

1 Executive Summary

How can craft producers take advantage of the Internet and e-commerce opportunities to sell their goods and benefit their families and communities?

This study, funded by the UK Government Department for International Development (DFID), examines e-commerce opportunities for craft producers.

The research project aimed to focus the main part of its activities on capturing the experiences to date of actual producers in India and Bangladesh; to assess their felt needs, and to present groups with options to enable them to use the Internet and e-commerce for sustainable development of small businesses. While the research necessarily also involved a number of existing 'Northern' UK/US trading organisations, the research was not focused on their institutional needs, but on those of the producers themselves. The research was intended to be enabling for these groups, and aimed to present options to empower them with appropriate and locally-owned technology.

1.1 Overview

Craft production and fair trade crafts

The general view of fair trade crafts is that while the giftware and craft market is growing steadily, fair traded hand made crafts have lost ground. They represent a small share of the market, are rarely profitable to the ATO and have seen very little (if any) growth in the last decade.

Oxfam Fair Trade Company has announced that as from the end of 2001 it will stop sourcing handicrafts directly from its current 18 producer groups, instead preferring to buy indirectly from importers such as Traidcraft. In a presentation to producers at the IFAT conference in Tanzania in June 2001, Oxfam reported that their fair trade craft business had 'never broken even', and was an increasing cost to Oxfam (over £3 million in 2000).

E-commerce and E-business

E-commerce is growing rapidly, especially B2B (business to business). This presents new opportunities and challenges to SMEs in developing countries, especially those in urban areas and where deregulated telecommunications markets bring rapid diffusion of affordable Internet access. However, opportunities for disintermediation in international trade will largely favour existing, transnational corporations; though there will be limited opportunities for Southern SMEs as producers. Over the medium term, e-business will bring significant enhancements to SMEs who are able and willing to integrate their back office operations

E-commerce and craft production

In this context the research reviewed a number of commercial and fair trade e-commerce businesses selling craft goods over the Internet. We conclude that apart from anecdotal stories and illustrations, there is little evidence to suggest that these operations are selling a significant amount of craft goods direct to consumers (B2C: business to consumer). PEOPLink (www.peoplink.org), one of the pioneers in developing an on-line store for craft goods has had a disappointing level of sales: with no producer we contacted having sold any products through its site. World2market, another 'dot com' selling imported crafts direct, was founded in 1999, reinvented itself as an ethical digital media services company (Viatru) in 2000; but closed suddenly in April 2001 when funding ran out.

1.2 Barriers to B2C e-commerce

The research identifies a number of barriers that producers face in trying to sell direct to the consumer:

'You can see, but you cannot touch, feel and smell'

The Internet is good at displaying colour images of handicrafts items in an on-line catalogue or web page (with accompanying specifications, product history and stories of artisans and their communities), but cannot do what any buyer almost instinctively does in a retail shop, or when examining a sample: handle the merchandise to examine its weight, quality, finish, colour, smell, texture etc.

Digital photographs are not colour accurate

By the nature of the way digital images are captured, compressed and viewed, digital photographs are not colour accurate. While this is a factor for consumers, it is even more critical for retail buyers (B2B), who are unlikely to place a major order on the strength of digital images alone, but who may order a sample for further investigation.

Consumers expect high service standards

Consumers expect high standards of service from retailers in the High Street, and by extension, on-line retailers. This can present a formidable barrier to artisans in developing countries hoping to sell direct to individual consumers in the West. Consumers will expect B2C businesses to offer rapid **delivery**, effective means of **redress** (if the product is faulty, the customer wants an easy way of returning it and getting a replacement or refund), efficient back up **service**, and high quality of **workmanship**.

Trusting the company/brand

Customers are increasingly wary of ordering from companies or shops unknown to them 'at home', especially since it can be hard to measure a company's worth or effectiveness from a web site alone.

Financial security

Consumers have legitimate concerns about using their credit/debit cards to make on-line payments – especially internationally.

Personal data

Increasingly consumers are becoming aware of the amount of personal data which is held about them. Data Protection legislation gives consumers and individuals certain rights of access and redress, and outlines responsibilities for those holding such data within their companies and organisations. However these laws, such as the UK Data Protection Act, and the bodies which monitor and enforce their application, are not internationally recognised.

1.3 Poverty focus

The report includes a special section on craft production as a livelihood option for the poor. It notes that while ICT may enhance the livelihood strategies of the poor by timely provision of information and communication, they are unlikely to significantly affect the trends of handicraft production. Producers will continue to be among the poorest of a community and be vulnerable to market trends.

1.4 B2B (business to business opportunities)

The research identifies that e-commerce, the Internet and related technologies (such as email) offer potentially significant opportunities for craft producers. These are not, as some producers first hoped, a new business model: rather enhancements that can improve the effectiveness and efficiency at different stages of the existing supply chain.

