

## **9.3 Interviews (transcripts of extracts)**

*Mike Webb visited a number of organisations in the USA and UK in March and April 2001 to interview key staff members. The following are transcripts of selected extracts from these interviews.*

### **9.3.1 Carol Wills, Director of IFAT (Int. Federation for Alternative Trade), UK**

IFAT, the International Federation for Alternative Trade, represents 160 fair trade organisations in 50 countries. It is the leading network for fair trade producers in the developing world, and also includes as members a significant number of importers and Alternative Trading Organisations in both Europe and the USA.

#### **What possibilities does the Internet offer to craft producers?**

The Internet may offer many opportunities. Certainly craft producers have been very excited about those possibilities. But the results so far have been a little disappointing. There are a number of issues.

A number of our members thought that by just having a web page on the Internet, with product and prices, somehow, miraculously, the buyers would find them. A major issue for producers is to decide whether they are making a wholesale or a retail offer, and to present your home page in the appropriate way – such as access by password (for wholesale buyers), and being clear about prices and packaging, which some producers did not think about when they launched themselves onto the web.

There is the whole issue, once you are up there on the web, as to how buyers find you. One of the issues which has not been dealt with at all, in the training we have been able to offer producers, particularly through PEOPLink, is how you get onto the search engines which would get people to your site.

Then there is the issue as to how you are paid. There is still a prejudice here about giving your credit card details, even though I know there are very secure systems now, but the experience is that people in the North are reluctant to give their credit card details to an organisation in India or Africa. So there is a reluctance to buy direct.

Maybe the way the Internet can be best used is as a tool for partnership between Southern organisations and potential Northern buyers to help with product development, to select products which they would like to have sample of, rather than having to send many sample by post.

With PEOPLink we have recently obtained a grant from the Ebay Foundation in the USA to help quite a large number of our members obtain computers (if they do not have them, which is not many) and to get a digital camera or obtain a better digital camera if they already have one, so they can take better digital images of their products.

Most of our members are now digitally capable one way or the other: that was the first hurdle that had to be crossed. Five years ago most of our members did not know how to use these new opportunities. Through PEOPLink they have now a digital capability, and the ability to put up some sort of home page. We are now moving forward to help them generate their own catalogues, in a much more sophisticated way. But there is still the question as to who those catalogues are really for: is it wholesale buyers and other fair trade organisations in the North, or is it a member of the public, and how do you reach them?

**Are there ways the Internet and related technology could be used in the design process, and to help with product development?**

PEOPLink though it was possible, using the Internet, to set up design advice studios, for producers in the South. Bringing in designers from the North is an expensive business, even if the costs are covered by one of the big fair trade organisations here. There are still the hidden costs of having a designer around for a month or so. And the fact that the weather might not suit them, or the food, or whatever. Producer organisations also have to do a lot to make the visit work. I can remember one instance from the Association of Craft Producers in Nepal where a textile designer went out to them for a month. But in order for this person to work they had to bring weavers down from the hills with their looms and set them up in a central place etc etc. So there were a lot of hidden costs there, which of course at the end of the day they hoped would be covered by an increase in orders, but this can't necessarily be guaranteed.

The idea was that designers, in their own time, when they had a space, could look at products from anywhere in the world, to give their professional advice. So, for example, they might say 'this design would be better if it was a slightly different shade of green, or the lip on this jug isn't quite the right angle, or whatever'. So one of the gaps could be bridged, instead of sending a designer off into the blue. This isn't happening at the moment, but it seemed to me to be such a good idea.

**Have you found email to be helpful in your work?**

Email has done a lot to improve communications between ATOs and between producers and partners. Interestingly, as an international network, we found that it was our Southern partners who took up email more quickly than our Northern ones. And we still have one or two of our Northern members who don't have email, which I find quite extraordinary, because the benefits absolutely outweigh the costs. It would be very difficult for us to run this network without email ... from our office here we are communicating with 50 countries around the world all the time.

We use email to share information and for advocacy issues. But there are still some of our members who do not have very many computer terminals in their own headquarters.

Our members would like to have a great many more computers, so they can train other people. If they could have everybody linked up, it would make so much difference, especially in terms of sending orders to producers in remote areas.

