Therefore, this chapter will discuss developments which influence the price level in the gifts and decorative articles market.

As can be seen in the preceding chapters, the gifts and decorative articles market is being increasingly penetrated by low-priced articles from Asia and Eastern Europe. Combined with sluggish economic development, the EU gifts and decorative articles market became more competitive in the reviewed period.

Another notable development which influenced prices was the increasing penetration of budget retailers in the gifts and decorative articles market. Furniture retailers like, for example, Ikea and Habitat are increasingly tapping into the gifts and decorative articles market, selling quality, trendy gifts and decorative articles at competitive prices. These formats have been especially popular amongst young families, students and single households, (Euromonitor).

Consumer trends discussed in Chapter 1 'Consumption' have created a polarisation of the gifts and decorative articles market into low-priced and premium-priced products. The former price segment is becoming increasingly important because of Europeans' tendency to change the interior decoration of their homes more often, leading to an increasing demand for low-priced, fashionable interior products. This trend is especially seen amongst youngsters. In this segment the price is the decisive factor rather than quality. The latter segment consists of high-quality, product brands like for example Ginori, Royal Doulton, Alessi and Villeroy & Boch. The high prices in this segment will be less affected by economic developments, and only strengthen the status of the products. The sluggish economy however, has negatively influenced the demand for these high-priced articles, as consumer confidence is an important determinant for the expenditure on these products.

The medium market segment, which was traditionally the largest sector, is disintegrating into numerous small niche consumer groups, each having its distinct identity, according to Euromonitor. The trends discussed in Chapter 1, like the social and demographic changes, together with increasing globalisation and the increasing popularity of home decoration through television, newspaper and magazines, has generated new trends in home decoration. According to Euromonitor, the forming of these smaller niche consumer groups with distinctive preferences has created a demand for different styles of home and garden decoration products, ranging from classic, modern, modern-classic, minimalist, industrial look, ethnic look to mixed interiors with African art, Asian interiors, interiors with high-technology, the Mexican look, etc. The impact of changes in the economy will be predominately felt in this mid-price segment, when people tend to spend more in economically buoyant periods and economise in less prosperous times.

Import statistics show declining import prices for gifts and decorative articles
Eurostat statistics show that in almost all of the researched countries import prices have fallen considerably in the past years (between 2002 and 2006).
→ This development is less applicable to the more luxurious parts of the segments. Design, special features, finishes and materials following fashion trends have enabled suppliers of the more luxury segments to offer innovations valued by the end users, who are willing to pay for the added value.

Detailed overviews of import price developments are given in the country specific documents. Moreover, those are separated with regards to the researched product groups. Price developments are given for all researched markets and for all nine segments.

- During the period 2002 - 2006 export prices in the EU increased by 11.4%. The following countries experienced an increase in import prices: Spain, France, Czech Republic, Italy, Bulgaria, Ireland, Netherlands, Belgium, Poland, Latvia, Lithuania, Austria, Romania, Finland, Germany, and Denmark. For the same period, export prices of Malta, Cyprus, Estonia, Portugal, Sweden, Slovenia, Hungary, Luxembourg, Slovakia, Greece, and United Kingdom decreased.
- During the period 2002 – 2006, import prices in the EU experienced a 6.6% increase. The following countries experienced an increase in import prices: Luxembourg, Czech Republic, Latvia, Italy, Hungary, Spain, Bulgaria, Denmark, Slovenia, Netherlands, Belgium, Romania, France, Finland, Slovakia, Lithuania, Ireland, and Germany. For the same period, import prices of Malta, Estonia, Portugal, Greece, Cyprus, Austria, Utd. Kingdom, Sweden, and Poland decreased.

5.2 Useful sources

As the gifts and decorative articles market contains a wide range of products, from candles to jewellery boxes, from baskets to vases and from jewellery to statuettes, it is not possible to integrate individual price information on all products in this survey. To give an indication of the variety of products: some intermediaries have a stock of over 15,000 different items! Moreover the price levels for similar products may vary considerably according to criteria such as type of sales channel, volumes, packaging, etc., as these may vary according to the market segment and target group aimed at. Therefore, the manufacturer will have to do a lot of market research himself, carefully taking all the different market segments and criteria into account!

