CAPE
CRAFT&DESIGN
INSTITUTE

Die Kaapse Instituut vir Handwerk & Ontwerp
IZiko Lasekapa Lobuchule Nobugcisa
**Room 2.413, Administration Building, Cape Technikon,**
**P O Box 652, Cape Town, 8000.**
**Tel: 27 (0)21 460-3982**
**Fax: 27 (0)21 460-3553**
**E-mail: ccdi@ctech.ac.za**

# Strategic Recommendations for the Development of the Craft Industry in the Western Cape

*Discussion Guide*

*Prepared for the*
*Cape Craft & Design Institute*
*By Kaiser Associates*

*CCDI Report No 5/2003*

**July 2003**

***Catherine Wijnberg***
**Export Project Manager**
Cape Craft & Design Institute

# TABLE OF CONTENTS

# 1 INTRODUCTION

## *1.1 Purpose of this document*

This document is a discussion guide to facilitate a focused approach in the planned workshop with key role players in considering strategic recommendations for the development of the Western Cape Crafts Sector. Based on the input received through the workshop and other interactions, Kaiser Associates will refine this document to produce a final set of high-level strategic recommendations for the sector.

The document analyses issues that have emerged through the research process, proposes some potential interventions and raises some key questions that need to be debated by role players.

## *1.2 Overall scope of the project*

The scope of the research has, at this point, been limited to two selected sub-sectors within the craft industry, as well as selected export markets. The research focuses on the **fashion jewellery and accessories**, and the **home textiles/soft furnishings** sub-sectors of the Western Cape Craft Sector. Two of the major export markets that were investigated for export opportunities were the **United States** (home textiles/soft furnishings only) and the **United Kingdom** (fashion jewellery/accessories and home textiles/soft furnishings).

Kaiser Associates has prepared two further documents, which have provided the basis for the recommendations set out in this document:

1) **Industry Analysis** – an overview of the barriers to development and issues faced by the local industry. This was derived from interviews with stakeholders and roleplayers, as well as through workshops conducted with a cross-section of manufacturers.
2) **Exporters Manuals** – an in-depth analysis on the dynamics of each target market in relation to each of the product groups, as well as market-specific considerations to ensure successful export experience (including tariff barriers, technical standards and competitor analysis).

As the scope of the research has been limited to these two sub-sectors, it should be noted that the recommendations cannot be regarded as reflecting the entire sector. In order to develop a comprehensive developmental strategy for the entire sector it would be critical to get an understanding of the dynamics in each sub-sector and the sector as a whole.

# 2 KEY STRATEGIC ISSUES

## *2.1 Overall questions relating to the development of the sector*

In order to achieve an export-competitive sector in the Western Cape that generates growth and employment, the following strategic questions will need to be addressed:

- How can the Western Cape craft sector be positioned as an export-competitive industry within the national craft environment?
- What remedies are available to eliminate barriers in the supply chain?
- What are the priority areas to focus on within the enabling environment to improve the sector's competitiveness?
- Who will be responsible for aligning all the role players, stakeholders, service providers, other industry sectors and any additional initiatives towards creating an export-oriented craft industry?

## *2.2 What is the profile of Western Cape crafters, and what is the role of support structures in relation to different organisation types within this profile?*

The Western Cape craft sector is highly diverse, in terms of product groupings, company size and, most importantly for this exercise, degree of development/export-readiness. Kaiser Associates has developed the matrix below to assist in the process of designing interventions that address each of the varying development needs of the different organisations within the sector:

| **Export Status →** / **Type of Organisation ↓** | **Already exporting** | **Export-ready** | **Requiring developme nt to export** | **Not able to or interested in exporting** |
|---|---|---|---|---|
| **Commercially-driven enterprises** | | | | |
| **Organisations with "blended" objectives** | | | | |
| **Developmental/ community-oriented organisations** | | | | |

In addition to craft producers, trading agents and intermediaries are key craft exporters, and need to be included in the export development strategy.

**Some examples of challenges identified by organisation type (there is some overlap between the issue within each part of the "matrix"):**

| Export Status → / Type of Organisation ↓ | ***Already exporting*** | ***Ready to export/ products export ready*** | ***Require significant development and assistance*** |
|---|---|---|---|
| Business-oriented | - Product development time<br>- Inconsistent supply of quality raw material<br>- Seasonal forecasting<br>- Irregularity of orders | - Finding a niche market<br>- Expensive packaging<br>- Winter stock-build-up<br>- Positioning and market penetration | |
| Developmental with a business blend/approach | - Inadequate feedback and market research<br>- Technology to enhance output capacity<br>- Production management and quality maintenance<br>- Pricing for export market e.g. currency conversion | - Access to export market information and resources<br>- Administrative equipment such as telephones, faxes and computers<br>- Awareness of export regulations and trade agreement | - Lack of business and communication skills<br>- Trade formalities such as business registration<br>- Financial assistance |
| Community development-oriented | - Quality issues<br>- Logistics<br>- Technology<br>- Fair Trade | - Access to list of support structures<br>- Local market penetration<br>- Platform to display and exhibit their work | - Physically isolated<br>- Vulnerable to exploitation<br>- No idea of where to get assistance |