One of the key problems of fair trade organisations in the North is remaining competitive. If they have a mission to work with disadvantaged and marginalised producers, which they do as fair trade organisations, those producers are by definition isolated and far away. But it takes the edge off their marketing if the fair trade organisations cannot get their products delivered on time, or as fast as the commercial organisations can from factories in China, Thailand, Korea or Vietnam. It is a real issue and this is where this technology could really help, if it could be got out to those communities.

Many of those communities lack basic infrastructure. We discussed this at the *Bridging the Digital Divide* conference (in Seattle, in November 1999). In India, for example, there are thousands of villages without electricity, running water and sanitation. We're expecting them to make some enormous jump into the computer age. Maybe getting the computers there first would enable some of these other things to happen more quickly. I don't know.

### **What have been the experiences of IFAT members of e-commerce?**

Although we have no formal data from members, there are some examples.

*Comparte* in Chile started selling on-line as soon as they became digitally capable. One of their first products was the traditional rain stick, which they put on the web at its normal FOB price, to see what would happen. They found that individuals in America were ordering one rainstick at a time. But they had not added anything for postage and packing and they had not thought about the retail aspect of it. Their buyers in the USA were not happy about them selling directly at this price. So the whole thing had to be re-thought.

What we are moving towards are members being able to put limited ranges of products on the web in a catalogue format that can be accessed by the right sort of market for them. But the issue is how can they find new markets? They can tell their existing buyers, but how do they reach new customers. How are we going to make those new links? That is a very important question.

The general feeling I have got is that people are quite disappointed so far. They expected that something would happen very quickly. They read about e-commerce in the newspapers, and that is potentially one of the biggest things to happen in marketing for centuries, which would somehow solve all their problems. It certainly hasn't done that. But it hasn't abated people's enthusiasm for learning more and acquiring the skills.

We realise that the Internet and e-commerce has huge potential, but we haven't worked out what it is we need to make it work.

### **What training or services would your members most benefit from?**

We have had a lot of training through PEOPLink, with USAID funding. PEOPLink can't be thanked enough for the work it has done. What hasn't been there is the marketing push – how you really market things on the web. At the moment the key issue for all producers in the South is market access. There is no question in the

handicrafts field that there is a growing market for these kinds of products, but many of our producers are experiencing a decline in orders from their traditional fair trade buyers.

Assuming that they have products that consumers want, of the right quality, and they have the skills to pack things in the right way, and dispatched correctly, what can they do to find new markets?

Going to a trade fair is still the best possible way to meet a buyer, and is better than the web. We have talked in IFAT if it would be possible to have a virtual trade fair on the web. It is this kind of imaginative thinking that is required. If we were able to have a virtual trade fair or virtual showroom on the web who would visit it? How would they access information? How often would we change product? How would they be presented? However at the moment few producers are ready for this, and it is much better to go to a trade fair (such as the Birmingham Spring Fair in February 2001).

12 IFAT members have been at Frankfurt fair in March 2001 with mixed results. However these are the places where producers meet buyers – the buyers from big retail stores go there to see what is on offer and to place orders on the spot. What our members need is to be equipped to deal with mainstream buyers, who may not be interested in the particular circumstances of producers, but who will be much more interested in striking a good deal.

**Why do you think people buy fairly-traded craft products? Is it because of the quality of the product, or do you think they see it more as a charitable donation?**

Twenty years ago craft products were marketed to help destitute women. The Northern fair trade organisations may still have a long way to go in terms of professionalising themselves. There are still producers who promote their goods in this way, but very few do that. ‘Sympathy purchases’ is not the way to market product. Trading organisations are trying to sell product on the basis of its own merit.

In the early years the Northern ATOs relied on volunteers and enthusiastic amateurs. But they quickly learned that they had to deal with the market in a very professional way. It is not enough for us to say that the most important thing is the producer – we have to match producer skills with consumer demand. If you don’t make that match, you are lost. The world is still littered with development projects where people were funded to do something, but where the market question was not considered until the last minute. People often come to us if they are being sent somewhere, such as eastern Europe, to develop enterprises for local women, and come to us at the last minute.

We always say first and foremost to see what is needed in the local market, because that is much easier than the export market. But it is essential to get the match between the skills of local producers and what the market needs. The Internet should be able to make that match, as long as producers have access to the Internet.

Spending half an hour on the Internet in some countries can be incredibly expensive, so they don’t do it. We need to find ways of bringing the costs of Internet access down in the South.

