

## **6 E-commerce for crafts producers**

### **6.1 Barriers to B2C e-commerce for craft producers**

In addition to the challenges (see section 4.3.1 above) which face developing countries in general as they prepare for e-business, the nature of handicrafts and crafts markets bring their own specific barriers and constraints for artisan producers who want to sell direct to end consumers (B2C).

Some craft producers who set up web sites to sell their products have been disappointed that a mass of new customers did not beat a path to their virtual doors. Most have heard anecdotal reports of artisan communities winning orders via the Internet, and were disappointed when their businesses were not transformed overnight. As many have or are discovering, the nature of the handicrafts market brings a number of specific barriers to successful e-commerce.

As a result of our field visits to producers in Bangladesh and India (section 5), analysis of existing e-commerce sites for crafts (sections 5.5 and 9.1), and interviews with key stakeholders in the fair trade crafts network (see extracts in section 9.3), we have identified the following six specific barriers.

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

These were the words of one of the artisans in our workshop with Bangladeshi handicrafts producers. 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.

- This is one of the main reasons, we believe, why direct selling of craft goods over the Internet to consumers (B2C e-commerce) has been overwhelmingly disappointing. PEOPLink, for example, in their first-generation site promoting handicrafts from 100 producer groups in 30 countries, has sold very little (we have yet to come across any producer who has sold more than a few items). (For more on PEOPLink see section 9.1.2).
- Decreasing sales and the high cost of promoting their e-commerce site for handicrafts was the reason why world2market.com (founded in 1999) abandoned direct selling to consumers in 2000, and as Viatru, targeted corporate clients with ethical communications services, before closing in 2001.

The US handicrafts importer 10,000 Villages, who distribute through a network of over 70 retail outlets, have taken the strategic decision not to promote their successful range of handicrafts on-line. ‘*We don’t want to sell on-line, we want people to visit our shops,*’ says Marketing Director Dwight McFadden, who estimates that customers who may purchase just one item on-line may buy two or three items when they visit one of their stores. The role of shops and the shopping experience is also demonstrated by BRAC-Aarong, the leading handicrafts ATO in Bangladesh. Of a Tk 14,000,000 turnover, over 97 per cent is actually sold in country, not exported. They have focused on creating attractive shops in Bangladesh and offer people a shopping experience which has become a leisure activity among the wealthier Bangladeshis.

### **6.1.2 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. Thus consumers have preferred to shop for craft products, where colour is often a distinctive feature, using printed paper catalogues (eg mail order) rather than using only on-line promotion.<sup>35</sup>

Colour accuracy is especially important for wholesale and retail buyers (B2B). For this reason importing organisations, such as Traidcraft and others, prefer producers to design products to match specified Pantone colours (they supply producers with a printed swatch of Pantone colours).

For the buyers of importing agencies, and retail chains, colour is all-important: especially as it relates to the latest colour trends. Since handicrafts are often promoted as room sets (in retail displays, and in mail order catalogues), buyers go to considerable pains to find products with colours that will match other products in their inventory.

Thus while many importers and producers have described the considerable benefits of using digital photography and email to enhance the process of new product development, digital images have their limitations. A retail buyer is unlikely to place a major order on the strength of digital images alone, but may order a sample for further investigation.<sup>36</sup>

- Thus searchable on-line catalogues (such as those offered by PEOPLink’s CatGen and onenest.com) have a place in helping buyers find products that match their specifications, so saving time in sourcing products and partners, but cannot replace provision of physical samples.

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<sup>35</sup> The US on-line crafts retailer Eziba is using paper catalogues as its major promotional tool to consumers. See section 9.1.5.

<sup>36</sup> A buyer at 10,000 Villages recalled how they had once ordered on the basis of digital images alone, when a previous order fell through, and had been disappointed with the quality of the merchandise when it arrived.

