A STUDY OF MARKETING MIX ELEMENTS
FOR HAND-KNOTTED CARPETS
IN MAJOR FOREIGN MARKETS

DISSEPTION
Submitted in partial fulfillment of the requirements
for the award of the degree of
MASTER OF BUSINESS ADMINISTRATION

BY
JUNAID AHMAD ANSARI

Under the supervision of
Mr. SHAMIM AHMAD

DEPARTMENT OF BUSINESS ADMINISTRATION
ALIGARH MUSLIM UNIVERSITY
ALIGARH (INDIA)
1984
November 22, 1984

Certified that Mr. Junaid Ahmad Ansari of M.B.A. (Final) has completed his dissertation entitled "A study of Marketing Mix Elements for hand-knotted Carpets in Major Foreign Markets" under my supervision.

To the best of my knowledge and belief, the work is based on the data collected and analysed by him and it has not been submitted in any other University or Institution. I am fully satisfied with his work.

(Signature)

Supervisor
IN THE SWEET MEMORY

OF

MY LOVING FATHER
CONTENTS

ACKNOWLEDGEMENT

CHAPTER I  INTRODUCTION  1 - 4

CHAPTER II  THE FEDERAL REPUBLIC OF GERMANY
  1. Product Requirements  5
  2. Price structure  8
  3. Promotion  10
  4. Trade Channels  10

CHAPTER III  THE UNITED KINGDOM
  1. Product requirements  19
  2. Price structure  21
  3. Sales Promotion  23
  4. Trade Channels  24

CHAPTER IV  FRANCE
  1. Product Requirements  27
  2. Price structure  28
  3. Sales Promotion  30
  4. Trade Channels  32

CHAPTER V  THE NETHERLANDS
  1. Product Requirements  35
  2. Price structure  36
  3. Sales Promotion  39
  4. Trade Channels  40
CHAPTER VI  BELGIUM

1. Product Requirements  44
2. Price structures  46
3. Sales Promotion  48
4. Trade Channels  49

CHAPTER VII  SWITZERLAND

1. Product Requirements  52
2. Price structure  53
3. Sales Promotion  56
4. Trade Channels  57

CHAPTER VIII  THE UNITED STATES OF AMERICA

1. Product Requirements  60
2. Price structures  62
3. Sales Promotion  66
4. Trade Channels  67

CHAPTER IX  JAPAN

1. Product Requirements  70
2. Price structures  72
3. Sales Promotion  76
4. Trade Channels  77

CHAPTER X  HONG KONG

1. Product Requirements  80
2. Price structures  82
3. Sales Promotion  83
4. Trade Channels  83
CHAPTER XI  ANALYSIS OF THE STUDY

1. Product Requirements 87
2. Price structures 89
3. Sales Promotion 89
4. Trade Channels 91

*******
ACKNOWLEDGEMENT

With genuine humility, first of all, I acknowledge your help O God: without which this work would never have seen the light of the day.

I acknowledge with sincerest gratitude various suggestions given by my supervisor, Mr. Shamim Ahmad. This work bears the imprint of many persons. I am highly grateful to my teachers, Prof. Najmul Hasan, Mr. Asif Halim, Mr. Kalim Mohd. Khan and Mr. Mohd Ozzair for their kind help and co-operation extended to me.

I am highly indebted to my following friends: Mr. Mohd Shahid, Mr. Saifuddin, Mr. Aijaz Ahmad, Mr. Tahir Mehmood and Mr. Ranjan Mukherjee. A special word of thanks is due to my friend, Mr. Akhtar Rashid, whose help has made this work such an early completion.

My overriding debt is to my loving brother, Mr. Ubed Ahmad Ansari, who provided me support, courage, and inspiration.

At last, I wish to express my heartfelt gratitude to my mother who has been a constant source of inspiration for me and whose encouragement has brought me to this juncture.

Junaid Ahmad Ansari

(JUNAID AHMAD ANSARI)
CHAPTER-I

INTRODUCTION

This study of marketing mix elements for imported hand-knotted carpet trade in various foreign markets attempts to provide up-to-date information about varying factors of marketing mix of hand-knotted carpet industry or trade.

Marketing mix of a firm is a set of controllable variables and their levels that the firm uses to influence the target market. These controllables, also known as 4 P's, are as follows:

(i) Product.
(ii) Price.
(iii) Promotion (Sales Promotion).
(iv) Placement (Distribution Channels).

A firm can change the levels of these variables from time to time in order to make its venture profitable. If the factors such as product requirements, price structures and trends, promotion and advertising policies and flow of the goods through various channels are known for hand-knotted carpet trade, a firm which wants to establish itself as an importer abroad, can easily tackle its marketing-decision variables and can find out profitable marketing-mix combinations.

This study has been chapterised into various major
markets for hand-knotted carpets. These major markets have been taken on the basis of their import potential. These markets are: The Federal Republic of Germany, The United Kingdom, France, The Netherlands, Belgium, Switzerland, The United States of America, Japan, and Hong Kong. The study of each market has been done with regard to the following four aspects:

(i) Product requirements and Consumer preferences.
(ii) Price structures and Price trends.
(iii) Sales promotion activities and advertising.
(iv) Placement or distribution channels or trade channels.

The first aspect viz. product requirements includes consumer preferences and various product attributes such as preferred colours, designs, sizes and textures etc.

This information is useful to both exporters as well as those who want to establish themselves as importers abroad. This is, however, more beneficial to the former as an exporter can cater to different consumer needs in different markets and can have better production control as he will have sound knowledge about "What to produce". This information, to a little extent, is beneficial to those who want to establish themselves abroad as importers as they will also gather information about what types of hand-knotted carpets to be sold abroad.
The second aspect viz. price structures and price trends includes retailer's and wholesaler's profit margins and mark-ups. An attempt has been made to arrive at retail price of hand-knotted carpets. However, in hand-knotted carpet trade price is a factor that depends on a number of quality factors; so generalisation is almost impossible. Though, indicative lists may provide some idea about the retail price in each market country. Knowing the retail price, an exporter can control its price and can evolve better pricing policies than its competitors within the country and abroad. Those interested in establishing themselves as importers in major foreign markets can also utilise this information in order to sell hand-knotted carpets at reasonable prices and consequently, capturing a substantial market share in foreign markets.

Modern marketing calls for more than offering a good product and pricing it attractively. The company must design and disseminate information about the product's existence, features and terms and how these will benefit the target market. So the third aspect deals with the sales promotion activities e.g., discounts, displays, publishing illustrated brochures and consumer education etc. It also deals with advertising undertaken by firms in this trade. Advertising by definition is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Having known sales promotion activities and advertising means and media, a firm wishing to be an importer abroad can apply
better tools of sales promotion and advertising for hand-knotted carpets.

In today's economy most producers do not sell their goods directly to the final consumers. Similarly, in hand-knotted carpet trade importers in market countries, usually, do not sell directly to the end-consumers rather between them and final users stand a host of marketing intermediaries such as wholesalers and retailers. There may be presence of sales agents in the market and there may be, to a little extent, itinerant trade. The fourth and the final aspect of each chapter deals with the flow of goods from the importers to the end-users. It also deals with percentages given in value terms thus emphasising the importance of a particular element of a distribution network. This information again will be of immense use for the firms wishing to act as importers abroad as they will familiarise themselves with the general flow of hand-knotted carpets from importers to the end-consumers. So an importing firm can decide whether to sell directly or indirectly through wholesalers and retailers etc. to the end-users. This information hence enables them to understand and follow the right distribution channels for successful marketing of hand-knotted carpets in a particular foreign market. The last conclusive chapter of this study contains analysis and suggestions that may be invaluable for the readers.

********
CHAPTER II

THE FEDERAL REPUBLIC OF GERMANY

1. PRODUCT REQUIREMENTS:

CONSUMER PREFERENCES,

A. PREFERRED DESIGNS

Current preference is for Bokhara, other geometrical designs and Berbers. This is absolutely true for price sensitive market segment. Among quality carpets, floral designs are predominant as they are displayed in warehouses and retail shops. However, in general tastes differ from area to area.

PREFERRED SIZES.

Concerning sizes, apart from the demand for carpets of the normal dimensions, a certain demand as emerged for squares of 2x2 m and 3x3 m, and intermediary sizes for use in dining areas. Popular sizes, however, depend upon style and size of living accommodation. People are quality conscious and durability has become prime consideration.

There are different product requirements from different countries as follows:

(a) Turkey:

(i) Kayseri artificial silk carpet, used mainly as a wall hanging.
(ii) Hereke Pure Silk Carpet with 1 million knots or more a square metre.
(iii) Kars Kazak Wollen Carpet similar to those produced in the south eastern part of the USSR.
(iv) Yahyali or Wollen Anatolian Rug.

(b) India:

The basic quality required from India is 9x60 knots/sq inches. There is a demand for Indian carpets of all designs. Market favours caucasian, Baluchi, Bokhara, Afghan and persian designs. French and Chinese designs are very popular in the FRG.

All available sizes from India are in demand which include larger 3x4m. and 3.5x4.5m. However more popular sizes are 2x3m and 2.5x3.5m. Small throw rugs also sell very well.

(c) Pakistan:

Most Bokhara carpets sold are of the quality 10x20 knots/sq. inch. Knotting of 16x16/sq inches or more. The most popular colours:

(i) Red
(ii) Beige.
(iii) Camel.

Apart from the above quality, carpet sizes most in demand are:
(i) 2.5 x 3.5 m.
(ii) 2.2 x 3.2 m.
(iii) 2.1 x 2.4 m.

There is requirement for larger carpets than these dimensions but they are scarce and expensive.

The most popular sizes in rugs are:

(i) 1.2 x 1.8 m.
(ii) 0.9 x 1.5 m.
(iii) 0.7 x 1.40 m.
(iv) 0.80 x 1.20 m.

These are known as "Bridge rugs" and are used in doorways.

Small table runners in demand of following sizes:

(i) 0.3 x 0.9 m.
(ii) 0.3 x 1.2 m.
(iii) 0.45 x 0.6 m.
(iv) 0.45 x 0.9 m.
(v) 0.45 x 1.2 m.
(vi) 0.6 x 0.9 m.
(vii) 0.6 x 1.8 m.
(viii) 0.6 x 2.4 m.

Larger runners in widths of 0.7 - 0.9m and lengths of 2.4 - 7.6 m are also required.

The most popular size in Kashmir Carpets is 1.4 x 2.2m.

There is also demand for 0.9 x 1.5m Kashmir carpets.

Wall to wall carpeting is still used as the basic
floor covering over which the oriental carpet is placed. Consumers in the FRG are quality conscious. Possession of hand-knotted carpets and rugs, with their historical association with the aristocracy and gracious living reflects status of their owner. There is dual purpose of carpet buying in FRG. Firstly, they provide warmth and secondly give aesthetic satisfaction because of their texture and colours.

C. PREFERRED COLOURS:

Preferred colours vary greatly depending upon the country of origin. Since Carpets are imported from a number of countries and from each country carpets of various colours are required, it can not be ascertained as to what colour preference is dominating. However, in general, deeper colours are preferred especially in northern region of the FRG.