I think there is a problem of widespread corruption – there will be people who see Internet access as just another source of kickbacks, or a means to cream off lots of profit. But it is not actually helping the development of their countries.

Corruption, sadly, is one of the biggest problems that development faces anywhere today. We need to help people to get access to the Internet at low cost, and then use the web to transmit training materials and research that will help them. The Internet has great potential as an interactive learning tool.

**Do you think the Internet could help facilitate regional groupings of producers?**

IFAT has brought people together who have never spoken to one another before. Even within relatively small countries, producer organisations did not know one another before they came to some kind of IFAT gathering. Many countries now have local networks of producers. There are huge opportunities for learning and sharing between regional organisations. At a very practical level, there could be sharing of equipment.

I can still visit organisations in the South and find that there are literally only one or two computers. One will be in the Director's office, accessible by the Director's secretary, and the other will be in the Accountant's office. Marketing people must have computers too, and access to the Internet.

**Today in the craft and giftware market in the UK there is a lot of competition from non fair trade companies – from stores like the Pier, B&Q, John Lewis. I know that some producers are concerned that ATOs are not in a good position to reach new buyers, such as young people. What are the prospects for fair trade handicrafts in the future?**

It is an enormous challenge for Northern ATOs. They had ten good years ahead of the rest of the market, until commercial buyers realised they could access this type of product. Commercial organisations do not have fair trade constraints, so can buy cheaper and in greater bulk, and have their own economies of scale and a lower cost structure. That is an enormous challenge for the fair trade organisations.

Producers in the South have choices. My personal view is that they should not try to compete with the mass produced items which are now available at such low cost from China. They need to specialise and see how they can add value to their products in any one of a number of ways, and go up market to give producers the best possible return. They are never going to be able to compete with factory produced items from China. I think fair trade organisations in the North will have to rationalise their product range and find ways to offer things which are different in some way.

Producers could add value for customers by having products signed by the individual artisan, so that people who buy the product in the UK can see that it was made by an individual crafts person. They can see that they are buying something which is not just a mass-produced thing, but is a hand-crafted item.

### 9.3.2 Derek Long, Director and Co-founder, Viatru, Seattle, USA

In 1999 Derek and Michelle Long founded the US e-commerce site [www.world2market.com](http://www.world2market.com) 'to promote the products and talents of artisans around the world'. A limited range of craft products was sourced indirectly via US fair trade importers, and directly from selected producer groups, with stock warehoused in Seattle. Although they secured significant media coverage, and generated a growing number of hits to their e-commerce site, sales were insufficient to support a self-sustaining business. Moreover they faced stiff competition from other new US craft e-commerce stores, notably Eziba ([www.eziba.com](http://www.eziba.com)) and Novica ([www.novica.com](http://www.novica.com)), who had attracted significant funding (Eziba, for example, received a capital injection from Amazon of \$40 million).

World2market's backers recognised that the company was unlikely to reach sales targets, and requested the founders and their team to find a new business model. The result, in 2000, was ViaTru: a digital media services company set up to advise retailers, companies and other organisations on how to incorporate principles of fair trade, environmental sustainability and transparency into their business activities.

*'Viatru was founded to provide specialised retail services supporting sustainable products. It is our philosophy that transparent access to information should be available to anyone, anywhere. Consumers deserve to know where products are made, by who, and under what condition'*

(Information sheet *Everyone, everywhere shares the dream of a better life*).

Viatru has been involved in a number of activities to promote its aims:

- starting the '**Visible Commerce Forum**': the first stage of a portal to share information to help craft producers export fairly traded craft goods to the USA. Other organisations who provided information and data included: Body Shop International; Oxfam International; the US designer Docey Lewis; and the US Alternative Trading Organisation SERRV. The aim was to develop the forum into an interactive exchange for producers, with constantly updated market information (such as design, colour and seasonal trends).
- '**Digital story-telling**': developing demonstration on-line multimedia presentations to communicate the stories of products and producers to end consumers. *'By creating web-based, digital windows into the communities where the product came from, consumers are able to see the journey of the product, and the people that stand behind it, giving consumers their first 'digital window' in the products' source.'* Such presentations could be made on a web-site, cd-rom or shown on a point-of-sale multimedia kiosk.
- continuing to develop relationships with craft producers, local NGOs and other organisations to act as a '**broker**' to US retailers, helping them identify sources of sustainable products (such as coffee, timber or handicrafts)

However, although Viatru was in discussion with the major coffee-chain Starbucks, and had worked with the Museum of Fine Arts, Boston, to help them source linen from India (woven using a 17<sup>th</sup> century design in the museum's collection) the company could not find sufficient clients, and was unable to secure funding to continue operations. Viatru ceased operations in April 2001.