### **6.1.3 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.

Especially in the demanding US market, many consumers expect e-commerce web sites to offer the following services or guarantees:

- **Next day delivery** (many handicraft items are purchased as last-minute gifts). Or within 2-3 days at most.
- **Effective means of redress.** If the product is faulty (of poor quality, damaged in transit etc), the customer wants an easy way of returning it and getting a replacement or refund. The customer may not like the product when it arrives: it may be the wrong size, style or colour for their specific needs (note barrier 2 above: on-line colours are not colour accurate). Or they may just change their mind. Ideally the customer wants a local point of contact for returns – rather than paying for packaging and shipping to the country of origin – and a personal contact to handle enquiries or problems (rather than an anonymous email address).<sup>37</sup>
- **Service:** on more expensive or larger items (furniture, expensive jewellery, musical instruments etc) the customer will want to know that the products can be serviced or maintained without difficulty.
- **Quality of workmanship:** customers will want reassurance that the products are of merchantable quality, are fit for their purpose, and are not made with toxic or harmful materials. In the fair trade sector, they may also be concerned about the environmental impact of the manufacturing process and raw materials.

### **6.1.4 Trusting the company/brand**

The first wave of e-business activity on the Internet has seen the dramatic introduction of many new ‘dot com’ companies, and the spectacular and costly demise of many. Many of the newer on-line operations have been under-resourced, and have offered poor levels of customer service when compared to established High Street operations who have invested heavily in end-to-end infrastructure.

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<sup>37</sup> *‘As in all other forms of commerce, customers must be confident that they can obtain redress if something goes wrong. The seller’s assurance may not be sufficient. E-commerce may be enhanced by online ADR (alternative dispute resolution) mechanisms offering rapid, low-cost redress for disputed transactions. These mechanisms are not intended to replace (slow and expensive) court adjudication, but to supplement it.’*

*E-commerce: accelerator of development?* IDS Policy Briefing Issue 14 September 2001.  
<http://www.ids.ac.uk/ids/bookshop/briefs/brief14.html>

Customers are therefore 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. The established brands and ‘bricks and mortar’ stores have been more cautious than the start-ups in creating on-line stores, but when they do so, have tended to offer a full range of customer support services.

Consequently consumers tend to stick with the brands and names they already know and trust: rather than risking a purchase with an unknown company in a distant land.

In the context of fair trade handicrafts, ATOs such as Oxfam, Traidcraft, 10,000 Villages and others provide the brand security desired by consumers. They are also in the strongest position to take advantage of e-commerce to sell to their existing network of customers on-line, providing a convenient alternative for customers, alongside existing channels (stores, mail order, volunteers etc).

### **6.1.5 Financial security**

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

There have been some spectacular cases of ‘hacking’ of credit card numbers from on-line banks and other companies (most of which are kept out of the public eye). Mike Webb (one of the authors of this report) himself experienced fraudulent use of his credit card as a result of making legitimate on-line transactions in 1999.

Although standards have improved, security experts such as Bruce Schneir<sup>38</sup> have identified the fundamental insecurity of computer-based systems, ensuring that hackers and others will continue to exploit security weaknesses on computer systems used by both businesses and consumers.

Schneir identifies a number of generic problems in trying to achieve 100% security using computer-based systems:

- Increasingly complex operating systems will inevitably include exploitable weaknesses unforeseen by software designers<sup>39</sup>
- It only takes one person to discover a security hole or weakness, and the information can be published globally (via secret hacking sites) to thousands of other hackers in a matter of minutes

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<sup>38</sup> See *Secrets & Lies (Digital Security in a Networked World)*, Bruce Schneir, Wiley 2000. Also Bruce Schneir’s company Counterpane at <http://www.counterpane.com/>.

<sup>39</sup> ‘Modern systems have so many components and connections – some of them not even known by the systems’ designers, implementers, or users – that insecurities always remain. No system is perfect; no technology is *The Answer*.’ Schneir, 2001, pxii.

- Security should be considered a **process**, not a product. It is only as secure as the weakest link, which is almost always people.<sup>40</sup> For example, as has often been reported, most users choose insecure passwords. ‘Cracking’ software can recover 20 per cent of all passwords in a few minutes, and 90 per cent of all passwords in less than a day.<sup>41</sup>

In addition, it should be noted that even in the West, where companies have several years’ experience operating networked systems, many companies have lax security policies. According to figures from the UK Department of Trade and Industry (DTI), about 33 per cent of UK businesses still do not have a firewall between their websites and their internal computer systems, leaving them vulnerable to hackers. And 66 per cent do not have intrusion detection systems, which could detect hackers if they penetrated other defences.<sup>42</sup>

However security experts also acknowledge that on-line financial transactions, such as the use of credit/debit cards, while never 100% secure, are likely in general to be more secure than off-line transactions.