2. PRICE STRUCTURE:

The size of the retail market in quantity terms is known but in value terms not known as price is a secret between the buyer and the seller. Though an idea can be formed by deducting profit margins at the wholesale and retail levels.

The wholesale margin ranges from 25-35% while that of retailer from 100-120%. If the wholesaler wants his business be profitable he should turn his capital over three to four times a year. On the other hand retailers capital turnover
ratio comes to 1:0.5 or at best 1:1.

In either case, there are fairly heavy overheads to carry. The cost of extra hands is appreciably higher if they are not family members and the cost of warehouse and show room rental must be added to the cost of handling and transportation cost.

It is quite difficult to generalise on the retail price of individual carpets, especially those of high quality. There is no standard price for a work of art. Price depends on quality, elegance, fineness and coarseness. Quality is determined by knotting, colour, designs, the pile's thickness and height, the wool and dyes used, finishing etc. whereas fineness and coarseness are judged by the number of knots in a given area. Price also depends upon demand conditions.

In the case of Iranian carpets prices have become speculative. Prices of Indian and Pakistani carpets have also become, to a little extent, speculative. They have gained a market share as cheaper substitute for Iranian carpets.

In general terms wholesale price of woolen carpets ranges from D.M. 250 to D.M. 500/m² ($145 to $290) and of silk carpets ranges from D.M. 500 to D.M. 3000/m² ($290 to $1735). Retail prices though are quoted by the price not by the square meter depending upon the retailer's assessment of the carpet's saleability.
3- **PROMOTION**

Promotion is done through advertising, exhibitions and displays.

Retailers advertise, sometimes, in the daily press. Importers advertise in Heimtex, a popular journal on home textile furnishings, they also advertise in textile Heim Kultur, another trade journal.

An exhibition is held every two year in April which is organised by the federal association of importers of oriental carpets in Hamburg. In this exhibition only members of the association and some service organisation (Insurance etc.) take part and producers are not allowed to participate. The association dissuades consumers from buying cheap oriental carpets about which they have no information. Apart from this, consumer education is carried out through advertising in housekeeping journals and in cooperation with consumer associations.

The luxurious displays arranged in specialist retail ships and some warehouses may be regarded as point of sale advertising.

4. **TRADE CHANNELS**

In the Federal Republic of Germany, there are four major import channels of varying importance.

1. Importers / Wholesalers.
Major Exporters

Importers in the Federal Republic

Importers/Wholesalers (60%)

Auctions (5%)

Door to door sales (4%)

Mail Order Houses (2%)

Re-exports

Major Retailers (20%)

Department and Chain stores.

Retail buying groups (15%)

Others (5%)

Specialised Retailers (63%)

END - USERS

Percentages are given in value terms.

(ii) Major retailers such as department and chain stores.

(iii) Retail Buying groups.

(iv) Other importers/ Retailers.

(i) Importers/Wholesalers:

Iran.

There are about 400 importers/ wholesalers in the Federal Republic of Germany, most of them in Hamburg where their stocks are held in bonded warehouses. Most are of Iranian Origin and trade on consignment for their exporters in Iran or in other producing countries. Although the importance of the traditional importers/wholesalers is slightly diminishing, they apparently still hold about 60% of the import market.

All importers act as wholesalers. There are no pure wholesalers of oriental carpets in the country.

Importers /wholesalers may distribute their merchandise through all other channels and may sell them direct to end-users, particularly when personal links have been established.

The major outlets for pure importers are specialised retailers. They may, however, also sell to department and chain stores, mail order houses, door-to-door retailers.
or at auctions. They also engage in a flourishing trade among themselves and buy carpets from, and sell them to each other.

This description of trade channels is fully applicable to Iran but only partly to other countries like Afghanistan, India, and Pakistan. There are certain differences.

**Afghanistan**

Many Afghan carpets are sold direct to representatives of Federal Republic Industrial concerns located in Afghanistan.

There are around 10 large and 190 small establishments in Afghanistan who send their carpets either to a specific purchaser in FRG or to Afghan traders mainly located in Hamburg who normally function both as consignor and importer.

Afghan carpets are frequently sold on consignment. The consignee in Hamburg, most of them of Afghan nationality, are normally authorised to sell carpets under the control of an Afghan Bank. Most exports to FRG are financed through the Banke Mille Afghan and to a lesser extent, through the Pashtany Tejaraty Bank. Carpets are sent care of the Bank's Hamburg Offices and are stocked in bonded warehouses in the port of Hamburg. In most cases, the banks are responsible for identifying purchasers. Although Afghan exporters sometimes visit Hamburg for this purpose, owing to the large number of consignments handled by the Banks, considerable delays in selling occur.
India.

Importers/ Wholesalers handle approximately 50% of imports of Indian carpets into the FRG. The balance is dealt with by the Handicraft and Handloom corporation of India Ltd. in Hamburg and by department stores. Most direct imports of carpets by Federal Republic department stores originate from India.

Pakistan.

The main trans-shipment point for imports of Pakistani carpets into the Federal Republic of Germany has been London. However, Hamburg has also become important as an entry point for direct imports. In addition, carpets are trans-shipped from Brussels and Rotterdam.

A large population of Pakistani carpets stored in Hamburg's bonded warehouses is sold on consignment.

(ii) MAJOR RETAILERS: DEPARTMENT AND CHAIN STORES.

A substantial proportion of direct importing and direct retailing is done by department stores and this is a comparatively new development in the trade. Importers estimate their market share to be as high as 20% by value and much higher by quantity. The Federal Republic's major department stores for oriental carpets are Kaufhof, Karstadt, Hertie and Horten. They purchase most of the supplies from industrial producers whom they provide with designs for a series of
identical hand-knotted carpets for periods of a year at a
time. Department stores occasionally obtain supplies from
bazaars (in Tehran) and even from importers in Hamburg.

Department stores have greatly contributed to the
popularisation of oriental carpets which traditionally
interested only a small and exclusive clientele. By making
available copies of Iranian carpets, they have created,
during recent years, a market for less expensive Indian
carpets.

There is, however, a limit to popularisation. The
store's purchasing agents, who travel two to three times
yearly to producing countries, do not buy carpets with less
than 28,000 knots/m. The quality and the price of their
purchases average 57,000 knots/m. and D.M. 200- D.M. 600/ m.
An oriental carpet from sources other than Iran can thus be
purchased by consumers in the Federal Republic at D.M. 2,000
- D.M. 3,000, the antique or genuine, new Iranian carpet
costs several times as much.

(iii) RETAIL BUYING GROUPS

Almost all furniture, household and specialised carpet
ships are members of a general or specialised retail buying
group. About 15% of all imports of hand-knotted carpets are
obtained by these groups.

(iv) OTHER IMPORTERS/ RETAILERS

About 5% of supplies of carpets to retailers of carpets
and furniture and household decorative items are direct imports. These ships number about 2,000 of which about 500 deal in hand-knotted oriental carpets as a sideline.

RETAILING:

The country has following sources for hand-knotted carpets.

<table>
<thead>
<tr>
<th>Source</th>
<th>% share of imports by value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialised retailers</td>
<td>63</td>
</tr>
<tr>
<td>Large department stores.</td>
<td>20</td>
</tr>
<tr>
<td>Furniture and household decoration ships.</td>
<td>5</td>
</tr>
<tr>
<td>Auctions</td>
<td>5</td>
</tr>
<tr>
<td>Door-to-Door Salesmen</td>
<td>4</td>
</tr>
<tr>
<td>Mail-order houses</td>
<td>2</td>
</tr>
<tr>
<td>Direct imports (exceptional)</td>
<td>1</td>
</tr>
</tbody>
</table>

100

Some of these sources are being discussed in greater details.

(i) SPECIALISED RETAILERS:

Nearly 2/3rd of all retail purchases of oriental carpets are made in specialised retail outlets. There are 2,600-3,000 sales points of hand-knotted oriental in the country. 250 out of which deal in oriental hand-knotted carpets exclusively. Retail mark-ups are often as high as 100%, including a value added tax of 13%.
(ii) **AUCTIONS.**

The law prohibits auctioning of unused commodities that are marketable through normal trade channels, including newly imported oriental carpets. However, as it is difficult to establish whether an oriental carpet has been used, many ways have been found of organising auctions at which large numbers of newly imported carpets reach consumers. No catalogues are published for these auctions and carpets may normally be seen only two hours before they take place. Auctioneers never deal with their own carpets but they function on behalf of their principal.

In addition, specialised auctions are carried out by about 10 authorised art auctioners who handle old, and generally privately owned, oriental carpets.

(iii) **ITINERANT TRADE.**

Many oriental carpets reach final consumers through itinerant salesmen. These include foreign students who announce their "advantageous" offers over the telephones and peddlers who advertise in the press or send visiting cards before calling. Some traders undertake heavily advertised and organised sales tours during which carpets are sold at exhibitions lasting about two days.
Bargaining takes place while dealing with peddlers but prices are generally too high as compared to the quality of the carpets.

(iv) MAIL-ORDER HOUSES:

Retailing takes place through Mail-order houses as well. There are two type of Mail-order houses viz. Large mail-order houses and specialised mail-order houses. Both publish catalogues and widely distribute them. The mail-order houses deal in oriental carpets.

*******
CHAPTER III

UNITED KINGDOM

1. PRODUCT REQUIREMENTS:

CONSUMER PREFERENCES.

Consumers in the United Kingdom market have varying tastes and preferences and so it can not be said what is required where and when. In the country itself, consumers preference has shifted from Indian to the Chinese carpets. Some years ago, in the U.K. market , only Indian carpets were known, Which used to come in aubusson style but when Indian production started in the Persian style , preferences shifted to the Chinese carpets , since it comes closes to the aubusson. It is therefore, can be said that still there exists latent demand for aubusson style carpets. Woolen and silken both type of carpets are in demand.

(a) PREFERRED COLOURS.

Consumers prefer softer colours over the darker especi­ally when it is aubusson style carpet. Pastel greens and roses are more favoured than reds and blues. This may be the reason that Turkish carpets have less appeal to united Kingdom consumers.

(b). PREFERRED SIZES AND DESIGNS.

The United Kindom plays an important role as a re-exporter
and imports bulk of goods in order to re-export. In this context, it is to mention that due to this reason in warehouses carpets of varied tastes and consumer preferences are seen. There are varied colours and different sizes of carpets and rugs. These include rugs and carpets from Iran, India, Pakistan, Turkey (including machine-made wiltons), Albania, Romania, USSR, Egypt, Afghanistan and China (including semi Hand-made carpets). The quality also varies from medium to fine. There is no market for cheap coarse carpets. Preferred size from Pakistan is 11 x 22 knots/sq. in. in Bokhara and 16 x 18 knots/sq. in. in Persian style. From Jaipur, India, Preference is 9 x 16 knots/sq. in. or 10 x 18 knots/sq. in. other Indian carpets should have a 70 x 52 knots/sq. in. or 90 x 60 knots/sq. in. Construction while a Kashmir silk carpet should have 608, 400 knots/m². As far as re-export market is concerned importers have to stock all sizes from small squares to the impressive big sizes.

Small squares ——— 1x1 ft. = 0.30 x 0.30 m.

Big size ——— 4x3 m.

Dominant sizes
in the home market
(i) 7x4.5 ft = 2.13 x 1.37 m.
(ii) 6x4 ft. = 1.83 x 1.22 m.