Founders Derek and Michelle Long are currently developing a non-profit organisation, the Sustainable Enterprise Portal, to continue promoting fair and transparent trade, environmental sustainability, and corporate citizenship.

### **Tell me the history behind world2market and Viatru?**

Michelle and I had been backpacking in 1996-97. We came back different people and wanted to work for change around the world. The company really came out of Michelle's MBA course. She'd entered a competition with two other students, and met some of the venture capitalists who were future investors of *world2market.com*.

What we want to do is to create connections, transparency between artisans and consumers and use technology to move information and get these people to know one another. Hopefully of course bringing along a lot of the principles of fair trade.

The first idea was an e-commerce superstore, starting with hand-crafted products and then moving into other products with a story – such as those which are environmentally friendly, organic products, all of that. Our first business model was B2C e-commerce with hand-crafted products.

We were in the race to be the first, second or third mover in a category to get funding and establish a brand. Back then, people thought e-commerce was going to put bricks and mortar stores out of business, catalogues out of business, everyone out of business. So we were in the race, getting a lot of good press, and making a lot of good relationships, and getting a lot of hits on the site. For example we had some good coverage in the *Wall Street Journal*, *USA Today*, etc.

The proportion of visitors to sale was reasonably good, and we were spending less on advertising than competitors. So in the 1999 Christmas season, we had up to 500,000 hits, a conversion rate of 2-3% to sale, and an average order size of around \$35-40.

We weren't really spending much money on advertising, but the trends did not look good. The cost of the infrastructure needed to service those customers was high; the cost of advertising very, very high. The market was crowded. There were so many dot coms advertising that to get a message that really struck with consumers was difficult.

Our message was simple, and the press loved it: the idea of the principles of fair trade in a socially-responsible business was attractive and our competitors didn't have it. So that worked for us.

On the World2market.com site we would have descriptions of the products, a description of the individual artisan and information about the trading intermediary, such as the ngo, who not only paid fair wages, but had many good stories to tell and

were working on environmental and social issues. This gave a 'whole feeling' to a product, along with product quality and price.

WTO (World Trade Organisation) meetings were held in Seattle in 1999. There was rising public awareness of globalisation, as well as 'dot com mania' – so we got the attention of a lot of reporters.

### **Who did world2market buy from?**

World2market was buying from small, fair trade federation importers; typically ex Peace Corps folks with long-term relationships with people in the country they volunteered in. We were also building relations with IFAT (International Federation for Alternative Trade) producer groups, where they were sophisticated enough to be able to export to us directly.

We were trying to sell products that were already designed, already made by groups that were trying to get access to new markets. That was the model. So we shipped the goods to a warehouse in south Seattle, itself a social enterprise (employing hard-to-employ folks: recent immigrants etc). It was a traditional, early B2C e-commerce approach.

By mid December 1999 we realised the market was pretty crowded, and the costs were high. Fortunately our investors were recognising the trends earlier than we were, and saw that we couldn't continue to grow because we couldn't continue to access the capital. People were starting to question e-commerce.

The turning point for me was Superbowl January 2000 when five out of six commercials were dot com commercials at a \$1 million or \$1.5 million apiece. And they tracked results afterwards, and it stank.

So in December 1999 and January 2000 we were starting to see the signs: the projections didn't look all that good, so we started to consider alternative business models. Our mission is to create opportunity for people in developing countries, but also on the marketing and consumer side to create awareness in consumers. So how do we take what we have learned, and the great people we have pulled together, and attack those two areas? So I give a lot of credit to our investors for giving us a few extra months to start considering different models and so on.

### **What business models did you look at?**

The outrageous early investment in e-commerce started to dry up in early 2000 and we had already started pitching a different business plan. For a little while we were looking at the exchange model, which was popular for a while, where you are primarily a web site that is an exchange place where suppliers and buyers meet. You're the database, the interface. You process payments and make transactions happen. So somebody could come in and put in a bid for certain product a bunch of suppliers could view the bid and say 'I'll take it'. The idea is a super-efficient market place.