***Examples of challenges related to intermediaries and agents:***

| **Well established** | **Emerging** |
|---|---|
| • Production punctuality<br>• Rand vs. dollar fluctuations<br>• No comprehensive database for emerging crafters<br>• Inconsistency of high quality products<br>• Competition from cheap African imports | • Limited exposure to international market trends<br>• Identifying a niche market<br>• Market penetration<br>• Awareness of export regulations and trade agreements<br>• Competitive pricing<br>• Low-end to middle-end market already saturated<br>• Administration facilities<br>• Training and mentorship |

**Key questions to consider:**

- How will the full current profile and future orientation of each crafter in the Western Cape be determined (building on the work conducted in the two sub-sectors by Kaiser Associates, and the wider database development exercise by the CCDI)?
- Which types of organisations should be prioritised in the short, medium and long-term?
- What types of support should be prioritised for each of the types of crafters within this profile in the short, medium & longterm?
- What should the balance be between getting the industry "geared up" to access the domestic market versus the export market?
- Should businesses showing the potential for exporting be fast tracked and those that are 'way behind the game' be part of a different development initiative aimed at improving local market access?
- Does industry want 'quick-wins' and concentrate on firstly developing only specific sub-sectors that are traditionally strong in the Western Cape, or should there be a market-led approach to identifying high opportunity hand-crafted product clusters?

### *2.3 Which export development approach should be utilised?*

In order to develop an effective export development strategy for the Western Cape craft sector, agreement is required on:

1. the desired future structure of the crafts sector
2. the order of priority of stakeholder objectives (e.g. increased employment, growth in volumes produced, industry formalisation, enhanced contribution to poverty alleviation, enterprise development, or celebrating cultural heritage).

The balance between these various objectives is different in the approaches set out below. Each approach is also likely to benefit each type of organisation within the craft sector profile unevenly (e.g. established exporters, export-ready organisations, producers requiring significant development)(*see matrix in Section 2.2*):

Examples of five development priorities are outlined below:

a. ***Growing exports of existing individual exporters:***
   - **Focus of interventions**: to address obstacles to growth of producers that are already competitive on some products in some markets
   - **Advantages**: likely to have relatively rapid growth because the sector is already quite competitive, significant return on investment, opportunity to grow employment
   - **Disadvantages**: may perpetuate current unequal profile of producers and lack of empowerment, disadvantage emerging producers, limited opportunity to tap into wide diversity of producers and entrepreneurial spirit, less dispersion to outlying urban and rural areas

*b.* ***Growing the number of individual exporting enterprises:***

- **Focus of interventions:** to move existing producers into exporting successfully, or develop new enterprises - requires addressing both barriers to enterprise development and barriers to successful exporting
- **Advantages**: likely to have wide reach and long term impact, improve empowerment profile of sector and stimulate small business growth and formalisation of industry
- **Disadvantages**: significant investment required by support structures in assessing level of “export-readiness” and delivering support, slower growth in short-term, possibly higher failure rate

*c.* ***Growing indirect exports:***

- **Focus of interventions:** to develop existing and new intermediaries and trading houses to enable significant export growth - requires identification of appropriate intermediaries, definition of their most appropriate role/s, mentoring and training, enabling access to government and other export support and support to producers in product development and understanding the role of intermediaries (to avoid exploitation and reduce misplaced suspicions)
- **Advantages**: significant reach for limited effort/investment, enable exports by far wider range of producers (particularly those that would rather not/do not have capacity to be involved in administration, management and logistics of exporting), facilitate coherent approach to market access and targeting of buyers, creates opportunity for consolidation and coordination of production, logistics, marketing etc.
- **Disadvantages**: potentially less “empowering” as can create dependent relationship between crafters and intermediaries, transfer of “ownership” and intellectual property (and risk in many cases) to intermediaries.

*d.* ***Growing collaborative/group exports:***

- **Focus of interventions:** to encourage the development of clusters or export groups; o address economies of scale and gaps in capacity by collaborative exports by groups of producers that retain control of strategy and implementation, share skills, create synergies and pull in additional resources/support where not available internally
- **Advantages**: potentially large reach including small and micro-enterprises, enables clustering of design styles/craft techniques and product types, craft producers retain ownership and relative independence, builds on collaborative legacy of the sector, creates opportunity for consolidation and coordination of production, logistics, marketing etc.