In the matter of designs, both geometric and floral motifs are in demand. Design is a matter of where carpet originated. Different producing countries provide different designs depending on the skill and know-how available. The
only design out of favour these days is the large prayer rug (with a "mihrab"). Artistic production is done by Iran and Turkey as they are since long in the industry and therefore their classical designs have an edge over Indian and Pakistani designs but the latter can also be sold in price sensitive market segments.

In U.K. oriental carpets are in vogue being a part of interior decoration. The hand-knotted carpets give the consumer a wide range of choice of designs and colours, weaves and piles. Today, whatever the scheme of interior decoration, a suitable rug or carpet is the necessity.

2. PRICE STRUCTURE:

It is quite impossible to generalise on the retail price of Individual carpets therefore only indicative prices for a few selected types can be given since price is closely related to quality and quality is sum total of a number of product attributes like, finish, thickness, knotting, colour, design, workmanship, material, the general feel of the product, the aesthetic value, coarseness, fineness etc., Price generalization is not possible. There is no standard price for an artistic work. In brief, price depends on quality as well as on demand conditions. Prices also depend on country of origin. Prices of Persian carpets have risen much faster in the past few years.
Besides, currency rates keep on fluctuating which consequently inflate export prices unjustifiably.

Prices are expected to remain upward. This is due to inflationary conditions in both producing and the importing country.

Trade mark ups depend on the size of the firm. A large firm has more overheads. High interest rates increase the cost of carrying stocks and raises the expenses of servicing credit customers. All these are reflected in the mark ups. Currently a whole saler takes a margin of 25% or more. A retailer takes 75-125% depending on the particular item. Though, these margins are quite large but they are modest in the light of the financial picture. Those carrying large stocks are in particularly difficult situation as they have to give credit to their customers as well as have to make cash payments to their suppliers. Since retail price can not be generalised, here a few prices are being given which may be of some interest:

- Egypt, good wool, 36 knots/cm² $386/m²
- Pakistan, good wool, 11x22 knots/sq.in. $160/m²
- Pakistan, good wool, 10x20 knots/sq.in. $100/m²
- Pakistan, good wool, 14x16 knots/sq.in. $225-335/m²
- China, wool, $133/m²
- China, Silk, $133/m²
- Hereke, Silk, $2,400-4,800/m²
The quality/price ratio offered by China is quite attractive for importers in the U.K. China is in the production of Persian style silk carpets which are quite cheap when the quality is quite good.

3. SALES PROMOTION.

Following are the promotional activities in the U.K.

(i) Point-of-sale advertising by impressive displays of selected good quality carpets by importers in their ware houses and by retailers in their retail shop windows. These carpets bear the price and also some importers on placards write the name of the exotic origin of the carpet or its design (eg. Bokhara, etc).

(ii) Country Displays. e.g. exhibition of Turkish carpets or exhibition of Iranian carpets exclusively. These displays are performed in ware houses or Retail shops.

(iii) Participating in trade fairs.

(iv) Advertising in trade journals.

(v) Making special offers at special occasions such as festivals etc.

(vi) Through salesmen, who can provide authentic information to customers regarding carpets and who can stimulate them to buy.

(vii) There is virtually no mass-media advertising such as by Radio, tele-vision, Newspapers or Cinema etc.
There is also no image projection made by publishing leaflets or illustrated catalogues.

However some importers send complementaries to their retailers such as diaries etc. and invite them to their show rooms.

(viii) There is also a tendency on the part of wholesalers to carry large stock and providing the consumers a wide range of choice. This creates image and good will on the part of wholesalers.

4. TRADE CHANNELS

As in the Federal Republic of Germany, in the United Kingdom too, importers act as wholesalers and maintain large, well stocked ware houses. A few years back the trade was concentrated in the London free-port area of cutler street, but was obliged to move out. Now about 20 firms are housed in H 53/79 high gate Road, London N.W.8 while some big exporters have their establishment in other parts of the city.

Importers or their representatives make periodic visits to producer countries to select goods. The normal flow of goods is shown in the flow diagram. It is producer to importer/wholesaler, to other wholesalers or retailers, to end consumers. There is a very small element of itinerant trade as well. The importer/wholesaler sells to everyone except the end-consumers and some sell to the end-consumers as well
Trade Channels For Hand Knotted Carpets in The United Kingdom.
but not at the wholesale price. The trade tries to preserve this distribution structure, as it believes it to be in the long-term interest of all concerned.

The trade generally deprecates direct approaches by suppliers to retailers or wholesalers and considers that the whole mechanism of selection, purchasing and shipping is so complex that any inexperienced buyer or supplier would soon discover to his cost that it was best to adhere to well established channels. Nevertheless, with present-day communication facilities some erosion of the old mechanism is inevitable. e.g. China is establishing its own marketing networks in a number of European countries.

******
CHAPTER IV

FRANCE.

1. PRODUCT REQUIREMENTS:

a. PREFERRED COLOURS:

Clear contours and pastel colours are preferred to deep colours. Rust also sells but red or burgundy of the Afghan type have relatively low sales.

b. PREFERRED DESIGNS:

Geometric and Floral designs both are liked by the French consumers. Very few people are interested in scenic designs. Though, carpets of Bakhtiar design, with the life tree, are very popular. Even better sellers are those of Ghom and Tabriz design. High quality Isfahan and Nain designs are preferred by connoisseurs only. The traditional French Savonnerie and Aubusson designs produced in China and India are also in good demand. Afghan carpets with their red coloration are less sought after.

c. TEXTURE:

The consumer preference with regard to texture is not known as this factor is lesser known among consumers.

d. PREFERRED SIZES:

Following are preferred sizes:
(i) 0.90 x 0.60 m.  
(ii) 1.40 x 2.00 m.  
(iii) 1.80 x 1.20 m.  
(iv) 2.40 x 1.70 m.  
(v) 3.00 x 2.00 m.  
(vi) 3.50 x 2.50 m.

Very large sizes are difficult to sell in French market.

2. PRICE STRUCTURE:

The margins and other price elements that together makeup the retail price are shown below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.i.f. value</td>
<td>100.0</td>
</tr>
<tr>
<td>Custom duty, 20%</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>120.0</td>
</tr>
<tr>
<td>Value added tax, 17.6%</td>
<td>21.1</td>
</tr>
<tr>
<td>Other taxes &amp; charges</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>142.2</td>
</tr>
<tr>
<td>Importer/Wholesaler markup, 30%</td>
<td>42.8</td>
</tr>
<tr>
<td></td>
<td>185.0</td>
</tr>
<tr>
<td>Retailer markup, 150-200% (average 175%)</td>
<td>323.0</td>
</tr>
<tr>
<td>Retail Price</td>
<td>508.0</td>
</tr>
</tbody>
</table>

This calculation does not take into account the sales made by peddlers, who can charge any price they can get by bargaining. In France 50% of the total retail sales is done
by peddlers. This is quite unhealthy for French market. The margin of peddlers may be as high as 500% depending on the how they bargain.

The calculations presented earlier show that there is 5 times difference between the c.i.f. value and the retail price. This may be explained by lower speed of turnover. In department stores this ratio between c.i.f. and retail price, is low as in department stores the turnover speed is not too slow as in case of specialised shops.

It is difficult to determine overall prices of hand knotted carpets and generalisation can not be done as price depends upon a number of factors related to quality. Besides, prices are not displayed except by department stores.

However, following prices (indicative) may be of interest:

<table>
<thead>
<tr>
<th>Type of carpet</th>
<th>Price ($/m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iranian silk</td>
<td>3,200</td>
</tr>
<tr>
<td>Nain</td>
<td>2,000</td>
</tr>
<tr>
<td>Bakhtair</td>
<td>400</td>
</tr>
<tr>
<td>Sarooq</td>
<td>840</td>
</tr>
<tr>
<td>Daulata Bad</td>
<td>600</td>
</tr>
<tr>
<td>Pakistani Bokhara</td>
<td>530</td>
</tr>
<tr>
<td>Indian Aubusson(low quality)</td>
<td>150</td>
</tr>
<tr>
<td>Indian Aubusson(High quality)</td>
<td>550</td>
</tr>
<tr>
<td>Chinese Beijing(medium quality)</td>
<td>400</td>
</tr>
<tr>
<td>Moroccan Berber</td>
<td>180</td>
</tr>
</tbody>
</table>
In France, during sales periods sometimes very high discounts are announced which may be as high as 50% and which do not seem much realistic.

3. **SALES PROMOTION:**

Sales promotion effort for hand knotted carpets have not yet reached significant levels, particularly in comparison with those for Machine made carpets and with market potential.

There is no collective publicity and individual efforts are limited, mainly to departmental stores. Traders with exclusive distribution rights for carpets from certain sources, promote their products more actively. The promotion used by them is mainly "brochure". These traders issue illustrated brochures. The traders also organise exhibitions on an individual basis.

While advertising for hand-knotted carpets, prices are not indicated, except by department stores. This has a negative effect on the French consumers, as they are very much concerned about prices.

There is no mass media advertising for hand-knotted carpets in France but for machine made carpets there is. Means of advertising are Radio, Tele-vision, newspapers and periodicals. This may be the reason that the consumers are not aware of the difference between hand-knotted and
machine made carpets and they can't distinguish between both and so peddlers play an active role on the market.

Collective promotion is made by National carpet institute but only of machine made carpets not of hand-knotted carpets. This institute follows a well planned promotion programme for machine made carpets. A promotion programme for hand-knotted carpets might well follow the lines of the institute's programme for machine made carpets. This institute gives the consumers correct informations regarding carpets and does consumer education. There are certain other groups such as: The French union of carpet manufacturers and the chamber of carpet traders. The National Union for floor covering and carpets, The depart­ments stores study group, The National furnishing federation and The Chamber of Decoraters who take active part in sales promotion activities. Promotion is also carried out by exhibitions, trade fairs and specialised fairs. One specialised fair is the "Salon International du Tapis et des Revetements de sols", held in Paris once. In this fair producers also participated.

To be precise, promotional activities for hand-knotted carpets in France are issues of illustrated brochures by exclusive dealers, exhibitions individually organised by these dealers, participation in trade and specialised fairs etc. Mass media advertising is not there for hand-knotted carpets but for machine-made carpets advertising is done by Radio, Tele­vision, Newspapers and periodicals etc.
4. **TRADE CHANNELS:**

Trade channels in France are not all that integrated as in other countries. Though, a gradual development is taking place as trade channels are being integrated. The main problem is of peddlers who are making 55% of the total retail sales. Following are the distribution channels for hand-knotted carpets in France.

a. **IMPORTS IN BOND:**

A number of exporters operate from bonded ware houses. They make available the merchandise to potential wholesale and Retail buyers and save them from inconvenience of visiting the producing countries to obtain supplies.

b. **DEPARTMENT STORES:**

The share of departmental stores in total sales is estimated to be 15%. They have promoted sales to a greater extent and they also provide carpets at much lower rates as their carrying costs are not very large. About 80% of their sales are made at special sales events which are held twice a year.

c. **SPECIALISED RETAILERS:**

About 20% of all sales of hand-knotted carpets are made by retailers specialising in carpets of all types or in oriental carpets. Some of the latter are antique dealers or established second hand dealers.
Trade Channels for Hand-Knotted Carpets in France.
d. **CLEARANCE SALES:**

Clearance sales accounts for 10% of total sales. It is sales that is "sporadic in reality and appearance accompanied or preceded by advertising and announced as being designed to ensure disposal of all or part of a stock merchandise." To organise sales, vendors are required to take permission of the local authorities.

e. **PEDDLING:**

55% of the total sales is made by the peddlers who sell their merchandise as genuine Iranian carpets. Though it may be machine made carpet and less expensive. These peddlers are causing serious problems for the carpet trade in France.

f. **AUCTION SALES:**

Old and antique hand-knotted carpets are sold by auctions usually along with other articles to be auctioned. The percentage of auction sales is not known.