We realised however that, particularly in the hand-crafted sector, it was not an appropriate model. Esteel ([www.esteel.com](http://www.esteel.com)) is a good example of an exchange model which is doing fairly well still because the raw materials for steel are pretty standard. Everyone understands them, and there are a lot of suppliers and a lot of buyers. So the super-efficient market place makes a lot of sense, and doing it on-line and making your purchasing more efficient makes a lot of sense. But the variations in hand-crafted products and changing consumer preferences mean the exchange model is not necessarily a good model.

What we know of buyers who work for retailers is that they are not ready to embrace technology and make their purchases on-line. If you are a purchasing agent for a steel producer, you can buy all the raw materials you need for steel. But handicrafts buyers are very high-touch people, and it is our feeling that it will be many, many years before they're prepared to do their purchasing on-line. So out of that few months of research and testing, we realised that the exchange model is not the one we want to go with.

It became clear that the brands which are going to win in the future are with consumers. Even with all the brands that exist now, consumers still like to go into stores, and they still have brands that they trust. We thought: 'why couldn't we take products with a story into mainstream retailers, and use them for access to consumers, to bring consumers more information through those retailers?' And help those retailers source products more responsibly. Many years ago the transition started to happen where buyers stopped buying from some of the more exotic countries because they found a mass-produced supplier in China that could make cheaper products. Hand-crafted didn't seem to mean as much because you could get a machine-produced product that did not vary in quality, in the quantity the big department stores need. So our effort is to pull buyers back to sourcing from smaller producer groups and more authentic sources. So that's the model we're in now.

It's not so interesting just to help them source fair trade products, you still haven't addressed the problem of helping a consumer movement move quicker and empower consumers with more information. So what we felt we had never quite tested fully on the e-commerce site was: 'Do stories sell products?'

We wanted to stick with using the Internet in innovative ways to influence consumer behaviour, so we developed 'visible commerce' or transparency in trade using audio, video, really taking people to the community they are supporting or buying from, and showing them in some sense the impact that trade is having on that community.

The interesting thing with 'digital story-telling' is that if we can get some awareness with consumers and if we can develop a way of telling stories that consumers come to understand, then we should be able to bring in retailers that aren't only working with hand-crafted products. We should be able to bring in other sustainable products: sustainably-harvested wood; organic foods, and that sort of thing. We want to raise awareness with consumers on a variety of issues.

## **How have people responded to these digital stories?**

The response from retailers is pretty amazing. For example the Boston Museum of Fine Arts is doing a test mailing of catalogues to drive their consumers to their web site. They realise there are soft benefits too, such as getting press attention with these stories.

We're also perfecting how consumers flow. The stories are interactive, and we want to learn what people care about most, how to get them there and influence their behaviour, and to get the cost of stories down so we can service smaller brands and smaller retailers. The interesting thing is that the stories are starting to bring people from different disciplines in companies together.

For example, we're working with the Museum of Fine Arts retail division (who do their catalogue sales), as well the museum curators. They have in their collection an original carpet from India we have used to inspire the design of a new fairly-traded carpet, using the same design, made by Indian craftspeople. They want to develop more products based on designs in the Museum, and then tell the stories as to how these modern-day products are produced.

## **What is the idea behind the Visible Commerce Forum?**

It builds on the idea of 'visible commerce', which is transparency in trade. The same principles apply to the Visible Commerce Forum, which is intended as an educational site for suppliers we work with, providing resources such as training manuals and key information. This is to help producer groups become better businesses, and to help build capacity around issues of sustainability as well.

There is sometimes a gap between what producer groups think they need to deliver and what mainstream retailers in the US expect. Trying to build capacity to bring those two closer together is what we are hoping to achieve. We would like the Visible Commerce Forum to be known as 'great information for building small businesses', not only in the hand-crafted sector, but in other sectors, such as sustainable coffee, organic foods or whatever. We want it to be a portal to help sustainable small enterprises learn.

## **What activities do you hope to develop in the future?**

If you think along the lines of an effective portal, not so much transactions on-line, but certainly a place for groups to meet. It will be heavily localised by our partners on the ground, not just to translate the content which is being created in the North, but to create training materials and apply the content in a more local flavour.