### **6.1.6 Personal data**

Another barrier to e-commerce is: can the on-line store or web site guarantee a customer’s privacy?<sup>43</sup>

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. Indeed there are significant differences even between what US and European companies can do with the data they hold about individual customers.

In the USA, for example, personal data does not belong to the individual whom the data is about, but to the organisation that collected it. The UK Data Protection Act gives much greater rights to individuals. Thus the UK Act prevented the liquidators of the failed dot com Boxman from selling its lucrative list of 750,000 customers.<sup>44</sup>

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<sup>40</sup> ‘People often represent the weakest link in the security chain and are chronically responsible for the failure of security systems.’ Schneir, 2000, p255.

<sup>41</sup> Schneir, 2001, p’139. ‘People are much too willing to share their passwords with others in and out of the organisation, especially when they need help to get the work done.’ Schneir, 2001, p’139.

<sup>42</sup> *The Guardian*, April 15 2002.

<sup>43</sup> For more on on-line privacy see, for example, the Electronic Frontier Foundation ([www.eff.org](http://www.eff.org)), Electronic Privacy Information Centre ([www.epic.org](http://www.epic.org)), Privacy International ([www.privacyinternational.org](http://www.privacyinternational.org)) etc.

<sup>44</sup> *The Daily Telegraph*, November 2 2000.

In practice the speed of technological advance is significantly ahead of the ability of governments and regulatory bodies to monitor or control. Some have observed, for example, that sophisticated ‘personalisation’ software, that can track individual users and create complex customer profiles for use on e-commerce sites, is also being developed for use by repressive regimes, such as China, to monitor and control the on-line actions of individuals.<sup>45</sup>

On a simpler level, customers are concerned that disclosing their email address to an e-commerce site will mean they are bombarded with promotional email messages, or that their email address is added to circulation lists for ‘spamming’ (sending out unsolicited emails in mass quantities).

To address these concerns, many on-line businesses publish Privacy Policies and codes of conduct to reassure customers how personal data will be used. However in the context of international transactions, these are currently unenforceable, and there are no agreed standards or regulatory bodies governing the use of personal data globally.

### 6.1.7 Conclusions

- The barriers facing artisans in the developing world trading directly with consumers (**business to consumer**) via the Internet are very significant. Apart from anecdotal stories, there is no significant evidence of craft groups successfully dealing direct with end consumers.
- **Business to business** e-commerce offers the greatest opportunities for artisan groups to enhance the service given to business customers (exporters, importers, ATOs, wholesale and retail buyers etc). This is likely to be much more fruitful and cost-effective for artisans.

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<sup>45</sup> See the report *China’s Golden Shield, Corporations and the Development of Surveillance Technology in the People’s Republic of China*, Greg Walton, 2001.  
<http://www.ichrdd.ca/english/commdoc/publications/globalization/goldenShieldEng.html>

## 6.2 Doing e-commerce

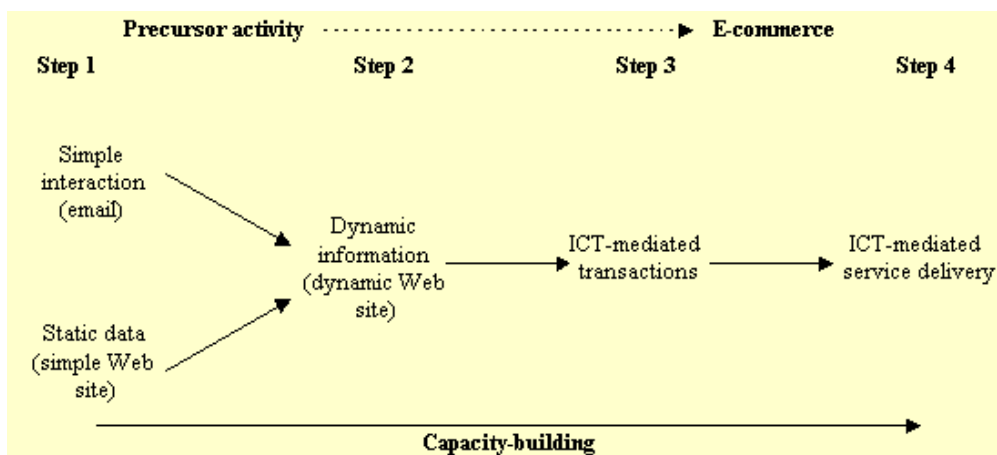
### 6.2.1 Preparing for e-commerce

Producer groups and ATOs who have already developed effective web sites and e-commerce facilities have found it helpful to consider the development process of these resources as a series of ‘stepping stones.’