- **Disadvantages**: requires trust between members of collaborative export groups, significant investment required by support structures to initiate

***e. "Piggy-backing" on mainstream established exporters:***

- **Focus of interventions:** to partner with established exporters within the crafts sector or related industry sectors (in terms of materials used, product type or buyer type) to grow related crafts exports (e.g. cushion covers with the bedding industry, or tie-backs with the curtain manufacturers).
- **Advantages:** requires less significant investment and may show rapid results, builds on established relationships with buyers, would enable efficient marketing and clustering of products
- **Disadvantages**: unlikely to reach whole of craft sector, dependent on cooperation, strategic objectives and "goodwill" of established exporters and related sectors

It is likely that some combination of the above approaches will be most valuable. It should, however, be recognised that not all craft producers and exporters in the sector will have the same view. Some crafters will make their own choices irrespective of the decisions by support structures.

**Key questions to consider:**

- What is the most appropriate balance between the above approaches? and what are the trade-offs of these choices?
- What are the resource and mandate implications of this choice?
- How might this shift over time, as the industry matures?

### *2.4 How does the export development drive relate to wider market access issues, including meeting requirements of the domestic market?*

Central to the strategic vision of developing this sector is the question of the relative balance of resources invested to enhance local market access and "import substitution" versus targeted export expansion. A fully comprehensive sector development strategy should aim to address both of these important areas.

Manufacturers that are not in a position to export, or choose to not export, need mechanisms in place to facilitate and foster greater access to local markets. The potential for establishing craft 'hubs' or creating more opportunities to showcase local manufacturers needs investigating.

"Export readiness" assessments need to be easily accessible to potential exporters before they begin to invest in exporting. Additionally, a formal industry representative body or export council should provide the support to ensure there is follow-through on initiatives aimed at export promotion.

**Key questions to consider:**

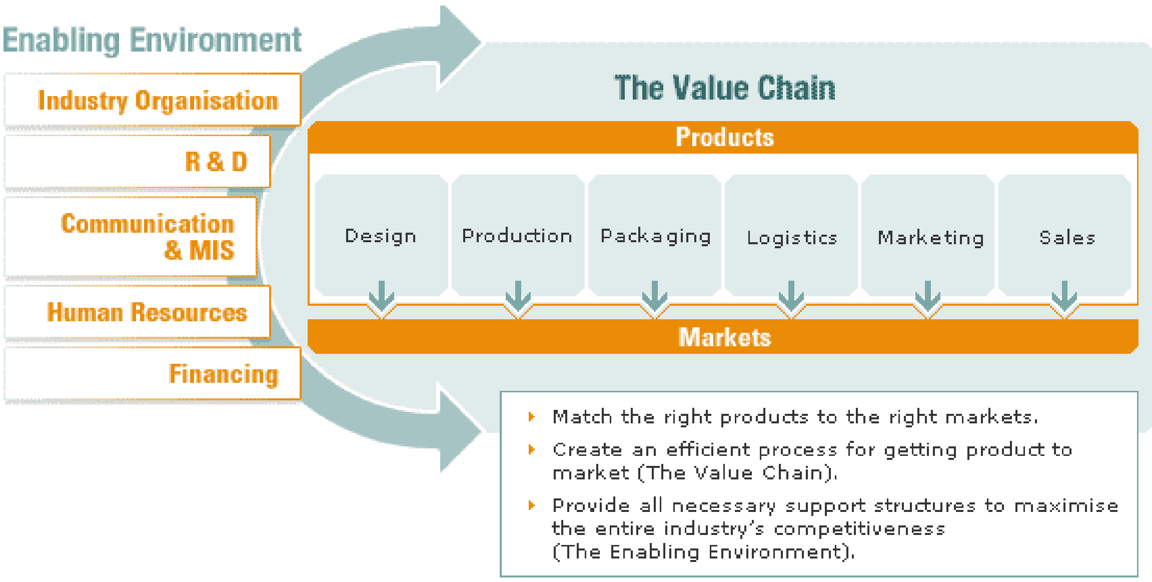
- What is the future of the domestic crafts market? What opportunities for growth does it offer?
- What is the relative importance of domestic and export market access for the development of the Western Cape crafts sector?
- How can domestic and export market development initiatives improve the sustainability of craft producers, and maximise the benefit of investments by role players?

# SPECIFIC AREAS OF INTERVENTION

In order to improve competitiveness across the crafts sector, it is critical to firstly identify and investigate specific key performance areas. The following issues have emerged from reports, industry workshops and interviews with craft producers, interactions with roleplayers providing support to the crafts sector and the application of Kaiser Associates' experience with other industry development strategies.

- **Value chain** issues – relating to the process of identifying products and markets, and getting a product to a market
- **Enabling environment** issues – relating to the wider operating environment and support structures

Kaiser Associates has applied and adapted its export development model to the unique context of the crafts sector in the Western Cape.