*****
CHAPTER V

THE NETHERLANDS

1. PRODUCT REQUIREMENTS.

a. PREFERRED COLOURS:

In the Netherlands, colour is a decisive factor in carpet selection. Even a low quality carpet can be purchased by the consumers if the colour is right.

Bright colours, especially reds, are shunned. Blue or the deep opaque reds of Afghan carpets, or pastel shades such as beige are in heavy demand. Pale blues, copper and grey are not favoured.

There are certain quality carpets like Iranian and Chinese carpets which are not doing well in the Netherlands market because these colour combinations are not appealing to the consumers. On the other hand low quality carpets which are not all that artistic are doing well as they have better colour combinations.

b. PREFERRED DESIGNS:

Both Geometric and floral designs are acceptable. All patterns and motifs are acceptable to the consumers, from
the geometric Bokharas and Caucasians to the floral designs such as the Tabriz and the Ghom.

c. **Preferred Sizes**

The use of carpets as table covering is quite popular in the Netherlands. Following sizes for table covering are quite popular from Pakistan:

1. **1 x 1 ft (30 cm x 30 cm)**
2. **1 x 2 ft (30 cm x 60 cm)**
3. **1 x 3 ft (30 cm x 90 cm)**
4. **1 x 4 ft (30 cm x 120 cm)**

Following squares are in demand:

1. **40 x 40 cm**
2. **50 x 50 cm**
3. **1.20 x 1.20 m**

For living and dining areas following sizes are in demand:

For living room - 1.20 m to 1.50 m wide by 2.0 m to 2.40 m long or 2x3m.

For dining areas - 1.70 m wide and by 2.40 to 2.60 m long or 2x3m.

2. **Price Structures**

As in other markets, in the Netherlands also there is no set price and price generalisation is not possible. It depends on colour and quality level. Actually traders make "one of its kind" a selling point. So depending on quality and artistic value and colour price differs from carpet to carpet.
But there is an exception. Departmental stores offer a certain type of carpet at a specific announced price, making it clear to the prospective buyer that the price may vary with the variation in size.

Some times ago there was price confidentiality but now it has been eroded by newcomers in supplying countries who freely offer supplies to anyone wishing to buy. Therefore a number of wholesalers, retailers and even end—7 consumers know the c.i.f. value and so they are in strong position for bargaining.

Profit margins are no longer what they used to be. They are nevertheless high enough to cover costs, if not in individual transactions then at least over a period of time. Wholesale mark-ups vary from 35% to 50% whereas retail mark-ups vary from 80% to 120%.

Even if the export prices are known it is difficult to estimate wholesale or retail prices as actual margins depend on a number of factors. One such factor is the quality. If export prices are offered, commercial transaction will take place in which a different price will be accepted not an offered one. Such quality factors are e.g.

(i) Whether the carpet is well finished.
(ii) Whether the colours are suitable for the Netherlands market.
(iii) Whether carpet has been water washed or chemically washed.
(iv) Whether there are any errors in the design.
   etc.

The importers/wholesalers margin depends not only on
the type of carpet but also on the quantities involved.
He can accept smaller margin on readily saleable carpets.
His mark-up will be higher on not easily saleable carpets
in which his money can stick. Indian and Pakistani carpets
are considered to be easily saleable while Iranian and
Turkish carpets are difficult to sell. Therefore, narrow
margins are kept on Indian and Pakistani goods whereas higher
margin on Iranian and Turkish goods. Besides, if retailer
selects two or three pieces from a lot, higher margins are
charged by the wholesaler and if retailer buys the whole lot
low margin as 10-15% may be charged by the wholesaler on his
cost.

One more factor responsible for the squeeze on profit
margins is slack demand. Some traders are of view that retail
sales have dropped by as much as 40% but this appears to
be wrong as imports are steady over a period of time. Never-
theless, competition in the trade is certainly very stiff.
Everyone does his best to keep his share of the market by
offering better prices and easier terms of payments.

Ideally, importers/wholesalers would like to turn
over their stocks four times a year but actually they do so
about twice a year. Retailers have even slower turn over and
so they can justify their 80-120% mark-up on their cost. The
reasons for high mark-up by retailers are: High rental and maintenance for prestigious show rooms, high salaries and social security for specialised salesmen, high interest rates on bank finances, slow turn over etc.

To sum up this analysis, it is impossible to provide even a broad indication of wholesale prices as they are governed by a number of factors, as described earlier.

3. **SALES PROMOTION**

Advertising to the end-consumers is not done by the importers/wholesalers as it is considered to be a function performed by retailers. So advertising to end-consumers is done by the retailers who advertise in the daily press, especially the departmental stores. While making special offers heavy advertising is done.

Television is exclusively used as a means of advertising by the machine-made carpet trade. It is not used by hand-knotted carpet trade as it is feared that it would create a confusion in consumer's mind.

The importers/wholesalers advertise only to trade. The point-of-sale advertising is done in the form of displays with special lighting effect in their showrooms. They also do advertising through printed brochures on hand-knotted carpets. These brochures contain colour reproductions, quality descriptions, designs and sizes etc. These brochures are
also used for generic promotion by describing the carpets in romantic language. Such literature projects and enhances organization's image.

Trade journal is yet another means of sales promotion but is rather expensive so not much used by importers/wholesalers since most of them have an established clientele. Brochures are supplied to the retailers to pass on to end-consumers and therefore have wide range of distribution but trade journals do not have such wider distribution. Brochures are the best means of product exposure and consumer awareness.

The main trade journal is Mobilia dealing with interior decoration. Heimex is another effective trade journal.

4. TRADE CHANNELS

The import trade is not concentrated in a single centre in the Netherlands as it is in the Federal Republic of Germany and the United Kingdom (Hamburg & London respectively). Major importers are located in various cities but due to small size of the country and excellent means of communication, customers have an easy access to the goods.

The major importers act as both importers and wholesalers. Some of them sell to end-consumers but usually these importers/wholesalers make sales to retailers who in turn make sales to the end-consumers. Some importers have established more than one company as marketing tools. Some importers prefer to have
Trade Channels for Hand-Knotted Carpets in the Netherlands.
direct contact with end-consumers as it is very valuable as far as knowledge about consumer preferences and market trends is concerned. Departmental stores are also in the trade and account for some 15% of the retail trade in carpets, usually at the lower to middle end of the quality range since in this range mark-ups are low and turnover is quick. These department stores have a number of retail outlets.

Retail shops are found in every city and they deal in carpets along with other goods such as furnitures and home furnishings.

There are two ways to buy carpets on the part of importers/wholesalers. They either buy directly from producing country or they buy indirectly from the countries in re-exports. Direct buying has two obvious advantages. Firstly the cost is low and secondly colour and design requirements can easily be met. About 60% of importer's requirements are being met by direct buying. Since Iranian goods are difficult to obtain and expensive too, attention, is concentrated on India, Pakistan and Morocco and to a lesser extent on Turkey, Egypt & Romania. Some supplies are still brought indirectly mainly through the F.R.G. and the U.K. as both of them play an active role as re-exporters of carpets.

Department stores buy most of their stock (70%) in the F.R.G. but the rest is bought directly from Morocco, India and Pakistan. This is because of lack of specialised and experienced personnel who can deal with exporters effectively.

Department and chain stores operate on "Budget system"
which means that target stocks and sales are determined for each outlet. Additional stocks are rotated between different shops to avoid an undue accumulation of stocks in anyone place, while offering the end-consumers a broad range of choice. This marketing technique helps in keeping overall inventories at a low level.

A few direct imports have also been made by the retailers, as they are experienced and have personnel to deal with exporters. They get better selection as well as credit from wholesalers.

Some itinerant trade is also there but its share of the market is negligible. Buyers prefer to go where a certain choice is available, with a guarantee of reliability.

******
CHAPTER VI

BELGIUM

1. PRODUCT REQUIREMENTS:

a. PREFERRED COLOURS:

Countries in Northern Europe have a certain preferences for dark colours e.g. in the Netherlands. In the southern countries e.g. in Italy, preference is for bright colours. The Belgium market lies somewhere between these two extremes and a much wider range of colours, shades and colour combinations is accepted than in the Netherlands. Therefore, Bokharas with light grounds are quite popular and also several Turkish traditional colours. Blues, beiges and reds are the colours in demand, with all the shades employed in the well-known Persian carpets from Tabriz, Shiraz, Isfahan, Kashan, Ghom or their reproductions from Pakistan and India. Berbers from Morocco are popular in a very light brown colour. Rust colour carpets from Romania are also very popular.

b. PREFERRED DESIGNS:

There is no marked preference for any design. The decisive factor is the overall effect of the carpet depending upon colour combinations, shades and designs together. To some extent design can be associated with the price as in a certain price range, designs are limited. e.g. in middle price range, carpets available are Bokharas having geometric designs. In higher price range, Persian carpets fall which possess florel designs.
Kashmirs from India also fall in higher price range having floral designs. However, it is not necessary that in a certain price range, designs will either be floral or geometric. In one price range both type of design may be found. Turkish carpets offer both geometric and floral designs having same price range. Another variety is the aubusson-style and savonnerie-style Chinese carpet; this goes well with furniture designs currently available on the Belgian market, for which the classical Chinese designs are too rich and elaborate.

c. **PREFERRED SIZES:**

All classical sizes up to 3x4m are in demand and easily saleable. 2.5 x 3.5m size is the most popular size. In Belgium there is a requirement for bigger sizes than in the market of the Netherlands. The reason is that in Belgium size of the room in houses is bigger than that of in the Netherlands. The demand for small sizes is low because the use of table-top covers is limited in Belgium.

The new square rugs (1m² or 2m²) have a good demand though and Pakistani Bokhara with the size 2x3m is quite popular. Other preferred sizes are:

1. 1.00 x 1.50m.
2. 1.25 x 1.85m.
3. 1.40 x 2.00m.
4. 1.50 x 2.50m.
5. 2.20 x 3.20m.
The new emerging demand for the size 2.50 x 3m is there and currently being offered in machine made carpets. So there exists latent demand for hand-knotted carpets of this size.

Following qualities from various countries are popular:

- 16x18 knots/ sq. in. Persian style Pakistani carpet.
- 16 x 18 knots/ sq. in. Kashmir carpets from India.
- 10x20 knots/ sq. in. Popular quality.
- 11x22 knots/ sq. in. Popular quality.
- 9x60 knots/ sq. in. From India, are now gaining some acceptance.
- 10.5x60 knots/ sq. in.

