

# Market for Christmas Products in Germany

## consumer confidence shows positive signs

Germany's imports of Christmas articles from developing countries (DCs) have been on the rise offering interesting opportunities for DC suppliers. China is Germany's largest supplier of Christmas articles, and, with its large scale of production and low price, dominates the mid-market. This means that a niche market has to be reached in order to compete against Chinese imports.

Although this article focuses on the German market, most of the information also applies to other mature European markets. A mature market is a market where a product's life cycle has passed both the emergence and growth phases. Sales and earnings increase more slowly in mature markets than in emerging markets. Mature market consumers are more experienced through years of intense marketing efforts and expanding numbers of choices. Whereas any segment can be targeted, most opportunities are currently in the higher market segments. Design, hand-made products and branding are of utmost importance when targeting these segments. Mature European markets include Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

### Product Specifications

**Product Categories and Consumer Needs** - Christmas brings to the fore a number of consumer needs that are also important for Home Decoration as a whole. Consumers see this part of the year as an important shopping moment, and sales in home decoration reach their annual peak between August and December. Christmas shopping can be quite impulsive. During this time the consumer tends to drop his or her price sensitivity. As a result, a few clear needs can be seen as underlying Christmas sales in the industry. Decorating is an important buying motive at this time of the year. The consumer has a tendency to decorate both the inside and the outside of the

home with accessories expressing the sentiment of the season, ranging from sheer joy to a sense of spirituality. Also, Christmas, for many, is related to giving: presents are exchanged within a family setting and/or the circle of close friends. Along the same lines, the



sharing of good will and positive feelings amongst the inner circle takes place in the form of lavish dining. Christmas items within home decoration can be classified as: Specific shopping goods rather than everyday commodities; Decorative accessories bringing forward the typical associations and character of Christmas; Gifts; and Goods related to cook/eat.

### Christmas Decoration – main product groups-

Christmas tree decoration is the main focus, which

includes articles like baubles, bells, angels, figurines, etc. In line with technological developments in society as a whole, Christmas has become increasingly hi-tech, 3D, mechanised, animated and 'plugged in'. This report will not touch upon this group. Lighting is of vital importance to express the joy of Christmas – it incorporates Christmas tree lights and the increasing tendency to decorate the outside of the home with lighting too, as well as candle lighting to create atmosphere. Dinnerware is a prime product group for Christmas, too, and consumers consider this an occasion for lavishly decking out the table. The greeting card industry also reaches its peak during Christmas, although the electronic media are increasingly playing a role.

**Christmas Decoration – themes and motives** - The driver behind Christmas decoration is the consumer's need to create an ambience, a feeling of cosiness in the home, a warm and inviting atmosphere, with a touch of spirituality. This ambience is created through a number of influences: Religion/spiritual (e.g. angels, bells, nativities); Santa Clause / Father Christmas story (reindeers, sleigh, socks); Winter season (snowflakes, snow on trees, starry nights); All that contributes to a sense of going back to the innocence of one's childhood or to peace and tranquillity; Romance. To stay within these themes is important for DC exporters, but to add to it is equally important

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as consumers want to see familiar themes in a new translation every Christmas, to allow them to shop, give and decorate again to their heart's content.

**Quality-** Christmas items are seasonal and trendy: in most cases, consumers want to 'update' their Christmas 'look' every year, and much of the collection of

Christmas accessories is, therefore, replaced by the latest on offer. Durability is, therefore, a less prominent quality norm than usually in home decoration. Also, because of the emphasis on atmosphere in the home, the product quality of individual items receives less focus than how such items fit into the theme. As a consumer event, Christmas is a mass market and essentially a mid-market in terms of its consumer values. This means that prices and designs need to be accessible for the majority of consumers. As consumers do want choice, Christmas articles come in different sizes, shapes, colours and materials, but within the themes and styles described above. They are often offered in convenient collections and sets, to reduce consumers' choice anxiety. In the more premium niches, product and aesthetic quality are both of prime importance.