Each issue is addressed in the following way:

- An assessment of the current situation and perceived problem is provided (situational analysis)
- Possible interventions are proposed (with potential role players in brackets)
- Key decision points or areas for discussion are set out

# 3 VALUE CHAIN RELATED ISSUES

## *3.1 Product identification*

*Situational analysis*

- There is Insufficient appropriate market research. As a result,crafters are not exposed to product trends within different markets
- There is currently no structured mechanism to assist less established crafters to identify which products are suited to which export markets,
    - Often leads to inaccurate matching of products with buyers in particular markets
- There are some inappropriate assumptions amongst new or potential exporters that product demand in export markets is a simple extension of domestic or tourist/curio demand
- There are inadequate feedback mechanisms/channels to encourage constructive criticism to local crafters in order to assist with:
    - Product development
    - Alignment with export market requirements and preferences
- Aspects of the pilot export development programme (e.g. trends analysis) are a step towards addressing this issue

*Proposed interventions*

- Access for crafters to databases of product demand profiles, media resources or service providers providing information on product demand trends (CCDI/TISA)
    - Service provided for different markets
    - Funding required to maintain subscriptions
- Facilitation of market demand assessment/trend application workshops, (on a seasonal basis), to disseminate product information to all segments of the industry (CCDI) *(see also design & R&D section)*
    - Workshops might be specific to each sub-sector/product group within the larger industry
- Providing consulting service/advice to industry groups on request to assist in product identification and development (CCDI)
- Facilitation of outbound missions for crafters/representatives to develop an understanding of product profiles, trends and requirements

*Key discussion/decision points*

- Should regular market research be conducted at a provincial or national level in future? If conducted at a provincial level, how can maximum value be accrued to the country as a whole?
- What resources can be made available for widespread facilitation with Western Cape crafters to understand and interpret product demand trends?
- Who will be responsible for gathering, maintaining & distributing this market research information? Who will be responsible for educating/ training producers?

### 3.2 Market identification

*Situational analysis*

- The identification of the most appropriate and high opportunity export markets for local producers to target has been a weakness, which the current CCDI market research begins to address
- Market identification in the past has tended to be ad hoc or based on existing relationships, and mechanisms have not been available to gather and share this (limited) market intelligence
- Crafters are unaware which “niche” markets are demanding their merchandise
- Little is understood about the levels of competition in these markets
- There is no established mechanism to keep market information up-to-date and comprehensive

*Proposed interventions*

- Direct research on each market possessing a high opportunity or showing potential for South African exports, performed by support structures, (ideally at a national level in order to be more cost-effective i.e.TISA)
- Provision of regular updates to industry on product-market opportunities (CCDI)
- Assistance to crafters in understanding what market research is required, and how best to conduct market research (for markets that have not been prioritised for research by CCDI/TISA)
- Additional resources for specific research to support the craft industry in identifying the most appropriate product-market combinations (CCDI)
- Use should be made of existing South African trade and promotion resources as an additional source of market information (CCDI/Wesgro/TISA, foreign trade representatives)

*Key discussion/decision points*

- Which other markets should be prioritised for further research?
- How can this market research be systematised and made sustainable, and where can the required resources be secured?

### *3.3 Materials supply*

*Situational analysis*

- The key obstacles in relation to materials supply are **cost**, **quality** and **reliability**
- Perceptions are that these hurdles are related to three major factors:
    1. Market dominance by suppliers who are perceived to be exploitative. Prices escalate unreasonably, and ranges are discontinued without warning or proper consultation
    2. Inability of smaller producers to buy at wholesale prices
    3. Over-reliance on imports for specific materials (e.g. beads, natural vegetable dyed leather)
- Specific quality, cost and reliability issues have been experienced with the following materials:
    - Glass beads (cost of Czech beads quality of Eastern beads)
    - Beading thread
    - Spacers
    - Naturally tanned/vegetable dyed leather (perceptions are that majority of local leather production goes for leather produced for automotive industry)
    - Mohair (quality of dying and spinning are not reliable)
- There is currently no overarching structure in place (locally, or a point of contact in foreign markets) for the crafters to pursue collective buying of raw materials to secure discounts and guaranteed delivery times
- These materials supply issues are a major impediment to accepting orders (especially large orders) as delivery dates and matching exact product specifications cannot be guaranteed, thereby tarnishing the image of the local crafters

*Proposed interventions*

- Establishment of collective purchasing mechanism, or alternative mechanism to improve bargaining power of craft producers, e.g.
    - “Industry-wide” purchasing forum to enable collective purchasing
    - Negotiation of set price for members of CCDI/“industry association”
    - Purchasing through trading agents/trade house/s
    - Facilitation of purchasing through wholesalers rather than retailers
- In addition, the possibility of improving the availability, quality, technical specifications and cost of locally produced materials should be explored with existing/potential producers of these materials e.g. leather, mohair, glass beads, fabric, metal clasps/spacers/safety pins

*Key discussion/decision points*

Who should drive the initiatives to address materials supply?
Should any efforts be made to localise supply chains?