Most sought after carpets are, of course, Persian carpets but due to irregular supplies and rising prices, Iranian carpets have given way to other countries to gain a market share for themselves in carpet trade.

2. PRICE STRUCTURES:

Prices for most of the carpets are expressed per square metre, except in the case of rare carpets for which quotations are made per piece. In retail sales the normal mode of price is per piece.

There are no standard prices and so price generalisation is not possible since it is a function of quality, although prices may be estimated within broad parameters at the whole-sale stage. In retail outlets, however, they are marked on
the piece or exhibited prominently in the shop window.

For wholesale prices, c.i.f. price should be marked up by 30-60%. The actual margin depends on the type of transaction. Following are the factors on which margin depends:

(i) Quantity involved.
(ii) Size and Quality.
(iii) Ease in obtaining replacement stocks.
(iv) Whether selected pieces are involved.
(v) Extent of credit required by customer.

The retailer's minimum margin is 80% and after deducting value added tax he is left with 54% net margin. Higher margins may also be taken by retailers depending upon the bargaining capacity and also the quality of the carpet. It also depends on the nature of transaction. These may run upto 120% or more of the retailer's cost since he will have to allow generous discounts to the customer (ranging up to 45%, but normally about 25%).

To have an idea of the price structure certain indicative prices can be studied which are subjected to a discount of 25-35%. These indicative retail prices are given below.

- Moroccan Berber 21 x22 knots/dm (as against the usual 15x15 knots/dm), $120/m.
- "Mindo-Mir" 290 x 205 cm (5.95 m²), $1,717 (piece).
- Chinese (Tibetan) 205 x 127 cm (2.61 m²), $1,325 (piece).
- Chinese (Tibetan) 160 x 92 cm (1.47 m²), $708 (piece).
- Bokhara (Karachi) 288 x 179 cm (5.15 m²), $1,445 (piece).
- " " 276 x 168 cm (5.19 m²), $1,747 (piece).
- " " 287 x 192 cm (5.51 m²), $2,364 (piece).

Retail prices are rising in Belgium. In the last two years 50% rise has taken place. Retail prices depend on wholesale price which in turn depend upon c.i.f. value. So the cause of a rise is an increase in c.i.f. values.

3. Sales Promotion:

The bigger importers sometimes hold exhibitions on their own premises to which members of the trade and customers are invited. This is an only promotional effort made by the importers and no other overt promotion campaign is carried out. Advertising through the press to the end consumers is at its minimum because it is too costly in Belgium. Advertising by other media such as television, Radio and Cinema is not in existence. Advertising in trade journals is also not in existence. However stockists may advertise in free local shopping guides and have themselves listed in the telephone directories on the yellow pages. On Belgium importers/wholesalers/Retailers even do not publish brochures, with colour reproductions, quality discrepancy.
designs and sizes etc. So there is no generic promotion of carpets in romantic language. As prominent means of advertising are missing, there is a lack of consumer education.

4. TRADE CHANNELS:

Trade channels in Belgium are shorter as compared to channels in other countries because the market is small. There are about 6 importers who cater to the needs of Belgium consumers and are located in Brussels and Antwerp. There are considerable number of retailers who are located in urban cities and are catering to the consumer needs. They sell hand-knotted carpets along with machine processed carpets.

In most of the foreign markets importers act as wholesaler but in Belgium a few retailers are also importers.

The importers /wholesaler/retailers not only buy from carpet producing countries but also from re-exporting countries like the F.R.G., the U.S.A. and the U.K. They also import from the Netherlands. Most of the retailers tend to specialise in certain qualities, colours, price ranges and origins. Nevertheless in the country as a whole, hand-knotted carpets of all types and origins are found.

Departmental stores play an important role as retailers, either as stock carriers in their own right or as lessors of floor space to other carpet dealers. They deal in from medium to low quality
Trade Channels For Hand-Knotted Carpets In Belgium.
carpets. Department stores normally buy their supplies from importers in Belgium.

******
CHAPTER VII

SWITZERLAND.

1. PRODUCT REQUIREMENTS.

a. PREFERRED COLOURS:

In Switzerland people very much like red colours. Next come various rust shades. Bright colours are not preferred. Beige of the Moroccan carpets is also preferred. To some extent, bright blues and dark blues are also in demand.

b. PREFERRED DESIGNS:

Rustic type hand-knotted carpets are highly in demand as they fit well in Swiss interiors and young people's homes. They are also cheaper relatively. The Mir design made in India is also very popular. Next come Afghan elephant foot and Bokhara designs. Geometric designs are highly in demand in German speaking Switzerland but floral or scenic designs have a very small demand.

Among Iranian type designs, the preference is for the Ghom, Tabriz, Isfahan, Nain, Shiraz, Bakhtiār, Meshed, Sarooq, and Hamdan. The Heriz design is also in great demand but due to its non-availability, is not seen on the market.

The Indian Aubusson and Savonnerie designs which are also
produced in China are disliked in the German speaking Switzerland but have a good demand in French speaking and Italian speaking parts of the country.

c. PREFERRED SIZES:

The room size carpet with the dimensions 2x3 m dominates in the market and account for 30% of the total sales. Next preference for sizes are smaller rugs of following sizes:

(i) 1.4 x 2.00 m,
(ii) 0.70 x 1.40 m,
(iii) 0.60 x 0.80 m.

The larger sizes account for 5% of total sales which are as follows:

(i) 2.50 x 3.50 m,
(ii) 3 x 4 m.

Carpets of more than 14m² size are impossible to sell in Swiss market. The reason is that most of the people in Switzerland have wall-to-wall carpeting and so there is no scope for larger sizes.

2. PRICE STRUCTURE:

Price is an element which is not known as it depends on quality level. So the price differs from design to design.
colour to colour and size to size. It depends upon thickness, courseness, fineness and knotting area etc. However following retail prices per square metre may be of interest.

<table>
<thead>
<tr>
<th>Iranian carpets</th>
<th>$/m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tabriz fine</td>
<td>740</td>
</tr>
<tr>
<td>Tabriz</td>
<td>290</td>
</tr>
<tr>
<td>Isfahan</td>
<td>890</td>
</tr>
<tr>
<td>Kirman</td>
<td>640</td>
</tr>
<tr>
<td>Heriz</td>
<td>148</td>
</tr>
<tr>
<td>Kashan</td>
<td>950</td>
</tr>
<tr>
<td>Bakhtiar</td>
<td>426</td>
</tr>
<tr>
<td>Afshar</td>
<td>340</td>
</tr>
<tr>
<td>Ghom fine</td>
<td>872</td>
</tr>
<tr>
<td>Nain wool</td>
<td>1500</td>
</tr>
<tr>
<td>Nainsilk</td>
<td>2000</td>
</tr>
<tr>
<td>Ardebil</td>
<td>443</td>
</tr>
<tr>
<td>Baluch</td>
<td>450</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INDIAN CARPETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mir</td>
</tr>
<tr>
<td>Chiraz</td>
</tr>
<tr>
<td>Ghom</td>
</tr>
<tr>
<td>Hamadan</td>
</tr>
<tr>
<td>Jaipur</td>
</tr>
<tr>
<td>Heriz</td>
</tr>
<tr>
<td>Djoshagan</td>
</tr>
<tr>
<td>Karadja</td>
</tr>
<tr>
<td>CARPET TYPE</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>INDIAN CARPETS</td>
</tr>
<tr>
<td>Aubusson</td>
</tr>
<tr>
<td>Savonnerie</td>
</tr>
<tr>
<td>PAKISTANI CARPETS</td>
</tr>
<tr>
<td>Persian floral design</td>
</tr>
<tr>
<td>Bukhara</td>
</tr>
<tr>
<td>Bukhara</td>
</tr>
<tr>
<td>Bukhara fine</td>
</tr>
<tr>
<td>Runner</td>
</tr>
<tr>
<td>AFGHANI CARPETS</td>
</tr>
<tr>
<td>Kunduz</td>
</tr>
<tr>
<td>Daulatabad</td>
</tr>
<tr>
<td>Mauri</td>
</tr>
<tr>
<td>Andkhoi</td>
</tr>
<tr>
<td>Baluch</td>
</tr>
<tr>
<td>CHINESE CARPETS</td>
</tr>
<tr>
<td>Silk</td>
</tr>
<tr>
<td>Wool</td>
</tr>
<tr>
<td>MOROCCAN CARPETS</td>
</tr>
<tr>
<td>Berber</td>
</tr>
<tr>
<td>TURKISH CARPETS</td>
</tr>
<tr>
<td>Kayseri</td>
</tr>
</tbody>
</table>
The importer's wholesale mark-up is 30-35% whereas the specialised retailer due to slow turnover (upto 4-5 years) has a minimum of 100-120% mark-up and often much higher.

Pfistar is an exception as its mark-up is below 100%. It makes special offers and gives liberal discounts at least twice a year. Since stock turnover of Pfistar and of departmental stores is faster they do not have mark-ups as large as 120%. They actually keep on doing sales promotion but specialised retailers do not.

3. **SALES PROMOTION:**

Sales promotion is well organised in Switzerland and is conducted almost exclusively by the different categories of retailers. The major advertiser in Switzerland is Pfister. This firm advertises through daily press, periodicals, television, posters and attractive brochures. However, small retailers, departmental stores and even specialised retailers also undertake mass advertising. The means of advertising is mainly daily press and they advertise mainly during sales periods when high discounts are announced.
Besides, many retailers organise exhibitions and auctions in hotels in various parts of the country that are not necessarily covered by retail outlets.

All these measures are indicative of the dynamic and outward looking sales methods used by the Swiss oriental carpet trade. They could serve as an example for other countries where traders still tend to be passive, expecting customers to their shops without attracting them by promotional methods.

SALES BY AUCTION:

Hand-knotted carpets are often sold by auction along with furniture or other decorative articles. But they represent only a small percentage of total carpet sales in Switzerland. Auction sales are governed by the regulations laid down by the various cantonal authorities. These auctions are also promotional in nature.

4. TRADE CHANNELS:

Trade channels for oriental carpets are short but quite diversified. The forwarding agent is an important element of the distribution channels who also sells outside Switzerland.

There is a biggest distributor of carpets viz. Möbel Pfister A.G., which accounts for 35-38% market share. 2-5%
Distribution Channels for Hand-Knotted Carpets in Switzerland.

CUSTOMERS - FINAL USERS 100% (Not including tourist sales.)
The second biggest retail outlets are those of specialised oriental carpet dealers who buy either directly from the producing country or indirectly from an importer within the country. Only big buyers can afford to purchase directly as a huge sum is required to make foreign trips. Swiss retailers if find it profitable to make direct purchases they do. Otherwise they buy from importers/wholesalers within the country.

The departmental stores also play an important part as retailers whereas furniture stores and auctions each represent around 10% of retail trade.

The healthy market situation exists in Switzerland as there is no existence of peddlers who can bargain.

The importers' wholesalers/retailers not only buy from carpet producing country but also from re-exporting countries like the F.R.G., the U.S.A. and the U.K. They also import from the Netherlands. Most of the retailers tend to specialise in certain qualities, colours, price ranges and origins. Nevertheless in the country as a whole, hand-knotted carpets of all types and origins are found.