The best way to obtain information about prices and price levels in the EU is by visiting one of the major trade fairs. Alternatively, comparisons can be found in the prices given in catalogues from mail-order houses, large department stores and from the internet sites of companies. Window-shopping in the prospective market place, at several retail shops, is another good way of getting information about prices. Apart from prices, window-shopping gives you a good impression of the wide variety of products, qualities, fashions, colours and promotions. The internet is also a good source of price information, for example the Ikea online-store gives information on retail prices of Ikea products, including its gifts and decorative articles. Catalogues from mail-order houses like Neckermann, OTTO and Wehkamp and advertising also offer a useful opportunity to gain an insight into consumer prices.

Other useful sources of price information are:
- Euromonitor (http://www.euromonitor.com)
- Datamonitor (http://www.datamonitor.com)
- Market Research (http://www.marketresearch.com/)
- Market Line (http://www.market-line.com/)
- Trade fair names given in the country surveys
- Eurostat databases
- Ikea online-store (http://www.ikeapostcodecheck.co.uk/)

6 Market access requirements

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU in the category search, click on the search button and click on market access requirements.

Packaging, marking and labelling

Packaging is a vital part of successful export operations. Export packaging has to comply with a number of additional requirements as exporting implies longer transport, rougher handling and tougher competition than domestic trading. Consumer packaging has changed a good deal in recent years. Packaging no longer serves the purposes of distribution and protection, but plays an important role in image building, communication and environmental protection.

According to the CBI export planner, packaging serves three basic functions:

- It protects your product during transportation
- It breaks down your product to sellable units (e.g. transforming bulk goods into consumer units), or simply makes the product easily accessible for consumers
- It conveys a message to the buyer/consumer (marking and labelling)

Products from developing countries generally have a long distance to travel before reaching their destinations in the EU. Therefore, it is very important that close attention is paid to the packaging of products. Good packaging protects products from, for example, the fluctuations and extremes of temperature, relative humidity, vibration and shock, impact, getting wet and getting lost.

Depending on the choice of distribution channel, both the outer and the consumer packing should be adapted to the demands of the importers/retailers and the consumer.
Most distributors place strong emphasis on attractive, easy-to-handle, and self-promoting packing materials. Packing in sturdy corrugated boxes with dimensions enabling easy handling and weight (not exceeding 25 kg per carton) is recommended. Wherever possible, the outer cartons should be placed together on pallets, to further avoid the risks of damage during transit.

Attractive consumer packaging is important, especially for gifts. The consumer packaging should attract attention, clearly show the contents - either by picture or by see-through packing - and contain information on the use of the product. In other words, the packaging should match the design, image, quality and price of the product. Attractive consumer packaging is definitely a sales argument.

EU legislation for packaging and packaging waste

To harmonise the different forms of legislation on packaging and packaging waste in EU countries, the EU has issued the directive 94/62/EC, which regulates minimum requirements. With effect from August 1, 2001, these minimum requirements will require a recovery quota of 50-65 percent for packaging materials brought into the EU and will regulate the presence of four heavy metals (mercury, lead, cadmium and hexavalent chromium). EU countries have a certain freedom in how to comply with the recovery rate but at least 25-45 percent of the material brought into the EU must be recycled, with a minimum of 15 percent for each material. The maximum available sum of concentrations of lead, mercury and hexavalent chromium in packaging is 100 parts per million. These requirements were approved by the EU countries in 1996 and are now in force in most of them. Each country reserves the right to apply additional requirements, as long as these do not hamper trade between countries.

EU-legislation wooden packaging
On March 1st, 2005, the EU introduced a set of new requirements for wood packaging materials. The rules are aimed at preventing plant viruses and the like from entering Europe. Wood packaging material is considered a plant product and is among those products that can carry harmful organisms such as insects or viruses. The EU Directive applies to all wood packaging materials imported into the EU. One of the main requirements is that wood packaging material has to go through heat treatment that involves a minimum wood core temperature of 56 degrees Celsius for a minimum of 30 minutes (heat treatment or HT). Alternatively, it may be fumigated with methyl bromide. Moreover, the treated wood must bear a mark with the two-letter ISO country code, a code identifying the producer and a code identifying the approved measure applied to the wood packaging material. To obtain the required mark after having treated your material according to the rules, exporters should contact the national plant protection organisation (NPPO). Go to (http://www.ippc.int/) to find more information (click on “national”).

Marking and labelling serve two major purposes. First, it is critical for smooth distribution through the transport system. The labels should state the originating and destination addresses, as well as contact names and telephone numbers. Secondly, marking and labelling give information concerning the product. Appropriate labels should be attached to indicate, for example, that items are fragile and that they need to be kept upright. Without attaching these labels, the people handling the objects and crates will not be aware they have to be careful. It is important to label individual parcels and packages within crates as well. Large warehouses, department stores and supermarkets in Europe do not have the time to open each individual package to check the contents. Each package should therefore be properly labelled with codes, stating both the contents and the article code of the buyer/distributor. The use of the pictorial marking “FRAGILE” can be used when product content is prone to breaking/ damaging/ scratching. Special care must be taken when packing products which are very vulnerable to water damage.