### *3.4 Production*

Situational analysis

- The craft sector is still strongly segmented along racial lines, and relatively few African and Coloured people are involved at a senior management level in medium to large scale craft production in the Western Cape
- Orders are not regular and it is therefore difficult to maintain fully-fledged production lines, resulting in significant contract employment
- Many crafters are unaware of the quality requirements and technical standards in particular export markets (e.g. in the US buyers view the necklace clips used by the majority of SA crafters as inferior and unable to adapt to a large range of neck sizes)
- Numerous roleplayers concur that production management and maintenance of quality are key constraints in addition to lack of supply of consistent high quality raw materials
- There is a lack of technological equipment to facilitate innovation and enhance output capacity
- Working conditions and organisational practices are one key element of fair trade practices, which are not consistently met by Western Cape crafters
- In some markets, fully handcrafted items from the Western Cape may not be price competitive, but limited links between handcrafters and mass producers currently exist

Proposed interventions

- Establish database of technical standards and quality requirements in specific export markets (CCDI/the dti/TISA)
- Extend the assistance provided to improve production planning and production management (CapeMac/other), including training (*see also training/HRD section*)
- Extend awareness of fair trade requirements and provide assistance to meet these requirements
- Exploration of further development of generic/product-specific certification of handcrafted items with SABS/SANS
- Use of intermediaries and/or mentoring
- Explore collaboration with mass producers (e.g. home textiles - establish dialogue with large exporters and home textiles CMT operations, such as the one in Mitchell's Plain)
- Explore investments in appropriate technologies to improve production quality and/or efficiency
- *See also Training/HRD and Design/Technology/R&D sections*

Key discussion/decision points

In which cases should in-house production management capacity be developed, and in which cases should external assistance be provided?
How can the production base best be extended to become more representative and integrated?

### *3.5 Packaging & Labelling*

*Situational analysis*
- Consumers often buy a story when purchasing products, and the packaging can make the story explicit
- Crafters need to differentiate themselves on quality which could be assisted by making use of innovative packaging
- Many export markets encourage the use of recycled materials or materials with a low environmental impact in packaging
- Particular buyers in export markets may have specific packaging requirements e.g. some volume importers in EU, will request that product be supplied in a Eurocard packaged format, or an exclusive retailer will expect a high quality packaged finish
- Issues exist around the difficulty of securing cost-effective short runs of cardboard packaging materials from local suppliers

*Proposed interventions*
- Centralised database of labelling requirements at market-specific level and establishment of mechanisms to disseminated to industry (CCDI/TISA, with SANS)
- Linkages between packaging and industry brand development
- Exploration with key packaging producers (e.g. Nampak) of lower cost, recycled and standardised packaging for Western Cape crafters (CCDI/City of Cape Town/Provincial government/JMI)
- In addition, explore possibilities of hand-crafted packaging, in particular for high-end products
- The possibility of co-labelling should be assessed for local suppliers producing products under the buyers' brands in foreign markets. This is common practice by Fair Trade organisations that allow their suppliers to attach their label alongside the Fair Trade label to acknowledge the suppliers and promote their brand in line with products.

*Key discussion/decision points*
Who should drive the initiatives around packaging, and how can these be funded?
- Should a "standard" or "branded" packaging be developed for Western Cape craft exporters, or a cluster of products from the Western Cape, or national crafters?

### *3.6 Logistics*

*Situational analysis*

- Most rural producers are physically isolated from the markets and this often makes it difficult to get products to markets and for them to access information / training.
- Poor public transport hinders the participation of emerging crafters
- Emerging crafters are unaware of all the formalities involved with exporting, and in some cases the volumes are too small to generate sufficient profits
- Crafters exporting find it costly to bring back unsold merchandise from foreign markets
- The Cape Trade Guide being developed by the City of Cape Town will include easily accessible information on logistics options; the City has also developed consolidated information on support organisations and service providers

*Proposed interventions*

- Ensure members of the crafts industry have access to the Cape Trade Guide and are assisted to interpret it e.g. training workshops using the Guide as a starting point
- Explore alternatives for improved efficiency and consolidation of logistics:
    - Pooling by producers/ “product bundling”
    - Role of intermediaries/agents
    - Potential role of trade house/s
- Investigate specific partnerships to improve logistics from rural areas e.g. explore partnerships with Post Office/create linkages to distribution services of SAB/Amalgamated Beverage Industries
- The feasibility of shared warehousing in priority export markets should be evaluated (TISA)

*Key discussion/decision points*

How can the existing and planned intermediary structures be utilised to minimise logistical obstacles to exports (e.g. trading houses)?