******
CHAPTER VIII

THE UNITED STATES OF AMERICA

1. PRODUCT REQUIREMENTS:

a. PREFERRED COLOURS:

In the United States consumer preference for colour varies from area to area. On the east coast, especially in the New York area, both pastel and bright colours (ivory, beige, blue, red) are preferred whereas on the west coast rust tones are in demand. Some more colours are being preferred by the U.S. consumers recently such as brownish, earth tones, orange and apricot. Colour plays an important role in the U.S. market as it must match furniture and other items for interior decoration.

b. PREFERRED DESIGNS:

Karman is a very popular design in U.S.A. but the best selling design these days is the Tabriz followed by Isfahan, Ghom, Sarouk, Nain, Keshan from Iran, Bokhara from Pakistan, Aubusson, Savonnerie and Jaipur "Chinese" from India.

The preferred designs vary indifferent parts of the country.

<table>
<thead>
<tr>
<th>Name of the Area</th>
<th>Preferred designs</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Chinese carpets of the open field and Medallion pattern.</td>
</tr>
</tbody>
</table>
Name of the Area  Preferred designs.

San Francisco  Floral designs and haunting scenes.

New York  Plain background with a medallion and decorated borders.

Texas  Pakistani Bokhara and Romanian Tabriz.

There is no scope for Afghan type carpets in the U.S.A.

c. PREFERRED SIZES:

In the united states room size carpets are mostly in demand. Following are the sizes most preferred:

(i)  9 x 12 ft.
(ii) 8 x 10 ft.
(iii) 8 x 12 ft.
(iv) 10 x 14 ft.
(v)  7 x 10 ft.

Persian rugs are also in demand of following sizes:
(i)  3 x 5 ft.
(ii)  4 x 6 ft.
(iii)  6 x 9 ft.

Two more factors are also of immense importance viz. thickness and Texture. Earlier, thick carpets were in demand
but now the trend is towards the thinner (shaved) carpets.

Consumers in the U.S. Market are well aware of the texture and an important factor for carpet purchase. Traders must provide carpets with fine texture. Besides, expensive carpets are easily saleable as they reflect quality and the U.S. consumer is very much quality conscious. Moreover, expensive carpets have some aesthetic value.

2. PRICE STRUCTURES

The given table presents a sample of retail prices in different department stores. As the qualities of the carpets differ widely no conclusion can be drawn from these prices.

The table shows that the mark-up of the importer/wholesaler is around 25% of the landed value whereas the retailer's mark-up is 120% or higher. Thus, a small retailer who sells one Iranian rug of 6 m² a week for about $1400/m² makes a profit of about $650 per carpet or $2600 a month. However, mark-ups in old carpet trade can be anything.
### UNITED STATES: SELECTED RETAIL PRICES OF HAND-KNOTTED CARPETS, 1980

<table>
<thead>
<tr>
<th>Area/design</th>
<th>Dimensions (ft. &amp; sq.ft)</th>
<th>Price ($)</th>
<th>Dimensions (m²)</th>
<th>Price ($/m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per piece per sq.ft.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHINESE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NEW YORK (Macy's)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>3 x 5 = 15</td>
<td>550</td>
<td>1.4</td>
<td>393</td>
</tr>
<tr>
<td>Chinese</td>
<td>8 x 11=68</td>
<td>3200</td>
<td>8.2</td>
<td>390</td>
</tr>
<tr>
<td>Chinese</td>
<td>9 x 12=108</td>
<td>3800</td>
<td>9.5</td>
<td>400</td>
</tr>
<tr>
<td>Beijing</td>
<td>8'3&quot;x 11'6&quot; = 95</td>
<td>2000</td>
<td>8.4</td>
<td>238</td>
</tr>
<tr>
<td>Beijing</td>
<td>9 x 12=108</td>
<td>1500</td>
<td>9.5</td>
<td>158</td>
</tr>
<tr>
<td>Beijing</td>
<td>7 x 10=70</td>
<td>2465</td>
<td>6.2</td>
<td>396</td>
</tr>
<tr>
<td><strong>SAN FRANCISCO (Macy's)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>3 x 5= 15</td>
<td>470</td>
<td>1.4</td>
<td>335</td>
</tr>
<tr>
<td>Chinese</td>
<td>10 x 14=140</td>
<td>6600</td>
<td>13.0</td>
<td>523</td>
</tr>
<tr>
<td><strong>LOS ANGELES (Robinson's)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>7 x 6=42</td>
<td>595</td>
<td>3.9</td>
<td>152</td>
</tr>
<tr>
<td>Chinese</td>
<td>8'3&quot;x11'6&quot; = 96</td>
<td>2000</td>
<td>8.9</td>
<td>225</td>
</tr>
<tr>
<td><strong>Average retail price of Chinese carpets</strong></td>
<td></td>
<td></td>
<td></td>
<td>332</td>
</tr>
<tr>
<td>Area/Design</td>
<td>Dimensions (ft and sq. ft.)</td>
<td>Price ($)</td>
<td>Price ($/sq. ft.)</td>
<td>Price ($/m²)</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------</td>
<td>-----------</td>
<td>------------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>IRANIAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York (Macy's)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tabriz</td>
<td>4x3=12</td>
<td>800</td>
<td>66.70</td>
<td>1.1</td>
</tr>
<tr>
<td>Kerman</td>
<td>9x13=117</td>
<td>9855</td>
<td>84.23</td>
<td>10.9</td>
</tr>
<tr>
<td>Ardebil</td>
<td>8x11=68</td>
<td>1950</td>
<td>22.16</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>San Francisco (Macy's)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tabriz</td>
<td>5x7=35</td>
<td>6500</td>
<td>185.71</td>
<td>3.1</td>
</tr>
<tr>
<td>Nain (all silk)</td>
<td>6x10=60</td>
<td>23000</td>
<td>383.33</td>
<td>5.6</td>
</tr>
<tr>
<td>Isfahan</td>
<td>4x7=28</td>
<td>10000</td>
<td>357.14</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Los Angeles (Robinson's)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tabriz</td>
<td>9x7=63</td>
<td>2000</td>
<td>31.74</td>
<td>5.8</td>
</tr>
</tbody>
</table>

**Average retail price of Iranian carpets.**

1450

Contd.....
### Area/Design

**Dimensions (ft. and sq.ft.)** | **Price($) per piece** | **Dimensions (m²)** | **Price($) per sq.ft.**  
--- | --- | --- | ---  
INDIAN

**New York (Macy's)**

- **Bokhara** 8'3"x11'6" = 95  
  - 200  
  - 21.05  
  - 8.8  
  - 227  
- **Bokhara** 9x7 = 63  
  - 2570  
  - 40.80  
  - 5.9  
  - 435  
- **Keshan** 11'6"x8'9" = 101  
  - 4500  
  - 44.55  
  - 9.4  
  - 476  
- **Beluchi** 5'6"x8'6" = 47  
  - 1200  
  - 25.33  
  - 4.4  
  - 273  
- **Aubusson** 5'6"x8'1" = 44  
  - 340  
  - 7.27  
  - 4.1  
  - 83  
- "Low quality" 6x9 = 54  
  - 240  
  - 4.44  
  - 5.0  
  - 48  
- "Low quality" 5'6"x8'6" = 47  
  - 340  
  - 7.23  
  - 44  
  - 77  

**San Francisco Co (Macy's)**

- **Savonnerie** 11x9 = 99  
  - 1200  
  - 12.12  
  - 9.2  
  - 130  

**Average retail price of Indian carpets.**

**OTHERS**

- **Pakistani** 9x5 = 45  
  - 1330  
  - 29.55  
  - 4.2  
  - 317  
- **Pakistani** 8x5 = 40  
  - 2000  
  - 50.00  
  - 5.7  
  - 540  
- **Romanian** 8x5 = 40  
  - 600  
  - 56.00  
  - 5.2  
  - 1152  

**Source:** Various department stores, a study conducted by UNCTAD/GATT'S (International Trade Centre)
3. **Sales Promotion:**

There is a lack of generic promotion which poses a problem to the development of the market. Although, some department stores advertise their products. There is no organised colour television advertising, for example. There is lack of mass advertising by daily press, television and radio. Moreover, no steps are being taken to educate the consumers and they are still unaware of the product characteristics. Salesmen in the department stores are not competent enough to sell oriental carpets. The trade at the level of importers is rather passive and the methods of promotion used are not up to date.

In the U.S. advertising is quite costly and this may be the reason that organised efforts are not being made by the importers, wholesalers and retailers in this regard. The Media advertising rates are given below:

- Television advertising on local chain—$30,000/60 seconds advertising twice daily during prime time.
- Specialised magazines —$25,000/page
- Local daily newspaper, e.g. Dallas morning—$1500-2,000/page
- The Los Angeles Times rate — $15,000.

**Sales by Auction:**

Auctioning is prohibited in the U.S.A. but old rugs are often auctioned.
4. TRADE CHANNELS:

The United States distribution system of hand-knotted carpet has been changing since the late 1960s. Department stores are increasing direct imports and home decorators are exerting a growing influence on decisions to buy. The number of importers/wholesalers and of specialised oriental carpet shops is also on the rise. In 60's, there were only 60 importers/wholesalers in the oriental carpet trade but now the number is 200.

The diagram shows direct imports by retailers i.e. department stores for about 25% of total carpet imports. The peddlers are responsible for 5% imports. The share of importer/wholesalers in direct sales to consumers at retail prices is small(2%).

Specialised retailers may import direct from sources across the pacific but they mainly buy from New York which is the main centre for carpet trade in the U.S.A.

Retailers are constrained by financial weakness to carry large stocks so they normally do not import directly from producing countries. They prefer to work on consignment, financed by importer/wholesaler.

Importers/wholesalers are the principal trade channel. They carry large stocks, finance production, give long-term
Trade Channels for Hand-Knotted Carpets in The United States of America.
credits to retailers or sell on consignment (Average size $100,000)
They also sell to department stores and furnishing shops. Importer's /wholesaler's stock turn over is quite slow.
CHAPTER IX

JAPAN

1. PRODUCT REQUIREMENTS:

a. PREFERRED COLOURS:

Consumers formerly liked vivid, tropical colours but now prefer warm, soft and light colours. Red, for example, is becoming less popular. Following are the colours in order of preference:

(i) Beige and Brown.
(ii) Green.
(iii) Blue.
(iv) Gold.
(v) Red.
(vi) Others.

Stronger colours are in demand for small "accent" rugs but their share of total sales is less than 15%.

b. PREFERRED DESIGNS:

Design and colour constitute the most important carpet buying criteria. Chinese classical designs are generally preferred but geometric designs from Pakistan and India are fairly good sellers. The typical Afghan design is not yet duly appreciated as it does not fit in easily with current tastes in the furnishing
of Japanese living rooms. Recently, some of the specialised importers have developed their own typical Japanese designs that are suited to Japanese tastes. So the most demanded designs are Chinese aesthetics, then floral & Beijing, then geometric persian and then Japanese and others.

Intricate, heavy designs are not to the average taste. Though, there is a little demand for carpets depicting people, animals and Chinese characters.