Key recommendations:

On-line catalogues

Although sales of craft goods via on-line catalogues to individual consumers have been low to date, catalogue-based web sites can be a helpful enhancement when dealing with wholesale and retail buyers (B2B), especially where these are integrated with stories about producers and other promotional content.

Design

Many producers consider design input from professional designers from the US and Europe to be crucial to help them develop suitable export products.

A possible application of Internet technology could allow a designer (or designers), based in Europe or the US, to offer real-time consultancy and advice to producers using on-line conference tools. This could be very cost-effective, and would allow a designer to have input throughout the whole design process - and not just concentrated within a brief overseas visit.

Email

In a survey of fair trade organisations, email was identified as the most important communications medium, ahead of fax and telephone, by both producers and importing organisations. Of 34 fair trade producer groups who answered the questionnaire, 91% had email (62% had a web site).

Investing in email is one of the most cost-effective benefits of the Internet for producers, bringing both cost savings and improvements in efficiency and speed of communications. The benefits of email are:

- significant cost savings compared to international and national telephone and fax charges in-country
- email can still bring cost benefits for the smallest groups and businesses, who cannot afford to buy, run and maintain a PC, when accessed on a pay-per-use session or hourly basis via a local telecentre or cyber café
- can speed up product development, especially when used to send and receive digital images, allowing importers to feedback more quickly on designs, colours etc
- as a preparation for e-commerce, email allows producers to develop cheap, simple marketing tools, such as a regular email newsletter, and to build an email list of buyers and contacts

Multimedia

Video and other multimedia formats allow new, cost-effective ways of promoting craft products and the stories of the artisans who make them.

The cd available with this report includes a sample video programme, featuring the Bangladeshi pottery producer Nitai Mrith Shilpa (Nitai Clay Industry), which shows how the pots are made. This kind of material can be used to promote craft goods on-line (using downloadable/streamed media); as well as in-store, via a PC, video player, or multimedia kiosk.

Market information

While the Internet allows customers or buyers in Europe or the US to see products from a less developed country on-line, it also allows producers to see what craft goods and giftware are currently on sale in key stores in the North.

We recommend therefore that craft producers make use of the Internet to view current products, designs, trends, colours etc in key on-line US and European stores on a regular basis. Also that ATOs and others consider archiving this content and distributing it on cd-rom on a regular basis, as a service for those with little or no access to the Internet.

1.5 Future opportunities

Given the trends in the handicraft sector, and the limited prospect of direct enhancement of the market through e-commerce, the research also identified a number of ways in which the Internet and related technologies offer the possibility for new approaches to creating and selling fair trade products. These include a **global communications system**, new **digital fair trade** products, and **ethical (or fair trade) tourism**.

Most craft producers and NGOs would not immediately identify themselves as part of the global service industry of tourism. But many have traditionally provided tourism services (if only on a small scale) to a steady stream of volunteers, donors, partners, supporters, well-wishers, members of a Diaspora, project managers, impact assessors and evaluators - mainly from overseas. The goal is to move away from transactions based on impulse buys for the 'here and now' towards a future set of sustainable high quality, high added value long-term digital and personal relationships.

KEY RECOMMENDATIONS TO EMPOWER PRODUCER GROUPS

The key recommendations to empower producer group are therefore:-

- 1) Consider first the market for any product. While this is common sense for any business, the global market for crafts has changed since many handicraft projects were first set up. Consider producing something which wears out or is consumed – long life ‘single’ products (eg brass boats) are not a good strategy; food products can be very effective once the initial hurdles have been overcome.
- 2) The local market is often as important or more important than the export market. Local ATOs would do well to strengthen their outlets in their own country before attempting to tackle the global market through the Internet.
- 3) Business to consumer (B2C) Internet sales are still evolving and the idea of selling handicrafts over the Internet is in its infancy. There are considerable difficulties with disintermediation between producer groups and consumers involving the supply chain, instant delivery, quality control, trust of financial controls amongst other factors. Consumers still generally distrust the Internet in general and in particular will distrust Internet sites originating in the Third World.
- 4) Internet web sites are good for advocacy. Simple sites (not necessarily with shopping facilities) can be used for educating the public to the conditions of the handicraft producers and lead to improvement of conditions, encouraging direct longer term contact.
- 5) Business to business (B2B) opportunities do exist on the Internet. ATOs and producer groups can access new commercial outlets for their products. This may be as simple as demonstration of their wares on the Internet (an advertising brochure), or application to selling gateways (eg globalsources.com). There are some difficulties in product protection – commercial copyright of latest designs.
- 6) There are opportunities for improving the supply chain of existing handicrafts through ICT. This includes the items stated above.
- 7) There are some opportunities for ‘digital crafts’ using the Internet to protect indigenous knowledge and create income streams from it. ATOs who offer handicrafts should explore these opportunities.
- 8) There are opportunities for ethical tourism which can be built on the experience of handicrafts. The promotion of this through the Internet avoids many of the difficulties associated with delivering handicrafts to the consumer, and therefore e-commerce and ethical tourism should be investigated further.