For many producers, their first experience of using ICT to sell their products is likely to be using email; then perhaps creating a few web pages to display a small selection of craft goods (via their own web site, or, more likely, on one of the catalogue services (such as PEOPLink or OneNest: see sections 9.1.2 and 9.1.3).

In time, producers may then go on to register their own domain name, create and manage their own web space, even perhaps ultimately adding (or buying-in) facilities to process financial transactions, and manage the dispatch of product.

Heeks has identified the generic process thus:



Source: *Analysing E-commerce for Development*, Richard Heeks, IDPM, University of Manchester, UK, 2000<sup>46</sup>

Most of the smaller producer groups we had contact with this for this research were at the stage of using email, and either using a first-generation simple web site, or wanting to set one up. Only larger organisations such as some of the ATOs and on-line craft stores were using the Internet to mediate financial transactions and process orders for goods.

<sup>46</sup> Available at <http://idpm.man.ac.uk/idpm/diecomm.htm>

## 6.2.2 Key success factors for web sites

A few producers at the workshops and presentations in India and Bangladesh already had their own (simple, static) web sites (often provided by a local ISP). One or two had separately registered their own domain names (eg [www.ashahandicrafts.org](http://www.ashahandicrafts.org)) to safeguard their future on-line interests. A common question during feedback sessions was: *what is the best way for a small producer group or craft business to build an effective web site?*

We have therefore identified a number of key success factors which can be applied to organisations or web sites of any size or complexity. Most of these success factors are **scaleable** (they can be applied to web sites both small and large), and **iterative** (can be developed step by step).

Generally speaking, most of today's effective web sites are at least third or fourth generation sites. The web offers the opportunity to start small, get feedback from users (either directly, or indirectly from site usage logs), and to develop services and facilities **incrementally** according to **need**. This reduces the risk of wasting time, energy and money on over-complex sites, and allows sites and site content to develop around the actual needs of users (rather than organisational needs or structures).

Web sites may cost anything from nothing (just time and energy, utilising free web space on an ISP, for those with sufficient technical skills and access), to many hundreds of thousands of dollars. An effective web site may give information about craft products, background history and culture, and organisational history and values, offering an unrivalled and cost-effective means of communicating to potential buyers and contacts.

Do not forget however that web sites must be maintained, content updated, and email responses replied to promptly to get the most from the investment of time, energy and money.

The key success factors we have identified are:

### 6.2.2.1 Define your web site audience and strategy

Before starting to think about web site content, design and navigation, be clear about your audience and strategy.

- **Who is your web site aimed at?** It could be buyers in-country and/or overseas, retail, wholesale or ATO; suppliers, other organisations, the general public, development organisations and ngos. They may or may not be especially interested in fair trade. Your target audience(s) will determine style, language and type of information; as well as what information you present about your organisation.

- **What is your strategy: what do you want your web site to do?** Is it to be an on-line leaflet (giving brief information and contact details: a good starting point)? Do you wish to promote specific product ranges? If so, some producers use password-protected areas for named visitors to safeguard confidential information (designs, photos, pricing etc). How can people contact you for more information? Do you give travel directions, so people can visit you?

Ideally the strategy for the web site will be **integrated** with the company/organisation overall marketing and promotional strategy. Often web sites are initiated by an enthusiast, and may exist outside of the established activities of the organisation. However effective web sites must be ‘owned’ and managed as part of the overall activities and budget if they are to be sustained over time.

### 6.2.2.2 Integrate with other processes

Creating a simple web site may be the easiest part of the process. How does the web site integrate with existing activities and processes?