The second reason for marking and labelling is to inform the consumers about the product. Today’s consumer wants to know exactly what he or she is buying. Therefore, it is important to mark the product’s brand name, special materials, name/sign of the manufacturer and guarantee of originality, according to the market segment for which the product is intended. A label on the article has to provide the necessary data in a language comprehensible for the target market. In general, the label should state material(s) used, qualities, country of origin and, if applicable, size in centimetres or volume in litres and instructions for use. Moreover, labels and package can both be used for sales promotion of other articles of the manufacturer in the same category. Positive sales arguments, which should be indicated on the product if applicable, are environmentally friendly, produced from recyclable material, etc.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

Tariffs and quota
All EU-countries apply common customs tariffs to imports from outside the Union. Some kind of preferential trade agreement in the field of tariffs and reductions of EU duty levels may apply to many developing countries, according to the commitments in the Uruguay Round, until 2006. Most of the developing countries are granted special trade preferences; these countries usually benefit from zero duties through preferential treatment under the Generalised System of Preferences (GSP) or under the Cotonou Convention.
Both Cotonou and GSP are preferential trade regimes, which provide benefits to developing nations under certain conditions. In the case of manufactured goods, the products must meet specified criteria concerning added value or processing in the exporting country, in order to

receive preferential treatment. If these conditions are not met, the preferential trade regime will not apply to the particular export. There are tariffs for the developing countries' importers only for Glassware ca. 7.5 % and Ceramics ca. 2.5%.

Generalised System of Preferences
This agreement allows products originating from the countries concerned to be imported at preferential tariffs or duty-free for the least developed countries. A "Certificate of Origin Form A" has to be filled in by the exporter and issued by the competent authorities. Tariff contingents and tariff ceilings do not exist anymore. The GSP does not apply to countries producing gifts and decorative articles in large quantities, like for example China and Thailand.

Value added taxes
Countries of the European Union levy their own tax from consumers. These Value Added Tax (VAT) rates differ and are shown in Table 6.1. Between EU-countries there is free movement of goods. With the single European market, no VAT is levied on trade between EU-countries. Up-to-date information on import tariffs can be obtained from the European Commission website regarding exporting to the EU (http://export-help.cec.eu.int/). The HS code of the product concerned must be always mentioned; a detailed list of HS codes can be found in Appendix 1 of this survey as well. Other information sources are the European Commission, trade associations and importers.

Table 6.1: VAT Tariffs EU-countries

EU - country	VAT Tariff %	EU - country	VAT Tariff %
Austria	20	Latvia	18
Belgium	21	Lithuania	18
Bulgaria	20	Luxembourg	15
Cz. Republic	19	Malta	18
Denmark	25	Netherlands	19
Estonia	18	Poland	22
Finland	22	Portugal	21
France	19	Romania	19
Germany	19	Slovakia	19
Greece	19	Slovenia	20
Hungary	20	Spain	16
Ireland	21	Sweden	25
Italy	20	UK	17

Source: EVD

More information on tariffs and quota can be found at http://export-help.cec.eu.int/

7 Opportunity or threat ?

Although the gifts and decorative articles market seems to be very sensitive to the economic climate, prospects for manufacturers in developing countries are good. Developing countries have increased their role in most of the product groups discussed in this survey. Consumers are looking for one-of-kind items, which personalize their homes; they change their homes by adding small decorative articles. Manufacturers, however, should take into account that quality and value for money are still the major purchase criteria. For relatively small-scale manufacturers, we advise looking at creating a niche position in the market. Other opportunities lie in the production of private label products. Manufacturers should, however, be aware that they will face fierce competition from low-priced Eastern European and Asian manufacturers. The trend towards a more fashionable market has some implications, like, for example, shorter product life cycles, making well-organised new product development and fast, accurate distribution indispensable.