We want to add community-building features such as chat rooms and message boards, and a lot of tools. Such as tools to help a small enterprise manage production, ways to download simple designs, communication tools. People are already creating some of these different pieces, but none are necessarily qualified at building a portal. I think we have the technical and production expertise to do that here.

**Will this include training materials and market information, and have you considered interactive tools to help designers work with producers?**

Definitely. The market information section of the site would have constantly updating information about US market trends, with links to successful e-commerce sites, so people can see what is selling now in the US. It doesn't necessarily help you when you are trying to predict what will be selling in the next 9-12 months, but it's still helpful.

We've also spent a lot of time investigating collaborative design software, so that a designer could sit in the US and manipulate a digital design image while someone in Honduras is watching that be manipulated. They could have a conference call at the same time, so the designer could talk to the producers and say 'see, this handle does not curve quite right'. The cost of developing new product is extremely high now, so it is not a sustainable model for us to pay for designers to travel to producer groups all the time.

The scale on which many producer groups work is too small to justify a visit from a designer, who cost a lot of money for a day, travel costs a lot of money. So any way we can apply technology to bring costs to a reasonable level is important.

We are seeing funding to develop the portal in this way. Hopefully we will be able to build up a small team to focus on that in the next few months. The nice thing is we are in Seattle, and there are a lot of technology company foundations and a lot of expertise right here and they can see value in an educational portal which addresses these issues. Whereas raising funding from more traditional funding sources might take a while to get our point across or explain our model even. That is our hope.

Producer groups can access the Visible Commerce Forum and all its content for free. One model we are experimenting with is 'can producers be set up not just to market products, can they also be a local hub who can sell memberships locally, or can they sell on-line research time?' Can we structure it so that most of the added value is in the country of the producer group, helping them to generate revenue for the small enterprises they serve. We want to see what we can do to help them run their businesses better, and build the capacity of the artisan groups they work with.

**Do you see this helping producers find more local markets, so they are not so dependent on export markets?**

We hope that any of the skills we help producers develop will help them in the local market as well as the export market. In the long run, we want to add in sustainability principles, making them better businesses from social and environmental perspectives. Perhaps there is a way we can help them build a brand locally for their products and services. There might be something that we've learned about brand-building in the US that could be applied, I don't know.

**Do you think there is any potential for handicrafts producers selling direct from their own countries?**

Based on our experience, certainly traditional trading channels, using several intermediaries, each taking inventory risk at each stage, and therefore having to mark up the products that they do sell, with greater and greater amounts, and of course inventory sits in warehouses will all the associated costs – all of that is horribly inefficient. Everyone is speculating on the end consumer demand.

So anything one can do to eliminate that is great. One can bring prices way down, if the consumer is ready to take that leap of faith. But the consumer polls I have seen, still rate security of personal information and credit card numbers, as being the number one reason consumers don't buy on-line. So consumers are much more likely to trust putting that information with a US brand that they know, rather than someone they don't know.

On top of that, the timeliness of delivery of the product is key. Most Internet shoppers are shopping at the last moment for a gift item. So if you cannot deliver in three to five days, they're not interested, it doesn't meet their needs. So that means that someone has to speculate on the demand of the end consumer. Someone has to hold at least a minimal amount of inventory in the US. Although there are some delivery options, such as by DHL, the cost tends to be prohibitive for one-off items.

The last problem with the model is handling returns. Consumers want to know they can return a product, which does not meet their expectations, without much hassle. Especially if they are ordering from a catalogue or on-line and they haven't touched the product yet. If it doesn't meet their expectations, they don't want to go through a lot of hassle to get their money back and to return the product. So this has implications not only for a trading partner trying to reach US consumers, but for e-commerce-only companies here in the US that are trying to make a brand for themselves. They do not have a physical store that consumers can stop at on the way home from work to return a product, or exchange it for another one. The target market for the direct consumer play, you have to find a very narrow band of end consumers who are risk takers. Maybe they have travelled in a country extensively, and they have seen the product in local markets, so they know what to expect, and they know that the price is good, and are willing to take the risk on their credit card.

### 9.3.3 Surendra Shahi, Trading Partner Liaison, PEOPLink, USA

PEOPLink, a non-profit organisation founded in 1996, was one of the first to develop an e-commerce site dedicated to promoting and selling fairly traded craft goods from around the world. Their site ([www.peoplink.org](http://www.peoplink.org)) showcases products from over 100 producer groups in 30 countries. While sales of products to US consumers have been disappointingly low, PEOPLink, perhaps more than any other craft organisation, have raised the profile of using the Internet for trade among artisans in the developing world.