**Labelling-** Your label on the outer box should include information concerning the product such as the material, quantity, size, volume, producer (logo), consignee, country of origin and caution signs. Information on the carton should correspond to the packing list sent to the importer. On the product label, EAN/Barcodes are widely used within Europe.



**Packing and packaging product** - Every importer will have their own specific requirements related to the use of packaging materials, the filling of cartons, palletisation, and the stowing of containers. The balance is between using maximum protection and avoiding excess materials (waste removal is a cost to buyers) or shipping 'air'. Proper packing minimises the risk of damage due to fluctuations in humidity and especially shocks. Packaging usually consists of plastic wrapping to protect the fabric from water and staining. Packaging dimensions and weight should make it easy to handle. At retail level, Christmas articles are often sold as loose items, allowing consumers to create their own collection, although often within one theme or style. Consumer packaging is not very relevant, and seasonal wrapping is done at point of sale. In the lower segments, 'more for less' is an important selling point, and here pre-packaged sets are offered in basic, functional packaging. The retailer wants to add their branding to the final gift at point of sale, and sometimes the supplier is asked to print tags or labels, although it is usually part of the retailer's own marketing communication and produced in Europe.

## Legislative requirements

**Product safety and Liability Considerations for action** - The General product safety Directive (GPSD), which applies to all consumer products, states that all products marketed in the EU should be safe. The Liability Directive states that the EU importer is liable for the products put on the European market. The EU importer, however, can in principle pass on a claim to the producer/exporter. Consider implementing a management system or code of conduct in order to show to your buyer that you have taken appropriate safety measures. Make sure your products are safe to avoid product liability claims.



### **Packaging- Packaging and packaging waste**

EU packaging legislation restricts the use of certain heavy metals, among other requirements. Reduce the amount and diversity of your packing materials by: - partitioning inside the cartons with the help of folded cardboard, matching inner boxes and outer cartons better and standardising the sizes of each, considering packing and logistical requirements at the design stage of the products. Ask your buyer for alternatives in packaging. Consider using biodegradable materials which may form a market opportunity or even a demand from your buyer.

### **Packaging- Wood packaging materials in transport**

The EU sets requirements for wood packaging materials (WPM) such as packing cases, boxes, crates, drums, pallets, box pallets and dunnage (wood used to wedge and support non-wood cargo). Avoid wooden crating and packing. They are increasingly banned by importers because of the high cost of disposal, and because they are often unsustainable and costly. If you do need to export products wrapped with or supported by wood packaging materials during transport, you have to make sure that your WPM complies with requirements.

### **Packaging- Wood preservatives & CITES**

The EU sets requirements for wood packaging materials (WPM) such as packing cases, boxes, crates, drums, pallets, box pallets and dunnage (wood used to wedge and support non-wood cargo). The Convention on International Trade in Endangered Species (CITES) lays down provisions for international trade of endangered species. The EU has set additional import restrictions. As wood treated with creosote or arsenic compounds may not be placed on the EU market, use safer alternatives for wood preservation (such as using heat or vacuum treatments). Link up with companies that are specialised in wood preservation. Before exporting your products to the EU, you should check with the CITES management authority of destination, or with your importer, whether there is any restriction that may impact the import.

## **Non-Legislative requirements**

**Sustainability** - Requirements regarding sustainability and certification are increasingly important to buyers. Implementing a management system (or using sustainably produced materials) may give a competitive advantage. Think about sustainable production methods and consider certification because this adds value to your products. This is useful when targeting the higher market segments.

**Codes of Conduct**- This can be the importer's own code of conduct or a code of conduct as part of an initiative in which the importer is participating (e.g. BSCI). The following are examples of initiatives regarding sustainability, which may

possibly be relevant if you want to export to the EU: The Business Social Compliance Initiative (BSCI) has been developed by European retailers to improve social conditions in sourcing countries. Suppliers of BSCI participants are expected to comply with the BSCI Code of conduct. To prove compliance, your production process can be audited at the request of the importer. Once a company is audited, it will be included in a database which can be used by all BSCI participants; ISO 14001 Certification scheme which provides generic requirements for an organisation's environmental policy; SA 8000 Certification standard by Social Accountability International (SAI) for the improvement of working conditions.