In the gifts and decorative articles market there are a number of opportunities for manufacturers from developing counties. The first is as a production partner of an outsourcing European partner (licensing, co-makership, etc.). In this case quality and reliability are extremely important. However, in the low-end of the market the most interesting opportunities for developing countries exist, as labour costs are generally lower in developing countries and, especially, products with a high labour intensity offer good opportunities, as European manufacturers can not compete on this terrain. Examples are sculpted statuettes or braided baskets or other types of Wickerwork. The third opportunity, though a small segment, is in products with original ethnic value. This segment contains, for example, products that are handmade, original, artistic and exclusive. Usually the quantities are relatively small, sometimes unique pieces of which each one is different. Examples of such articles are statuettes made of wood, metal, ceramic or earthenware.

Threats for the manufacturers from developing countries are the increasing consumer expectations in terms of quality, design, colours, shapes, exclusivity, environmental friendliness of the product, etc. The segment which is most under threat is the middle one, where consumers generally expect a lot of added value for their money. There, manufacturers from developing countries have to compete with their more experienced counterparts in Europe.

A number of emerging economies in Asia, like China, Vietnam, India, etc., with natural resources and low labour costs, have a gifts and decorative articles industry strongly dedicated to low-priced exports. At the same time, many EU manufacturers have shifted their production to these countries to benefit from these same advantages. They combine their efficient and high-quality production systems with the low labour costs in the DC countries. Outsourcing their production to cheap(er) contract manufacturers was also a popular means to benefit from the more favourable conditions in these countries. This development, in turn, has offered the local producers in developing countries a chance to copy the new technologies and production systems. Therefore, the quality of their products has improved considerably. Especially China has taken advantage of these developments and therefore poses an increasing threat to EU manufacturers.

Furthermore, the outsourcing trend gave the manufacturers in these countries the opportunity to learn the preferences of the EU market consumers. Eastern European countries such as Poland, Czech Republic, Romania and Hungary, though not considered to be developing countries, have also benefited from the outsourcing by EU-manufacturers. These countries are therefore considered to be the most important competitors of the developing countries. The producers in Eastern European countries distinguish themselves by offering a higher quality, since they are not able to compete with the low Asian prices.

Appendix A Product characteristics

Statistical Product Classification

Prodcom and Combined nomenclature (CN)
In this survey two different sets of statistical data are used. Both sets have been provided by Eurostat, the statistical body of the EU.

The first set is derived from Prodcom. The term Prodcom is derived from PRODucts of the European COMmunity. This is a survey based on products whose definitions are standardised across the EU to allow comparability between the member countries' data. Prodcom covers some 4,800 products which are assigned to some 250 industries (subclasses) as defined by the Standard Industrial Classification (SIC). Prodcom data contain production, imports and exports. In this survey Prodcom data are used to indicate production.

The second set is the trade data based on the Combined Nomenclature. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system. In this survey CN data are used to indicate imports and exports.

Based on above data apparent consumption can be calculated as follows: apparent consumption = production + imports -/- exports.

Statistical data: limitations
Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

The Prodcom data used in Chapter 1 and 2, are less reliable than the import and export statistics used in Chapter 4, as they are not part of official data collection for Customs. Companies only have to send in their data on an annual or quarterly basis. The figures sometimes show a discrepancy between years, e.g., a large fall or extraordinary growth. These problems are caused by inaccurate, inconsistent and untimely reporting by companies. However, Prodcom data are the only official source for production and apparent consumption data, displaying numbers at product group level and describing the different EU markets in detail. Therefore they are useful to get an indication of size and trends within those markets. For decision making, however, these figures are not accurate enough and should be used in conjunction to further market research.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Product Groups
This survey analyses the market for gifts and decorative articles in the European Union. The products within "gifts and decorative articles" are difficult to label. Due to taste and interest differences between consumers, almost any product can be qualified as a gift. In general, the term 'gift' relates to the reason for buying a product and not so much to the product itself. A similar problem applies to the conceptualisation of the term 'decorative articles'. A great number of products have, in one way or another, decorative value. The term gifts and decorative articles can, therefore, be regarded as a broad concept containing a wide range of products from candles to jewellery boxes, from baskets to vases and from jewellery to statuettes. People generally use these products to personalise their homes and, in so doing, improve the quality of their life or the lives of their loved ones.

"Gifts and decorative articles" cover a wide range of products, which can be found in a number of different categories, such as housewares, crafts, collectibles, home decorations and furniture. It is therefore vital to define the term "gifts and decorative articles". In this survey, the term reflects the following products: "Relatively small interior articles which serve as a supplement to the large interior furnishing products like closets, chairs, tables, etc. These small interior articles often form an important decorative and atmosphere-enhancing element in the interior of a house or a garden. Because of the characteristics of these interior articles, they are well-suited to as gifts".