- What balance should be sought between encouraging direct vs. indirect exports across the various organisation types within the crafts industry profile?

### *3.7 Product marketing (see also industry-wide marketing)*

*Situational analysis*

- In general, crafters have a lack of business and marketing skills and those that have little marketing experience quickly lose interest after unsuccessful marketing attempts
- Producers are often so caught up in the cycle of 'produce and sell' that they do not have time to conduct marketing; many have no interest in moving into a marketing role
- Many within the industry do not have the capital to fund marketing initiatives and only a few producers are able to produce their own promotional material and market themselves
- Crafters who do on an individual basis, or have attempted to, market their products in foreign markets have found it to be very expensive (e.g. cost associated of producing and shipping samples). However, some feel that direct experience is still the best way to understand the market and be exposed to it
- The marketing/market research support from **the dti** is perceived by many craft producers and intermediaries as inaccessible, inefficient and unstrategic, while some crafters are not even aware of the services and assistance available to them from the department
- There is no trade show/fair that is solely dedicated to promote the craft industry in South Africa, as it is always incorporated as an add-on to other trade related activities, or part of highly commercial fairs which may not be accessible to smaller crafters (e.g. cost of participating in Decorex is beyond the means of many crafters)
- Perceptions are that there is no coherent support to expose emerging producers to foreign buyers on their purchasing trips
- *Soft furnishings/homeware*: The texture of the product is key to the purchasing decision, and being able to "touch and feel" the product is therefore a vital part of marketing

*Proposed interventions*

- Detailed information should be gathered on which Western Cape crafters have the capacity to market themselves (or are interested in developing these skills and resources in-house) and which are not able, or would prefer that marketing is dealt with by a service provider/intermediary
- Where crafters wish to build in-house marketing resources, training and support should be provided
- Explore appointment of dedicated marketing agent/s that could be utilised as service providers by crafters where not appropriate to conduct marketing in-house
- Explore ways to reduce cost of getting samples to buyers in cases where the "look and feel is vital" e.g. consolidation of logistics for samples/storage of limited number of samples within each priority market (*see also shared warehouse proposal under logistics*)
- An in-depth 'two-way exchange' between TISA and Western Cape crafters should be established:

  - TISA to raise awareness of EMIA services and accept feedback from the sector to help improve export-support offerings
  - Crafters to voice experiences (negative and positive) of EMIA, and understand when TISA support most appropriate
- Centralised information on the most relevant marketing channels for product clusters and target buyers should be gathered and made available to the industry (e.g. priority trade shows, online catalogues)
- Consider establishment of overall craft or sub-sectoral showcases/trade shows that are accessible to the majority of the industry

*Key discussion/decision points*
How should support for individual marketing relate to the development of an overall crafts brand?
Should a crafts-only trade show be developed in South Africa OR
Should handcrafted items be made more prominent in existing trade shows, and support given to make participation made more accessible to small and emerging crafters?

### 3.8 Pricing

*Situational analysis*

- In general, local manufacturers cannot compete on price with many competitor exporters to target markets, including other African craft producers, China, India and other Asian producers

Based on the market research performed in both the United States and the United Kingdom, it is clear that the low ends of the both markets are dominated by imports from the Far East. South African manufacturers/exporters will have a higher probability of success if they compete in the medium to high end of the markets.

- Currency fluctuations may complicate the task of pricing appropriately
- Crafters at times have problems pricing their products competitively in foreign currencies to get the maximum benefit through pricing, and many emerging crafters are unsure of how to perform currency conversions
- Mark-up practices vary greatly between types of buyers in export markets, leading to some confusions amongst exporters about the price they can ask for their product relative to the retail price
- Many crafters do not have the skills and resources to develop and co-ordinate proactive sales efforts, and are insufficiently informed about average mark-ups within various export supply chains

*Proposed interventions*

- Benchmarked product costs (competitor imports, wholesale and retail) should be researched, regularly updated, and made available to craft producers in a searchable format (CCDI/TISA) that is very clear on product specification and buyer types (possibly accompanied by images)
- Education of craft producers on mark-up practices, pricing strategies, and currency conversions/risk management
- Facilitate identification of cost inefficiencies in supply chains so as to improve competitiveness and create greater scope for appropriate role of intermediaries

*Key discussion/decision points*

What mechanism would be most suitable to maintain up-to-date information on pricing in each priority market and mark-up averages by buyer type?

# 4 ENABLING ENVIRONMENT RELATED ISSUES

The enabling environment recommendations identify the support needed to ensure that, over and above the value chain improvements for specific craft producers, the industry is encouraged to improve its overall competitiveness and develop in a sustainable manner.