Since more and more European importers are participating in BSCI, you can expect that complying with the BSCI code of conduct will be seen as a basic requirement. This standard can be used to reduce the cost of waste management, reduce distribution costs and improve your corporate image.

Besides the social and environmental aspect of production, Fair Trade certification also covers a fair wage to labourers involved in the production of Christmas articles. FSC certification assures environmentally appropriate use of the forest.

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seen as a basic requirement. Because it can harm your position on the market if you are far from complying with this initiative, you are advised to anticipate by performing a self-assessment, which is available at the website of BSCI. This standard can be used to reduce the cost of waste management, reduce distribution costs and improve your corporate image. Therefore, consider ISO 14001 certification which may form a market opportunity or even a demand from your buyer. Consider SAI certification which may form a market opportunity or even a demand from your buyer. Acquire Fair Trade certification to enter the fair trade segment. Compliance with fair trade norms will also make it easier to acquire other social and environmental norms, as it is the most integrated system for sustainability. FSC or similar norms for the sustainable management of wood or other raw materials will increasingly adopt a legal character or become a way to influence consumer choice. Exporters should build such values



into their offer, even at the stage when they are optional in the trade, to anticipate future demand.

**Production patterns**

Production of Christmas articles is declining. German production of Christmas articles (made of glass) showed an average annual decrease of 3.3% during 2007-2012. This decline is likely the result of outsourcing. Within Europe, as well as in Germany specifically, more and more production (of home decorations) is being outsourced to external countries. This is as well explained by the increase of imports sourced in DCs and a decline in intra-EU trade. This development is expected to continue during the coming years. Note that the European average was calculated with the exclusion of several European countries and can thus only be considered as an indication. In general, the average European production of Christmas articles shows a decline. In your market entry choice, Germany deserves priority as trade fairs in Germany (Ambiente, Tendence) are interesting entry points. DC exporters may be able to fill the production gaps left by German and EU-based producers and may do well to study the Christmas industry and its needs. If you are a producer of Christmas articles made of glass, monitor its production in Germany (which is a main producer of Christmas articles of glass). If production declines, it might indicate that there is a need for new sources for Christmas articles.

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**Economic Indicators look favourable**

**Outlook-** The home decoration sector is closely linked to economic conditions; as soon as incomes decline, people start cutting back expenditures on non- or less essential products, including Christmas articles. Indicators, such as consumer confidence and GDP, are of major influence on developments in the German Christmas article market. Compared to the EU27 forecasts, consumer confidence is high in Germany, indicating that the market for Christmas articles does relatively well here. GDP is forecast to increase at a stronger rate towards 2014 than during previous years, which is likely to influence Christmas articles purchases positively. Compared to the EU27 average, Germany does well on GDP indicators. Consider Germany a major export destination for Christmas articles, even during times of economic adversity, because this mature market does relatively well compared to others in Europe.

**Role of DCs-**Imports from DCs are growing dominated, however, by China's supplies. Germany is the second largest European importer of Christmas articles. The Netherlands ranked second as leading suppliers; this mainly concerns re-exports (supplied principally by China) as Dutch production of Christmas articles is insignificant. It is expected that China's share of imports will remain stable. However, if production costs (labour, transport, raw material) increase, and more attention is paid to sustainable or environment-friendly production, opportunities will exist for Vietnam and India.

Monitor developments in Chinese production, a major competitor to (other) DC suppliers. It may be that increasing costs of production and a growing internal market in China may lead to a loss of market share in the EU that could become available to other suppliers from DCs. As China is dominating the lower and mid markets, DCs are advised to focus on more premium, niche segments with the help of supreme craftsmanship, origin or any such differentiating values. Source your new partners in distribution in the Netherlands, as they are the main importer-exporters of Christmas items into Germany and the EU as a whole. Invest in long-term relationships with your buyers, giving them less incentive to switch to a competitor.