- Who will handle **email** and **telephone enquiries**? (even large businesses can be surprisingly bad at handling email correspondence). Buyers making a serious product enquiry will expect a response within 24 hours: even if this is just an acknowledgement of their enquiry.
- If you offer a printed newsletter or catalogue via your web site, how are requests handled? What happens when people are away from the workplace (holidays, sickness, away on other activities)?

### 6.2.2.3 Register with search engines and optimise ranking

Search engines (such as Google, Yahoo, Alta Vista etc) are still the commonest way people use to find web sites and information sources on-line. There are some simple steps you can take to maximise your listing and ranking in search engines.

- Make sure your **register your site**, and re-register new pages and content. A number of sites and software packages will register your web site automatically with all the major search engines (and many minor ones).

- When displaying searches, search engines rank content/web sites according to a number of different criteria. However you can **optimise your ranking** by carefully planning your site content according to how you think people will search for your pages/content. For example, plan pages around specific keywords and phrases: especially using these in titles, headings and in the opening paragraphs of text. Break your content into small, focused sections (rather than over-long pages which try to communicate everything at once). This gives more ‘ways in’ for users, and should mean that your pages will be listed under different headings/keywords by search engines.

#### **6.2.2.4 Build links to your site**

One of the best ways of promoting your site is to be listed by other organisations you work with, or are connected to (this may be by sector, by country, by type of product etc). This is commonly done on a page of links to other useful sites and sources of information – and is the fundamental organising principle behind the world wide web.

- Identify key organisations that you would like a link from. Contact the webmaster or given contact to ask for a reciprocal link (ie you will give a link to their organisation from your web site).
- Also consider promoting your site through link and banner exchanges, by listing in specific directories and indexes (both free and paid-for) and in off-line (printed) directories and publications.

#### **6.2.2.5 Promote your web site off-line**

Although much promotion takes place on-line, don’t overlook the obvious ways of promoting your web site off-line, especially using the existing literature and promotions of your own organisation.

- Ensure that your web site address and general contact email address is incorporated in letterheads, business cards, organisational literature (leaflets, newsletters, posters etc) and advertisements, directory entries etc.
- Make sure the web site and email address are included with other contact information as part of a standard email ‘signature’ used by all members of your organisation who use email (this can be set up as a default setting in your email software).

### 6.2.2.6 Start a short email newsletter

Use email to promote your business and web site, but be careful not to inundate your contacts with too much information, too often.

- Start a short (one-page) **newsletter** by email, to inform your contacts and customers about new products, your business activities etc. Provide **links** to your web site in the email, so readers can follow up on items of particular interest.
- This can be a cost-effective way of reminding customers about your business and activities. Start with a simple group mailing; consider using a more sophisticated **email list** or listserv as your service grows. It is considered polite not to publicly disclose the email addresses of your list of recipients to all those on your list: if using a group email, you will need to ensure that recipients ‘see’ only their individual email addresses.

### 6.2.2.7 Payment processing

In the workshop discussions, setting up payment processing on-line (ie to accept credit/debit cards for the purchase of craft goods) was considered a significant barrier by craft producers. This is for a variety of reasons:

- Government restrictions on access to hard currency (as in Bangladesh)
- Limited banking/financial facilities available (especially in rural areas)
- Limited access to credit/debit card facilities (‘merchant status’)
- High cost of setting up payment processing and per transaction charges
- Lack of ‘e-readiness’ by national/local government, banks and producers themselves (see section 9.4.2)

Where government regulation allows, craft producers may have a number of ways of receiving payment for their goods over the Internet:

- Via managed catalogue and storefront sites, which offer shopping cart and payment processing: such as PEOPLink’s CatGen ([www.catgen.org](http://www.catgen.org)), which specialises in craft products.

- By setting up their own account with a global multi-currency Payment Service Provider, such as Worldpay ([www.worldpay.com](http://www.worldpay.com)) and their local associates ([www.worldpaypartners.com](http://www.worldpaypartners.com)), who offer bureau facilities for companies without their own credit/debit card merchant status. National PSPs also work in conjunction with banks to offer a range of e-commerce financial services.
- By using alternative payment facilities, such as those offered by PayPal ([www.paypal.com](http://www.paypal.com)), designed for small businesses and web sites who do not have their own credit/debit card merchant status.