In order to make this report of practical value, we have distinguished ten gift & decorative article product groups, which we deem of interest for exporters in developing countries. The selected product groups are the following: Candles, Woodware, Wickerwork, Artificial flowers & fruits, Ceramics, Glassware, Metalware, Paperware, Plasticware and Boneware.

Candles
Candles in the EU are generally used because of their mood-enhancing effect. People in the EU generally burn candles to create an enjoyable atmosphere in their homes. Besides this mood-enhancing effect, candles are seen as decorative articles. The growing trend towards health and wellness, along with the popularity of incense, has had a positive effect on sales, especially candles with a distinct scent. In the northern part of Europe, the Christmas season is the best selling time. However, new seasonal focus points are emerging. Driven by the rise of festivities and garden parties in the summertime, the candle is also becoming more popular for outside use. In addition, the candle as a souvenir or gift is also becoming increasingly popular. This survey deals with different types of candles, like: plain candles, tea lights, taper candles, pillar candles, column candles, votive candles, container jar or filled candles, floating candles, gel candles etc.

Woodware
Woodware has both a functional and a decorative purpose. In the EU, there is generally a growing interest in woodware, which is caused by the increasing demand for products with a natural look. In the EU, there is a tendency to replace plastics with wooden products, because of the luxurious and classical look wood gives to products. The woodware product group in this survey covers both decorative articles like statuettes, sculptures and carvings as well as more functional articles, like: bowls, plates, boxes, bookends, picture frames, caskets and cases, etc. Woodware products are also frequently used outdoors.

Wickerwork
Wickerwork is both a utility and a decorative article and is in demand throughout the year although there is a seasonal peak at Christmas, and in the summertime for beach articles. The product assortment offered is extensive, catering to a wide range of consumer preferences. EU consumers generally have a preference for different shades of brown because of its natural look. This product group includes baskets, cradles, cases, shopping bags, glass mounts, table-mats, small tables, etc. The increasing interest in gardening has also boosted the demand for wickerwork for use in the garden.

Artificial flowers & fruits
With the increase in living space, people are paying more attention to their living environment. People in the EU have the habit of decorating their homes with fresh flowers and indoor plants. However, as the pace of life quickens, people can no longer afford the time or energy to grow and look after their plants. Artificial flowers and plants are just the answer for these busy people. The prime factor for the increasing acceptance of synthetic flora is the great improvement in quality. This product group includes artificial flowers & fruits, both of plastic and of non-plastics like silk, cotton, carton, paper, etc.

Ceramics
Ceramics have both a functional and a decorative purpose. This product group include items like: statuettes, ornaments, animal figurines, parts for lamps, candle-holders, desk sets, plates, pottery, (fruit) bowls, vases, flower pots, etc. Ceramics, especially pots and to a lesser extent statuettes, are also frequently used to decorate the gardens, terraces or sunroofs of European consumers.

Glassware
Glassware is sold both as a decorative article and as a utility and can be either handmade or machine-made. Decorative articles made of glass include: goblets, figurines and ornaments. The utility segment, which consists of everyday glassware, includes: drinking glasses, candleholders, tea warmers and vases.

Metalware
Gifts and decorative articles made of some kind of metal consist of items like: statuettes, ornaments, bells, gongs and picture frames. Metal articles like statuettes and ornaments are also often placed outdoors. These statuettes and ornaments are often larger than the ones found inside people's homes.

Paperware
Gifts and decorative articles made of non-corrugated paper are becoming more and more popular in Europe. That was one of the main reasons for this segment to be included. Hand-made paper boxes are part of the researched products falling into this group. They can be used for a number of decorative purposes such as boxes for jewellery, cutlery and similar articles, pillboxes, boxes for cards, sewing-boxes, etc. Paper photo albums are also in the segment. Some albums have compartments where the photos may be slipped in. Older style albums often are simply books of heavy paper. Photos can be glued to or attached to the paper pages of these types of album.

Plasticware
Gifts and decorative articles made of plastic have both practical and decorative functions. Products within the scope of this survey, included in the Plasticware product group, are boxes, cases, crates and similar articles for the conveyance / packaging of goods or decoration of the dwelling, all made of plastics.

Boneware
This product group consists of items made of coral, horn, bone, antler, pearl and tortoiseshell. Products made of these raw materials include jewellery, e.g.: necklaces, bracelets, hairpins, earrings, etc. and other items such as figurines, napkin holders, statuettes, etc.