**Germany as important entry point-**German exports of Christmas articles are predominantly supplied to other European destinations (such as Austria, Switzerland, the UK) and the United States. Germany and the Netherlands are expected to remain main players in the market for Christmas articles due to consolidation. As Germany mainly supplies to surrounding countries, consider it as a possible entry point to reach surrounding markets, including BRIC market Russia.

## Market Trends

Christmas is a relatively conservative market, especially in terms of its colour palette and larger themes. Within these parameters, lifecycles of product lines or collections can be extremely short, some lasting one season only. In targeting the middle segments of the EU market for Christmas decoration, DC exporters are first and foremost advised to work from the accepted look and feel, e.g. from the Christmas tree as the centre piece, and green, red, silver and gold as the eternal colours of Christmas; balls, stars and angels, etc. Such basic premises will not change, as they are part of the consumer's identification with the Christmas season.

On the other hand, an increasing consumer trend in the celebrating theme is collecting. Instead of replacing previous years' collection, there are also consumers who are stimulated into buying additions to previously-issued Christmas articles to complete or add on to their existing sets. EU countries are becoming more important as Christmas article suppliers because of their 'greater service' (e.g. specific requirements can more easily be supplied by European countries than China for logistical reasons), and also rising costs (wages) in the major Christmas articles supplier China. The almost total annual renewal of collections, demands supreme flexibility from suppliers. This annual innovation takes the form of 'restyling'; or adding new colours and decorations to existing forms or items. New entrants into the EU market for Christmas decoration may differentiate on materials (new, local materials) or material combinations rather than ethnicity.

The sustainability trend is pressuring suppliers to source for more ethical and sustainable products. Specific certification (e.g. fair trade, organic or rainforest alliance) may be necessary to supply certain buyers and to enter certain (niche/premium) markets. Moreover, certification adds value to a product and increases its competitiveness. The Christmas market, like home decoration in general, is becoming more 'lifestyle'. This means it will involve even more product categories: the fragrance industry is entering, personal accessories, home textiles, even furniture are getting a Christmas twist; and all are responding to similar trends. Trade fairs (e.g. Christmas World in Germany) are now seen to combine festive sales with general home and garden. The fair trade movement traditionally has been a market segment offering religious and Christmas-



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related collections that may be interesting for DC exporters, especially for those with more local culture in their styles. The more niche the segment, the greater the freedom for suppliers to develop their own style or go beyond the normal associations dominating Christmas collections. In premium segments, Christmas items are often sidelines, rather than rigid concepts; humour or even minimalist styles may go here; green values, natural concepts – in brief: deviation from the norm is accepted in niche segments. DC exporters who

are already marketing in mid markets in home decoration may find it relatively easy to develop the festive market as well, as they are already used to manufacturing nostalgic or romantic products. The German Christmas World trade fair may be a good platform for promotion.

Convenience is an important trend in this market. Importers have a preference for one-stop-shopping: finding everything at one supplier, such as a tree, including its decorations and the lighting, but perhaps also non-Christmas-related home decorations. With so much pressure on costs and efficiency, importers also look for exporters offering complete concepts, large variety and flexibility in product development. DC exporters wishing to market Christmas accessories need to offer opportunities for 'one-stop-shopping' – a broad set of categories, materials and techniques and great flexibility in product development. If you can also fill in the Buyer's non-festive collections, your position may be even stronger. To help the importer build and maintain a brand (e.g. Black Box Trees by Edelman; Dansk by Lennox), suppliers offering background stories (e.g. of making and makers) and excellent service (e.g. extra spare parts, pre-stocking) will add a meaningful contribution. Besides it being a growth market, also consider entering the Christmas segment as a way of learning about range development. Quite often, the larger importers will start their development more than 18 months in advance, tackling the process step by step from mood board creation to sampling and trade fair promotion. Exporters, who are part of this process, will end up being professional suppliers by any standards. ■ Source: CBI