Since 1996 they have conducted numerous workshops and training in digital imaging: enabling producer groups to digitally photograph stock, create simple web pages, and upload images to the Internet. While many IFAT producers display their products through the PEOPLink web site, some have gone on to develop their own web sites and on-line branding and identity.

While the expectations of producers for increased sales over the Internet have not been met to date, the use of digital imaging has made significant improvements in liaising with existing buyers, speeding up the development of new products, and enabling producers to distribute product information to buyers both more quickly and more cheaply than was possible previously (most smaller artisan groups typically send a catalogue of actual photographs of new products by post to key buyers: which is relatively expensive and time-consuming<sup>85</sup>).

Surendra Shahi was formerly Director of Mahaguthi Handicrafts in Kathmandu, Nepal, who work with 150 Nepalese producer groups, representing 1,000 artisans. He has been seconded to PEOPLink for 18 months to develop links with producer groups, and PEOPLink's new second-generation CatGen software, which enables producers to create and publish their own catalogues of craft goods on-line, which is currently under development.

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**Surendra, I understand that before you came to work for PEOPLink in the US, you were part of the Mahaguthi handicrafts producer group in Nepal and received training in digital skills from PEOPLink. How did that benefit you?**

Daniel Salcedo of PEOPLink visited Nepal in 1998 and gave us a presentation on how a web site and e-commerce could help us. Immediately after that visit we had an IFAT (International Federation for Alternative Trade) workshop, with some basic training modules. We were taught how to set up a simple web page, which was so exciting.

We slowly began to get into more in-depth e-commerce stuff, and finally we learned how to take digital images, edit them, and send them to some of our buyers. That was the first thing we did. The immediate benefit was the speed in making marketing

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<sup>85</sup> For an example of the cost savings offered by the use of digital imaging and email, see the report on the workshop with Indian producers in Chapter 5.1.

approaches, sending pictures to buyers, and getting some feedback after only one or two days. That was so exciting. We were able to do the same thing with producers, who got feedback very quickly. So it was much easier to develop new products.

All the time whatever we were developing as new products, were not selling in the market. We needed feedback from buyers: sometimes the design is not right; sometimes the colour is not right. So with digital images we can develop better products, send them to buyers right away; and get feedback in the shortest possible time. That is the biggest advantage, speeding up our communications system, which is very important in marketing.

### **What did you do before you used digital images to communicate with buyers?**

We would take ordinary photos, process them, and send them by mail, which would take around three weeks. It would then take another one or two weeks to get feedback. So it would take us at least one month to get feedback on a product. Sometimes we would use fax, which is only black and white, so it would not give an exact specification of the product. So using digital images has reduced the time and cost, definitely. Digital imaging is so cheap, you can take a hundred pictures a day on one floppy disc.

### **Have buyers responded well to digital images?**

Yes. Quite often the major buyers, who were familiar with digital imaging, they responded well. But some buyers are hesitant, so it is a time to educate both producers and buyers about this kind of technology.

My experience is that some European buyers lag behind buyers in the USA, so perhaps we need to do some training in Europe. When we had email in Nepal, many buyers in Europe did not have email. So we need to help both to use digital imaging. Sometimes people are afraid of viruses, so we need to look at that.

### **How exactly did you send the digital images from Nepal?**

From Nepal we would send jpeg images, 260 x 230 pixels, postcard size. This would be a small attachment of around 10k, so not very big. Usually we would send five or ten photographs at a time.

### **Did you find the quality of those jpegs was high enough for buyers to use?**

Yes. We used a high quality Sony Mavica digital camera, which until now has been the best for us. It has fine and high-quality settings, and saves the photographs straight to a standard floppy disc. We also published the photos on our web site, so if buyers did not want to receive them as attachments, they could just go to our web site. We updated our products every three to six months, and would email our buyers to tell them we had new products they could see.

We found that perhaps 25 per cent of our buyers actually looked at our web site, the rest did not. So quite a lot of our buyers were not used to using the web.

In Nepal, because wage costs are relatively low, we employed one person full-time to take digital photographs and to work on our web site. Maybe in Europe this is not possible and too expensive.