In order to make this report of practical value, we have distinguished nine gifts & decorative articles product groups out of the ten, which we deem are of interest for exporters in developing countries. Compared to the survey 'Gifts and decorative articles in the EU' published in 2006, one product group has been removed, namely Boneware, and two product groups have been added - Paperware and Plasticware. The HS and the PRODCOM codes of the selected groups are presented in the table below.

As a result, the selected product groups are the following: Candles, Woodware, Wickerwork, Artificial flowers & fruits, Ceramics, Glassware, Metalware, Paperware and Plasticware. The product groups concerning more sophisticated jewellery, textiles and toys lie beyond the scope of this survey. More information concerning these can be found in the CBI surveys: ‘Jewellery’, ‘Household, Furnishing and Floor-covering Textiles’ and ‘Toys and Games’ (2007/8).

	HS codes	PRODCOM codes
CERAMICS	**6913 1000** Statuettes and other ornamental ceramic articles of porcelain or china N.E.S. **6913 9010** Statuettes and other ornamental articles of common pottery N.E.S. 6913 9091 Statuettes and other ornamental articles of stoneware N.E.S. **6913 9093** Statuettes and other ornamental articles of earthenware or fine pottery N.E.S. **6913 9099** Statuettes and other ornamental ceramic articles n.e.s. (excl. Of porcelain or china, common pottery, stoneware, earthenware or fine pottery) **6914 1000** Ceramic articles of porcelain or china N.E.S **6914 9010** Ceramic articles of common pottery N.E.S **6914 9090** Ceramic articles N.E.S (excl. Of porcelain or china and common pottery)	**2621 1330** Statuettes and other ornamental articles of porcelain of china **2621 1350** Ceramic statuettes and other ornamental articles **2625 1230** Other ceramic articles of porcelain/china including non-refractory firebrick cheeks, parts of stoves/fireplaces, flower-pots, handles and knobs, signs/motifs for shops, radiator humidifiers **2625 1255** Other ceramic articles (common pottery) including heating apparatus, non-refractory firebrick cheeks, stoves/fireplaces parts, flower-pots, handles/knobs, shopssigns, radiator humidifiers **2625 1259** Ceramic articles, n.e.c. : other than porcelain or common pottery
METALWARE	**8007 0000** Articles of tin N.E.S. **8306 1000** Bells, gongs and the like, non-electrical, of base metal (excl. musical instruments) **8306 2100** Statuettes and other ornaments, of base metal, plated with precious metal (excl. works of art, collectors pieces and antiques) **8306 2910** Statuettes and other ornaments of copper, not plated with precious metal (excl. works of art, collectors pieces and antiques) **8306 2990** Statuettes and other ornaments of base metals other than copper, not plated with precious metal (excl. works of art, collectors pieces and antiques) **8306 3000** Photograph, picture or similar frames of base metal; mirrors of base metal (excl. optical elements	**2875 2766** Other articles of tin, n.e.c. **2875 2782** Bells, gongs, etc, non-electric, of base metal **2875 2400** Statuettes, frames, mirrors and other ornaments of base metal
WICKERWORK	**4602 1010** Bottle sleeves made directly from straw or from vegetable plaiting materials of heading **4602 1091** Basketwork and other articles made directly from vegetable plaiting materials (excl, plaited-only bands or flat-woven articles; bottle sleeves of straw, wall coverings of heading **4602 1099** Basketwork and other articles made from vegetable plaiting materials or from goods of heading 4601, plus articles of loofah (excl, plaited-only bands or flatwoven articles; bottle sleeves of straw, wall coverings of heading 4814; twine, cord and rope	**2052 1570** Basketwork, wickerwork, other articles of vegetable materials
PLASTIC WARE	**3923 1000** Boxes, Cases, Crates and Similar Articles, of Plastics	**2522 1300** Plastic boxes; cases; crates and similar articles for the conveyance or packing of goods