However, in Japan all the designs can be sold. The present change in taste for simple design and light colours may be due to better advertising and displays of such designs. With proper advertising taste may again change.

c. PREFERRED SIZES:

About 50% demand is for carpet size of 260 x260cm and 260x350 cm (Approx. 8.6x8.6 ft. and 8.6x11.5 ft respectively) which are the most suitable for the average Japanese living room. Other sizes that sell well are 60x90 cm and 350x350 cm. The latter is for larger rooms and accounts for 10% of total demand. Smaller rugs of 60x90 cm and 60x120 cm. account for 25% of demand. The remaining unusual sizes, either very large or very small, are however, not easy to sell.

Following are the sizes in demand:
<table>
<thead>
<tr>
<th>Size</th>
<th>% of Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) 60x90 cm.</td>
<td>15</td>
</tr>
<tr>
<td>(ii) 60x120 cm.</td>
<td>10</td>
</tr>
<tr>
<td>(iii) 260x260 cm.</td>
<td>25</td>
</tr>
<tr>
<td>(iv) 260x350 cm.</td>
<td>25</td>
</tr>
<tr>
<td>(v) 350x350 cm.</td>
<td>10</td>
</tr>
<tr>
<td>(vi) Others, unusual sizes</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

d. **THICKNESS OF PILE:**

Japanese consumers prefer deep pile and rugs as they are considered comfortable and warm. Shaved carpets are not much in demand. The thickness of the pile in demand is 16 cm and accounts for 60% of total demand.

6. **TEXTURE:** The average Japanese consumer is not much knowledgeable about texture. However, the most commonly accepted texture is about 90,000 knots/m².

2. **PRICE STRUCTURES:**

**PRICING CRITERIA:**

Importers and retail shops do not publish prices, as they are negotiated between seller and buyer for each individual carpet.

Only department stores work on the basis of fixed prices.
that are widely advertised and not subjected to bargaining. Hand-knotted carpets are priced individually, taking into account, in particular, of the following:

(i) The material.
(ii) Fineness of knotting.
(iii) Designs.
(iv) Colours & smooth adherence to floor.
(v) Fashion trends.
(vi) Relative scarcity.

Among these factors, fashion trend plays an important role. If a carpet is in tune with the latest fashion, it can command a better price.

**RETAIL PRICES:**

Average retail price of hand-knotted woollen carpets ranges from $190/m² to $1,200/m².

Retail price depends upon a number of quality factors. Hence price generalisation is almost impossible. Here two tables are being given of two different companies dealing in hand-knotted carpets. These tables show the retail prices of various types and sizes of carpets.

**MARGINS:**

Importers and wholesaler's mark-ups are estimated at 10-25% of the c.i.f. value. Retailers mark-ups average 90%. Department stores mark-ups are estimated to be 50-80%, while those of specialised shops are higher.
<table>
<thead>
<tr>
<th>Size</th>
<th>Price a/</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ft)</td>
<td>(cm)</td>
</tr>
<tr>
<td>11.5x11.5</td>
<td>350x350</td>
</tr>
<tr>
<td>9 x 12</td>
<td>274x366</td>
</tr>
<tr>
<td>8.6x11.6</td>
<td>262x350</td>
</tr>
<tr>
<td>10x10</td>
<td>305x305</td>
</tr>
<tr>
<td>8x11</td>
<td>244x335</td>
</tr>
<tr>
<td>8.6x8.6</td>
<td>262x262</td>
</tr>
<tr>
<td>6x9</td>
<td>183x274</td>
</tr>
<tr>
<td>4.5x6.5</td>
<td>137x198</td>
</tr>
</tbody>
</table>

Source: Tianjin Dantsu Company Limited, Japan.

a/ Exchange rate: Y 210 = $1.00.
TABLE

Japan: Retail prices of assorted Chinese hand-knotted woollen carpets, 1980
(Dollars per piece)

<table>
<thead>
<tr>
<th>Type</th>
<th>File height</th>
<th>size (mm)</th>
<th>0.55</th>
<th>0.84</th>
<th>1.37</th>
<th>1.49</th>
<th>2.71</th>
<th>2.60</th>
<th>5.01</th>
<th>5.86</th>
<th>6.86</th>
<th>8.17</th>
<th>9.22</th>
<th>9.30</th>
<th>12.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese Phoenix</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,150</td>
<td>1,145</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India Blota</td>
<td>12.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,042</td>
<td></td>
<td></td>
<td>1,208</td>
<td>1,150</td>
<td>1,162</td>
<td>1,145</td>
</tr>
<tr>
<td>Old Palace (Kogu)</td>
<td>16</td>
<td></td>
<td>800</td>
<td></td>
<td>803</td>
<td></td>
<td>812</td>
<td></td>
<td>752</td>
<td></td>
<td>763</td>
<td></td>
<td>738</td>
<td>768</td>
<td>7'</td>
</tr>
<tr>
<td>Shandeng Parterre</td>
<td>16</td>
<td></td>
<td>736</td>
<td></td>
<td>730</td>
<td></td>
<td>676</td>
<td></td>
<td>680</td>
<td></td>
<td>687</td>
<td></td>
<td>682</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tianjin Hook</td>
<td>16</td>
<td></td>
<td>260</td>
<td>249</td>
<td>267</td>
<td>246</td>
<td>251</td>
<td></td>
<td>251</td>
<td>259</td>
<td>252</td>
<td>250</td>
<td>256</td>
<td>256</td>
<td></td>
</tr>
<tr>
<td>Qingdao Art</td>
<td>12.7</td>
<td></td>
<td>190</td>
<td>187</td>
<td>191</td>
<td>174</td>
<td>161</td>
<td>188</td>
<td></td>
<td>188</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Fuji Light Carpet Co. Ltd.
3. **SALES PROMOTION:**

The importers in Japan stress the importance of sales promotion as a means of teaching the consumer to recognise genuine hand-knotted woollen carpets and their intrinsic value, and to realise the advantage, in the longer term, of buying hand-knotted rather than machine made carpets. It would be helpful if producer/exporters were to provide retailers with more advertising materials (booklets, slides, films etc.) Although quite extensive promotional work is already conducted by importers and retailers. Japanese consumers have yet to learn more concerning the use, benefit and comfort of hand-knotted carpets. Exporter in the producing countries should supplement the sales promotion efforts of the Japanese traders.

**RETAIL ADVERTISING:**

The specialised oriental carpet shops do not necessarily advertise but most of the big department stores spend 5% of their turn over on advertising. Some of the specialised trading companies, together with their wholesalers, publish illustrated brochures, such as Chinese art carpets and Tia Jin carpets, for distribution through their retail outlets. Specialised trading companies and department stores under take mass-advertising during sales periods by means of daily press and tele-vision. Department stores too, publish brochures or catalogues. For example
Persian art carpets by the Mitsukoshi department store. These
Persian art carpets by the Mitsukoshi department store. These illustrated brochures are very effective as far as consumer education and purchase motivation are concerned.

**EXHIBITION SALES:**

Some large department stores in Japan occasionally provide space for carpet producing companies for an exhibition with direct sales. Such exhibition sales could be used for promotional purposes by existing or new exporters to expend their sales in Japan.

**IMPORTERS ASSOCIATION:**

The Japan textile importers association groups 30 carpet importers and one of its function is publicity of hand-knotted carpets.

However, one way to promote sales in Japan would be an 18 minutes documentary on hand-knotted carpets provided by the producing countries. Another means would be brochures. These brochures should be widely distributed among consumers which are not being distributed widely.

4. **TRADE CHANNELS:**

Imported hand-knotted woollen carpets are marketed in Japan through the distribution channels in depicted in the following charts which show the major role of three categories of importers:
Distribution Channels for Hand-Knotted Woollen Carpets in Japan.

Source: Questionnaires and Interviews By ITC/ESCAP.

Overseas Manufacturer or Exporter

General Trading Firms 20%

Specialised Importers 70%

Buying Offices of Department stores 10%

Wholesalers 90%

Specialised 25% Retailers, Furnishing and Carpet shops

Supermarkets 10%

Department store outlets, 65%

Consumers
(i) General trading firms.
(ii) Specialised importers.
(iii) Buying offices of department stores.

However, promotion should also concentrate on other channels such as wholesalers and specialised retailers but at present they are relatively little developed. Though, they offer interesting prospects for high quality goods.

The three categories of importers buy directly from overseas manufacturers or exporters. The general trading firms and specialised importers distribute carpets to wholesalers whereas buying offices of department stores simply send the consignment to the department stores. Wholesalers distribute to specialised retailers, furnishing and carpet shops, supermarkets and department stores which in turn sell carpets to the end-consumers.

*****
CHAPTER X

HONG KONG

1. **PRODUCT REQUIREMENTS:**

   a. **PREFERRED COLOURS:**

   Dark colours are preferred more in Hong-Kong than soft and light colours. Following dark colours are in heavy demand:

   (i) Red.
   (ii) Brown.
   (iii) Green.
   (iv) Orange.
   (v) Blue.

   Dark colours account for 60% of total sales. Light colours account for 20% of total sales. Following soft and light colours are preferred:

   (i) Green.
   (ii) Sky Blue.
   (iii) Pink.
   (iv) Light Blue.

   b. **PREFERRED DESIGNS:**

   China is the largest single supplier of hand-knotted carpet to Hong Kong. Its predominance as a supplier results from its close traditional links with Hong Kong. Therefore the pre-
ferred designs in Hong Kong are mainly Chinese designs. Following Chinese designs are in demand:

(i) Aesthetic or French aubusson with flowers and leaves in various colours and knotting of 90 to the linear foot. This design accounts for about 35% of total sales.

(ii) Beijing, normally with the Chinese ideograms for "Longevity", "Happiness", "Dragons", "Chrysanthemum", "Lotus", "Peony", "Nine Lions" etc. Approximately 60% demand is for this style.

(iii) Floral and simple designs in Chinese style account for 10% of all carpets sold.

(iv) Plain or embossed, mostly unicoloured, e.g. gold, maroon, beige and blue, account for 10% of total demand.

(v) Other designs account for 5% of total demand.

c. PREFERRED SIZES:

The average room size in Hong Kong is not too large and the preferred carpet sizes are 4x6 ft. and 6x9 ft. These two sizes account for about 60% of total demand and sizes of 5x7 ft. and 9x6 ft. and 9x12 ft. account for about 30% of total demand. There is limited demand for carpets of 3x5 ft, 12x15 ft. and 10x14 ft.

d. THICKNESS:

Buyers do not give much attention to thickness. However,
it varies from .5 in. to 5/8 in.

2. **PRICE STRUCTURE;**

Price is a factor which depends upon the quality of the carpet, designs, colour etc. So one can not estimate the average price of a carpet and price generalization is not possible however, a list of indicative retail prices may be given.

Following are the retail prices for Tianjin close backed carpets of highest quality and chemically washed, and of 100% sheep wool.