### *4.1 Industry organisation and coordination*

*Situational analysis*

- Fragmented and diverse nature of the industry, characterised by poor coordination across the industry.
    - Improving these may just be a key lever to strategically addressing the other challenges facing the sector
- The informal nature of much of the industry inhibits access to government support and effective export-related management (e.g. company registration, tax compliance, keeping financial and production records)
- The Cape Craft Forum is the only "industry association" mechanism, and no formal industry association exists
- The geographical spread and limited resources of craft producers make it difficult to meet physically in one group
- Insufficient linkages between national and provincial strategies and organisations
- While there is a willingness to become more collaborative, there is insufficient facilitation of this process. Existing "hubs" in the Cape are not viewed as highly successful e.g.
    - Red Shed at the Waterfront (high rental, high percentage of revenue goes to Red Shed operators, very long trading hours)
    - African Art Factory at the old City Hospital (no agreed rules of participation, cultural diversity not fully considered particularly in relation to training, some conflict between collaborative and individual relationships)
- Some crafters feel that they are "paraded" or "put on display" when a show of crafts are required at events, and the importance of the industry is given lip service by national officials, rather than being taken seriously as producers that need to be competitive, make a living and grow
- Greater insight is required into the desired development path of organisations within the crafts industry
    - Which are growth-oriented, export oriented?
    - Which wish to expand product or market range?
    - Which want to maintain their current size and activities and are keen to grow?

There are insufficient linkages to related industry sectors where the possibility of joint initiatives could benefit the craft sector e.g. tourism, textiles, footwear and leather, furniture, jewellery, ceramics

*Proposed interventions*

- Detailed profiling of craft producers, intermediaries and their current status and future plans (product ranges, export activity, skills audit)
- A more formal industry association should be developed, with a hub/network structure that takes the geographical dispersion and limited resources of the crafts sector into account
- Mechanism to provide guidance to craft producers on the most appropriate formalisation route (*see also legal and regulatory issues*)
- Explore alternative approaches for industry collaboration (physical production hubs, export marketing groups, shared display facilities etc.) and identify resources to drive implementation of the preferred approach
- Initiate coherent contact with related sectors to explore opportunities for collaboration
- Create greater coordination mechanisms between provinces, and to national level

*Key discussion/decision points*

- How will the role of CCDI as service provider and conduit for contact with the crafts industry interact with a representative industry structure in future?
- What can be done to improve linkages to other provinces and the national strategy, and what are the responsibilities of the dti, Dept. of Arts and Culture, and provincial departments within this?
- How can existing “hubs” be improved to be more effective, reach more of the industry, and meet their needs more effectively?

### *4.2 Communication and information dissemination*

*Situational analysis*

- There are a number of different initiatives that are running in the local industry, however not all the crafters are aware of the activities and at times feel left out and disillusioned with the progress in the industry
- There is a general consensus that **the dti** and the Department of Arts and Culture are not sufficiently visible to the industry; some crafters felt that the only way to be heard and taken seriously is to physically go to Pretoria and seek out officials
- Crafters are unaware of the export regulations, trade agreements (e.g. AGOA), etc. and require a point of contact/source of assistance on different export-related issues

*Proposed interventions*

- Create forum for national government officials to meet/be visible to Western Cape crafters (e.g. annual workshop, agreed contact point, provincial “representative” to interface with government)
- Identification of most suitable communication channels to reach various organisations across the spectrum of the Western Cape crafts sector (i.e. who can be reached by websites/emails/newsletters/workshops?)
- Create mechanisms for information sharing between national and provincial levels (potential role of CCDI website)

*Key discussion/decision points*

What is the best way to improve accessibility of government officials?
Can local or provincial government resources be use more effectively to reach crafters in rural/outlying areas and keep them informed and linked into industry initiatives?

### *4.3 Design application, trends analysis, technology (see also product identification, training and communication)*

*Situational analysis*

- There is high quality design and "style interpretation" talent in South Africa, but they are not always matched with the appropriate producers

There is widespread agreement that the ability to be creative, innovate and provide "fresh" design styles is a key competitive edge for Western Cape craft However, there is inadequate market research and feedback to drive product development and innovation, and insufficient exposure to international design and fashion trends;

This is starting to be addressed by the trends analysis workshops

- Often the approach to design style has been over simplified, focusing on "ethnic" design, rather finding a fresh, differentiated style which may or may not have an essentially "South African" feel

A move toward producing high volumes can result in a lack of creativity and innovative product development as the commercial focus becomes the priority and producers focus on meeting immediate orders

- Limited resources have been invested in technology application and the development of new materials for use by the crafts sector (e.g. specialised textiles, natural fibres, new bead types)

*Proposed interventions*

- Extension and institutionalisation of trend analysis programme
- Design partnership/exchange programme with related industries and tertiary institutions
- "Twinning" programme between design talents and crafts producers to spark innovation and build expertise
- Develop mechanisms to identify design/stylist talent and develop further, and be incorporated into mainstream production activities
- Partnership with CSIR to assist in the development of new materials and technology applications, e.g. recycling technology, new metal compounds for use in jewellery production, machine washable natural fibres

*Key discussion/decision points*

How can additional resources be secured to extend the work of the CCDI and other support structures around design and trends interpretation?