WOODWARE	**4414 0010** Wooden frames for paintings, photographs, mirrors or similar objects, of tropical wood **4414 0090** Wooden frames for paintings, photographs, mirrors or similar (excl, okoume, obeche, sapelli, sipo, acajou d afrique, makore, iroko, tiama, mansonia, ilomba, dibetou, limba, azobe, dark red, light red, white or yellow meranti, meranti bakau, white **4414 1011** Statuettes and other ornaments, of okoume, obeche, sapelli, sipo, acajou, afrique, makore, iroko, tiama, mansonia, ilomba, dibetou, limba, azobe, dark red, light red, white or yellow meranti, meranti bakau, white lauan, white seraya, alan, keruing **4414 1019** Statuettes and other ornaments, of wood (excl. 4420.10-11) **4414 9010** Wood marquetry and inlaid wood (excl. Statuettes and other ornaments, articles of furniture, lamps and lighting fittings and parts thereof) **4414 9011** Wood marquetry and inlaid wood, of tropical wood **4414 9019** Wood marquetry and inlaid wood (excl, Okoume, obeche, sapelli, sipo, acajou d afrique, makore, iroko, tiama, mansonia, ilomba, dibetou, limba, azobe, dark red meranti, light red meranti, meranti bakau, white lauan, white meranti, white seraya, yellow **4414 9091** Caskets and cases for jewellery or cutlery, and similar articles and articles of furniture not falling in chapter 94, of tropical wood as specified in additional note 2 **4414 9099** Caskets and cases for jewellery or cutlery, and similar articles and articles of furniture (excl. 4420,90-91)	**2051 1410:**Wooden frames for paintings; photographs; mirrors or similar objects **2051 1300:**Wood marquetry and inlaid wood; caskets/cases for jewellery, cutlery and similar articles, statuettes and other ornaments, coat/hat racks, office letter trays, ash trays, pen-trays, ink stands
CANDLES	**3406 0011** Candles, plain, not perfumed **3406 0019** Candles, whether or not perfumed (excl, plain) **3406 0090** Tapers, night-lights and the like (excl. Candles)	**3663 7500** Candles, tapers and the like (including night lights fitted with a float) (excluding anti-asthmatic candles, wax matches or vestas, sulphur-treated bands, wicks and candles)
ARTIFICIAL FLOWERS & FRUITS	**6702 1000** Artificial flowers, foliage and fruit and parts thereof, and articles made of artificial flowers, foliage or fruit, by binding, glueing, fitting into one another or similar methods, of plastics **6702 9000** Artificial flowers, foliage and fruit and parts thereof, and articles made of artificial flowers, foliage or fruit, by binding, glueing, fitting into one another or similar methods (excl, of plastics)	**3663 7650** Plastic artificial flowers, foliage and fruit and parts thereof; plastic articles made of artificial flowers, foliage or fruit excluding articles clearly identifiable as toys or carnival items **3663 7690** Artificial flowers, foliage, etc and articles thereof of other materials

PAPERWARE	**4820 5000** Albums for samples or for collections **4823 6010** Trays, dishes and plates of paper or paperboard **4823 6090** Cups, beakers and the like, of paper or paperboard (excl. trays, dishes and plates)	**2222 2080** Albums for samples, collections, stamps or photographs, of paper or paperboard **2122 1300** Trays; dishes; plates; cups and the like of paper or paperboard
GLASSWARE	**7013 1000** Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (excl. Goods of heading 7018, cooking hobs, leaded lights and the like, lighting fittings and parts thereof, atomizers for perfume and the like) **7013 3110** Glassware of lead crystal, of a kind used for table or kitchen purposes, gathered by hand (excl. Articles of heading 7018, drinking glasses, glass preserving jars sterilizing jars , vacuum flasks and other vacuum vessels) **7013 3190** Glassware of lead crystal, of a kind used for table or kitchen purposes, gathered mechanically (excl. Articles of heading 7018, drinking glasses, glass preserving jars sterilizing jars, vacuum flasks and other vacuum vessels) **7013 3200** Glassware for table or kitchen purposes of glass having a linear coefficient of expansion =< 5 x 10 -6 per kelvin within a temperature range of 0 to 300. C (excl. Glassware of glass-ceramics or lead crystal, articles of heading 7018, drinking glass **7013 3910** Glassware for table or kitchen purposes, of toughened glass (excl. Glass having a linear coefficient of expansion =< 5 x 10 -6 per kelvin within a temperature range of 0 to 300. C, glassware of glass-ceramics or lead crystal, articles of heading **7013 3991** Glassware of a kind used for table or kitchen purposes, gathered by hand (excl. Toughened glass and glass having a linear coefficient of expansion =< 5 x 10 -6 per kelvin within a temperature range of 0 to 300. C, glassware of glass-ceramics **7013 3999** Glassware of a kind used for table or kitchen purposes, gathered mechanically (excl. Toughened glass and glass having a linear coefficient of expansion =< 5 x 10 -6 per Kelvin within a temperature range of 0 to 300. C, glassware of glass-ceramics **7013 9110** Glassware, of lead crystal, of a kind used for toilet, office, indoor decoration or similar purposes, gathered by hand (excl. Glassware of a kind used for table or kitchen purposes, glassware of glass-ceramics or lead crystal, articles of heading	**2613 1310** Table or kitchen glassware of lead crystal gathered by hand (excluding of glass-ceramics, of toughened glass, drinking glasses) **2613 1330** Table or kitchen glassware of lead crystal gathered mechanically (excluding of glass ceramics, of toughened glass, drinking glasses) **2613 1350** Table/kitchen glassware with linear coefficient of expansion <=5x10-6/K, temperature range of 0 °C to 300 °C excluding of glass-ceramics, lead crystal/toughened glass, drinking glasses **2613 1360** Glass-ceramic table; kitchen; toilet; office; indoor decoration or similar purpose glassware