<table>
<thead>
<tr>
<th>Dimensions (ft.)</th>
<th>Aesthetic</th>
<th>Beijing</th>
<th>Floral</th>
<th>Plain</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 x 15</td>
<td>20,700</td>
<td>20,340</td>
<td>18,000</td>
<td>17,640</td>
</tr>
<tr>
<td>10 x 14</td>
<td>16,100</td>
<td>15,820</td>
<td>14,000</td>
<td>13,720</td>
</tr>
<tr>
<td>9 x 12</td>
<td>12,420</td>
<td>12,204</td>
<td>10,800</td>
<td>10,584</td>
</tr>
<tr>
<td>8 x 10</td>
<td>9,200</td>
<td>9,040</td>
<td>8,000</td>
<td>7,860</td>
</tr>
<tr>
<td>7 x 10</td>
<td>8,050</td>
<td>7,910</td>
<td>7,000</td>
<td>6,860</td>
</tr>
<tr>
<td>6 x 9</td>
<td>6,210</td>
<td>6,102</td>
<td>5,400</td>
<td>5,292</td>
</tr>
<tr>
<td>5 x 8</td>
<td>4,600</td>
<td>4,520</td>
<td>4,000</td>
<td>3,920</td>
</tr>
<tr>
<td>4 x 7</td>
<td>3,220</td>
<td>3,164</td>
<td>2,800</td>
<td>2,744</td>
</tr>
<tr>
<td>4 x 6</td>
<td>2,760</td>
<td>2,712</td>
<td>2,400</td>
<td>2,352</td>
</tr>
<tr>
<td>3 x 6</td>
<td>2,070</td>
<td>2,034</td>
<td>1,800</td>
<td>1,764</td>
</tr>
<tr>
<td>3 x 5</td>
<td>1,725</td>
<td>1,695</td>
<td>1,500</td>
<td>1,470</td>
</tr>
<tr>
<td>2½ x 5</td>
<td>1,437</td>
<td>1,412</td>
<td>1,250</td>
<td>1,225</td>
</tr>
<tr>
<td>2½ x 4½</td>
<td>1,164</td>
<td>1,144</td>
<td>1,012</td>
<td>992</td>
</tr>
<tr>
<td>2 x 4</td>
<td>920</td>
<td>904</td>
<td>800</td>
<td>784</td>
</tr>
<tr>
<td>2 x 3</td>
<td>690</td>
<td>678</td>
<td>600</td>
<td>588</td>
</tr>
</tbody>
</table>

A charge of 10% is added when customers order carpets whose lengths or widths exceed 20ft. or are less than 3 ft.
Importer's and Wholesaler's margins are estimated at 5-15% of cost price. Department stores add a mark-up of 20-50% whereas some specialised shops add more than 100%.

3. **SALES PROMOTIONS:**

Mass advertising is carried out in Hong-Kong. wholesalers and retailers advertise in daily press at a cost of $H.K. 200,000 a month. Some promote their products by distributing cards which entail an expense of around $H.K. 20,000 yearly and not a costly sales promotion tool. Some wholesalers and retailers hold exhibitions in fashionable Hotels, two or three times yearly.

4. **TRADE CHANNELS:**

a. **CHINESE CARPETS:**

Exports of carpets from China are handled by the China National Native Produce and Animal By-Products import and export Corporation, whose agent in Hong Kong (Teck soon Hong, 37 connaught Road, West) negotiates sales with the Chinese Arts and carpets (H.K) Ltd. (223 Nathan Road, Kowloon) and with other importers, Chinese Arts and crafts act as importer/ wholesaler/retailer and stocks a variety of Chinese carpets. However many dealers, retailers and wholesalers obtain their supplies direct from China. The chart that follows presents the trade channels for Chinese carpets in Hong Kong.
Hong Kong: *Distribution Channels for Chinese Hand-Knotted Woollen Carpets.*
Hong Kong: Distribution Channels for Hand-Knotted Woollen Carpets Other than Chinese.
b. OTHER THAN CHINESE CARPETS:

Most dealers and wholesalers in hand-knotted carpets other than Chinese buy direct from supplying countries viz. Iran, Pakistan, India, Afghanistan and Turkey and, exceptionally Singapore. The quantity of these carpets is, however, comparatively small. The chart that follows shows the corresponding trade channels.

******
CHAPTER XI

ANALYSIS OF THE STUDY

1. PRODUCT REQUIREMENTS

a. PREFERRED COLOURS

Consumer preference for colours varies from country to country and even area to area in a particular market country. In the Netherlands, colour plays a very important role as consumers lay more emphasis on colour rather than quality & designs. It is a decisive factor for the purchase of hand-knotted carpets in the Netherlands market. Even low quality carpets with good colour combination are saleable in the Netherlands. Blues, Beiges, and Reds are the colours most in demand in almost all the market countries. However, it is difficult to generalise as to what colour is most sought after, as consumer tastes and preferences vary greatly.

b. PREFERRED DESIGNS

Both floral and geometric designs are in demand. Scenic designs are heavily demanded in Hong Kong and this is the reason China, specialising in such carpets, is the largest exporter to Hong Kong. Moreover, due to traditional links with China such designs are preferred in Hong Kong. Designs also depend upon the country of origin. In some rich market countries such as the F.R.G. and the U.S.A. designs have some aesthetic value to the consumers and they play a very important role
in carpet purchase. In some countries which also act as re-exporters such as the F.R.G. and the U.K., almost all the designs are in demand.

c. **PREFERRED SIZES:**

It is difficult to give an overall picture of preferred carpet sizes. Almost all the sizes are in demand in re-exporting countries such as the F.R.G. and the U.K. In some countries where there are big rooms in houses, hand-knotted carpets of big sizes have considerable scope, e.g., in Belgium. In almost all the countries small rugs have substantial market.

d. **PREFERRED TEXTURES:**

Texture does not play much role in carpet trade as in most of the market countries, consumers are unaware of this quality factor. An exception is the U.S.A. where consumers are highly quality conscious and prefer hand-knotted carpets with fine texture. So, texture is a decisive factor for hand-knotted carpet purchase in the U.S.A.

e. **PREFERRED THICKNESS:**

Thickness is another important factor in some countries for hand-knotted carpet purchase, e.g., in the U.S.A. thick carpets were earlier preferred but now recently there is a trend towards purchase of shaved carpets. Japan is another example where thick carpets are in heavy demand. In rest
of the market countries both thick and shaved hand-knotted carpets are preferred.

2. **PRICE STRUCTURE AND TRENDS:**

Retail price is impossible to generalise as it depends on a number of quality factors such as designs, sizes, colours, textures, thickness, fineness, coarseness etc. It also depends on the country of origin. However, indicative retail price lists have been given in order to have an idea of retail prices in major foreign markets. These exhaustive lists, however, do not give an exact idea about retail prices. The wholesalers/importer's margins vary from 25% - 60% whereas retailer's margins are quite high varying from 80% - 175%. The highest retailer's margin is in France which is 175%. High margins kept by the retailers can be justified with the slow turn over of the stock.

3. **SALES PROMOTION:**

With few exceptions, there is very little generic promotion of hand-knotted carpets by trade associations or even by major wholesalers in the foreign markets. One of the exception is Switzerland, where a major importer/retailer, Mobel pfister, engages in large-scale advertising, a practice that indirectly benefits other Swiss traders.

Consumer education is not being undertaken in most of the foreign markets. Japan is, however, an exception where
there is a lot of emphasis on consumer education and which is a corporate effort of traders, importers, wholesalers and retailers.

Individual retailers in most of the countries undertake advertising. They mainly advertise in daily press. So in almost all the market countries mass media advertising is done. Though U.K. and France are two exceptions where mass media advertising is not done. In France, there is no mass media advertising for hand-knotted carpets but for machine-made carpets mass media advertising is undertaken. However, it is advisable to take up mass media advertising through daily press, television, radio etc., in order to increase consumer awareness and product exposure. Another form of promotion in some countries is discount sales, which takes place twice a year at least. In some countries, moreover, especially in the United States, exhibitions cum-sales take place in areas where no carpet retailer\'s are established. These efforts are interesting, but they would be considerably more effective if investment in sales promotion were to be organised by carpet trade associations in the market countries, in co-operation with exporter\'s associations or similar bodies, in the producing countries.

Advertising in trade journals is another way of promotion. In most of the countries this tool is being extensively used whereas in some other, it is used only a little bit. In Belgium, though, it is not at all used for sales promotion. Periodicals are also used as sales promotional devices
in almost all the major markets. Exhibitions and displays are also organised in a number of countries as a sales promotion tool.

In conjunction with promotional measures, it is necessary to ensure that supplies of good quality hand-knotted carpets are available to meet the increased demand created by large-scale advertising and promotion. Markets would be able to absorb higher quantities of good quality carpets, but some traders hesitate to engage in expenditure on promotion for fear that the necessary quantities and qualities will not be available.

4. **TRADE CHANNELS**

Trade channels vary so much from one country to another that it is not possible to present an overall picture of the situation. It seems that the Swiss market is the best organised in this respect where as in France the existence of peddlers (55% of retail sales) is harmful to healthy marketing conditions. In most of the market countries (Except France) only a little bit of itinerant trade is found, (Such as peddlers and students offerings on Telephone calls). The general flow of goods, in most of the countries, is from importers to wholesalers to retailers. However, there are certain exceptions as wholesalers and retailers also act as importers.
ABBREVIATIONS

m. - metre.
\( m^2 \) - square metres.
\( cm^2 \) - square centimetre.
\( cm \) - centi metre.
\( sq.in. \) - square inches.
ft. - foot.
\( sq.ft. \) - square foot.
\$ - U.S. Dollars.
\$ H.K. - Dollar Hong Kong.
D.M. - Dutch Mark.
c.i.f. - Cost, insurance, freight.

**********
**B I B L I O G R A P H Y**

**BOOKS & PUBLICATIONS**

<table>
<thead>
<tr>
<th>Author/Series</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kotler, Philip</td>
<td>Marketing Management, analysis, Planning and Control (Prentice Hall of India, New Delhi), 1981.</td>
</tr>
<tr>
<td>Carpet-e-World</td>
<td>Vol. 1 to 5 (Purvanchal Publication Varanasi).</td>
</tr>
<tr>
<td>Canpana, Michele</td>
<td>European Carpets.</td>
</tr>
<tr>
<td>A Publication of International Trade Centre, UNCTAD/GATT.</td>
<td>Major Suppliers of Hand-Knotted Carpets, Vol. II.</td>
</tr>
<tr>
<td>Charles W. Jacobson</td>
<td>Oriental Carpets.</td>
</tr>
</tbody>
</table>

**PERIODICALS**

<table>
<thead>
<tr>
<th>Magazine</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpet Bulletin</td>
<td>Godowlia, Varanasi.</td>
</tr>
<tr>
<td>Foreign Trade Bulletin</td>
<td>New Delhi.</td>
</tr>
<tr>
<td>Foreign Trade Review</td>
<td>New Delhi.</td>
</tr>
<tr>
<td>Commerce</td>
<td>New Delhi.</td>
</tr>
<tr>
<td>Yojna</td>
<td>New Delhi.</td>
</tr>
</tbody>
</table>
NEWS PAPERS:

Times of India : New Delhi.
Northern India Patrika (NIP). : Allahabad.

INSTITUTIONS/ORGANISATIONS & ASSOCIATIONS:

Carpet Information Centre of India Sigra, Vrana. 
Association(AICMA) : Bhadohi.
Indian Institute of Foreign Trade (IIFT) : New Delhi.
Handloom & Handicrafts Export Corporation (HHEC) : New Delhi.
Trade Development Authority (TDA)
Carpet Export Promotion Council : safdar Jang, New Delhi.

*******