**Who are Mahaguthi's buyers?**

90 per cent are Alternative Trading Organisations, IFAT members, mostly in Europe.

**Did you find that, using digital images, the feedback you got from buyers was helpful?**

Yes, of course. They would say 'we need this colour, or that colour'. So we would talk about colour, design, specifications, many things. So it helped our product development a lot.

**Did this lead to increased sales?**

Until 1998, when Mahaguthi starting using digital images, our annual growth rate of exports had been around 8-10 per cent. After that it was 30-40 per cent. Using digital imaging was a big component in improving our product development. Some buyers in the USA placed orders directly through the web site.

**Did you find new buyers that you had not had contact with before?**

A few, yes, perhaps two or three. We're still not ready for taking orders directly on-line. The web site gives you a catalogue view, it's not an on-line purchasing system.

**So your web site is aimed primarily at buyers who already know you?**

Yes. When we have new products, we usually send a letter to our buyers, asking them to visit our web site. Some visit and send us comments. So perhaps out of 50, we have two or three who visit and send us an order. We also used to get a lot of comments on other information on our web site, such as our annual report. We also got quite a lot of volunteers, American interns, who came to us after looking at the web site. Recently we had one Japanese lady from Vermont, who saw our web site, and was then motivated to come and work for us. We have had at least three or four volunteers in the last year. We didn't actually ask for volunteers, but they expressed an interest, and we said: 'OK, please come and work with us'.

So the web site has not only generated some business, but also PR as well. I think there is also potential in the future to sell directly to the end-consumer, and maybe make more money from that.

**Most ATOs charge a mark up of around four to six times the cost of products to cover their own costs. Do you think there is the potential for producers to sell some of their goods, perhaps just a limited range, directly to consumers?**

It is possible. We need both. We need middle people to handle products as well as producers trying to do this directly. Some things we couldn't really sell directly, like big ceramic pots. You would need someone to handle it properly in the middle, before

reaching the final consumer. The product will differentiate your activities. This is where PEOPLink's development of CatGen is remarkable.

The ultimate aim of CatGen is to help producers sell direct, but this is probably four or five years away. The immediate benefit of CatGen is to simplify what PEOPLink is already doing, so it can be used by someone with very little technical training, and without requiring their own web site. On our existing system, products have to be entered separately, and you need to know a little about html tags.

The CatGen software can be downloaded from the web site ([www.catgen.org](http://www.catgen.org)) and then used to create a web site and catalogue. The software will automatically crop photos to the right size when uploading. You can set everything up offline first, and then upload in a few minutes. Internet access can quite expensive for producers, who are mostly charged per minute, so this should be more cost-effective.

The second objective of CatGen is to be a catalogue generator, on-line, which can be uploaded, but also can be printed off as a catalogue offline. It could be used, say, to print 20 catalogues from a colour printer. A buyer could also access the catalogue on-line and print a catalogue themselves, if they have the password. They could also print straight from the web site.

With CatGen we are also working on a 'knowledge broker' concept. That is where any organisation, or any person around the world, can become a knowledge broker. That means that a producer group, which has contacts with different producers in their area, can recommend different groups to buyers. They can say 'we know this organisation, they are a fair trade group, they treat their producers well, and so on'. So they can recommend them to buyers.

**So this would be a facility where a third party could give a recommendation in terms of their ethics or quality?**

Then the supplier could pay a commission on the sale, or something like that. This would work for IFAT perfectly, because then IFAT could narrow down recommendations amongst their members. CatGen can also specify the product line, not just the organisation. We are launching the first phase of CatGen in the next couple of weeks (end March 2001), and we are planning a second phase with shopping cart facility, payment processing, for example by credit card. We are investigating this at the moment, which has to be suitable for developing countries. We want to find a secure system with low rates, and which is fast to use. So we are negotiating at the moment.

**When a customer makes a purchase, how will you distribute the money to producers?**

We want to develop a clearing house system, which is part of our second phase, where maybe PEOPLink could monitor the payments. While I am here, this is what I am studying.

We still have a long way to go before producers can sell directly to the final consumer, which may take several years. So for example we are investigating if local

organisations could consolidate shipments. These are various possibilities which we are exploring. We haven't come up with that solution yet. That's why I am here.

Our ultimate goal is that CatGen can be used by producers to sell directly, and that they would get a greater share of the sale.