	7013 9190 Glassware, of lead crystal, of a kind used for toilet, office, indoor decoration or similar purposes, gathered mechanically (excl. Glassware of a kind used for table or kitchen purposes, articles of heading 7018, mirrors, leaded lights and the like **7013 9900** Glassware of a kind used for toilet, office, indoor decoration or similar purposes (excl. Glassware of lead crystal or of a kind used for table or kitchen purposes, articles of heading 7018, mirrors, leaded lights and the like, lighting fittings	

Appendix B Introduction to the EU market

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. With more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia http://en.wikipedia.org/wiki/Portal:Europe.

Monetary unit: Euro
On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Cyprus and Malta joined the euro-zone in January 2008. Since 2002 Euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2007	March 2008
Bulgaria	Lev	BGN	0.50875	0.51165
Czech Republic	Crown	CZK	0.03608	0.03971
Denmark	Crown	DKK	0.13424	0.13413
Estonia	Crown	EEK	0.06402	0.06298
Hungary	Forint	HUF	0.00399	0.00385
Latvia	Lats	LVL	1.43568	1.44576
Lithuania	Litas	LTL	0.29048	0.29089
Poland	Zloty	PLN	0.26528	0.28359
Romania	Lei	RON*	0.30129	0.26957
Slovakia	Crown	SKK	0.02969	0.03086
Sweden	Crown	SEK	0.10819	0.10636
United Kingdom	Pound	GBP	1.46206	1.29253

Source: Oanda http://www.oanda.com/ (March 2008)
*Romanian New Lei

Appendix C List of developing countries

OECD DAC list - June 2008

When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006:

Afghanistan
Albania
Algeria
Angola
Anguilla
Antigua and Barbuda
Argentina
Armenia
Azerbaijan
Bangladesh
Barbados
Belarus
Belize
Benin
Bhutan
Bolivia
Bosnia & Herzegovina
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African rep.
Chad
Chile
China
Colombia
Comoros
Congo Dem. Rep.
Congo Rep.
Cook Islands
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Djibouti
Dominica
Dominican republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Georgia
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
India
Indonesia
Iran
Iraq
Jamaica
Jordan
Kazakhstan
Kenya
Kiribati
Korea, rep of
Kosovo
Kyrghyz Rep.
Laos
Lebanon
Lesotho
Liberia
Libya
Macedonia
Madagascar
Malawi
Malaysia
Maldives
Mali
Marshall Islands
Mauritania
Mauritius
Mayotte
Mexico
Micronesia, Fed. States
Moldova
Mongolia
Montenegro
Montserrat
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Nicaragua
Niger
Nigeria
Niue
Oman
Pakistan
Palau
Palestinian Admin. Areas
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Rwanda
Samoa
São Tomé & Principe
Saudi Arabia
Senegal
Serbia
Seychelles
Sierra Leone
Solomon Islands
Somalia
South Africa
Sri Lanka
St. Helena
St. Kitts-Nevis
St. Lucia
St. Vincent and Grenadines
Sudan
Surinam
Swaziland
Syria
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tokelau
Tonga
Trinidad & Tobago
Tunisia
Turkey
Turkmenistan
Turks & Caicos Islands
Tuvalu
Uganda
Ukraine
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Wallis & Futuna
Yemen
Zambia
Zimbabwe

List of CBI countries – January 2008 - CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Afghanistan
Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldavia
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia

Appendix D References

INTERNATIONAL

Euromonitor International (research agency)
E-mail: mailto:info@euromonitor.com
Internet: http://www.euromonitor.com

International Chamber of Commerce
E-mail: mailto:webmaster@iccwbo.org
Internet: http://www.iccwbo.org

International Trade Centre UNCTAD/ WTO
E-mail: mailto:tirc@intracen.org
Internet: http://www.intracen.org