- Where cultural heritage is utilised in design style, what is the "official position" on "authenticity" and non-exploitative use of collective intellectual property, versus interpretation into commercial and functional designs?
- How can appropriate technology be made available to the widest possible cross-section of the industry?

### *4.4 Industry-wide marketing*

*Situational analysis*
Lack of dedicated and coordinated effort or a campaign to market the local industry both nationally and internationally

- No clear brand as yet for Cape Crafts to distinguish it from other South African products and competitor producing countries
- Ideas raised in industry and role players workshops around the potential brand identity included associations with high quality, fresh/functional/contemporary application of diverse design heritage

Opportunities exist to add value through links into both national branding (e.g. Proudly South African, Brand SA) and regional (e.g. Joint Marketing Initiative) branding initiatives
The markets investigated through this initial research demonstrate a strong reliance on established brands, designer labels and prestigious private label/own brands in the mid- to high end of the market

*Proposed interventions*

- Evaluate the positive spin-offs of creating a unified brand that will be exclusive to the Western Cape Craft Sector versus stronger linkages to national brand (*see also packaging and labelling section*)
- National (or provincial) pavilions should be strategically selected and prepared for to ensure maximum benefits (e.g. New York International Gift Fair, Birmingham Spring Fair)
- Explore feasibility of part-time or full-time representative of provincial/ national crafts in target markets
- Explore creating a comprehensive Western Cape Craft Catalogue/ Directory (online or hard copy)

All the available marketing channels need to be fully exploited to increase the exposure of the craft sector, for example aligning with the promotional activities of the Western Cape Province Tourism Department, embassies, Convention Centre
Explore the possibilities of negotiating production by Western Cape crafters for suitable designer labels/established brands

*Key discussion/decision points*
What is the most appropriate brand positioning, given the requirements of mid- to high end markets and the vision of Western Cape crafts?
How can a Western Cape crafts brand best interact with the design styles of established crafts exporters from the province?

### *4.5 Training and human resource development (business and technical)*

*Situational analysis*

There is a lack of training in the basics of business management and support offered to emerging crafters, and limited assistance offered to craft entrepreneurs in area of mentoring and business development

- Crafters are unaware of the available alternatives to upgrade/improve their skill sets to be in a position to interpret market trends and run their business optimally

There is insufficient training to enable local production of handcrafted input materials (e.g. paper and wooden beads, mohair farming and yarn production)

- The profile of those holding skills and conducting the training has, in some cases, led to some language barriers and a lack of cultural sensitivity
- There is significant scope for the SETA to play a key role, and the pilot projects currently underway (including with Montebello) are likely to fine-tune this potential contribution

It is vital that training and HRD programmes also focus on building a cadre of skilled intermediaries, as many crafters do not want to develop the technical, business or export administration skills themselves, but would rather focus on their core interest in production and design.

*Proposed interventions*

- Extract lessons from pilot export development programme and apply to future training
- Ensure strategic input is provided into SETA programmes while lessons are being learned from pilot phases
- Secure additional resources to expand training
- An audit should be performed on the business skill requirements demanded by the industry to ensure that targeted skill enhancement takes place (CCDI)
- Provide training in business management, project leadership and organisational dynamics to improve the effectiveness and consistency of production management and quality control
- Training of trainers to ensure availability of skilled trainers in dominant languages spoken in the Western Cape (English, Xhosa, Afrikaans)
- Extend training where appropriate to various aspects of the value chain, including production of input materials

*Key discussion/decision points*

How can language and cultural issues best be overcome in training?
What can be done to ensure that training reaches crafters across the province, not just those located close to the metropolitan area?

### *4.6 Financing*

*Situational analysis*

Lack of funding, access to start-up capital or input/marketing finance, and funding to establish collaborative ventures is stifling the growth of industry

- Most producers don't have the cash flow to fund exploration of export opportunities and view exporting as an extremely intensive process and high risk
- It is perceived by crafters that banks avoid interacting with this industry and crafters have to seek alternatives to securing finance/capital
- Bridging finance or advance payments from buyers are important to many smaller producers
    - Many opportunities to produce for export orders have been turned down or failed as there was insufficient capital to purchase the required materials
- Support organisations have sometimes facilitated access to finance before the development of successful products, with a result that many of these interventions did not have a sustainable impact
- In some cases, it is necessary to improve the financial management and record-keeping of craft enterprises in order to improve their attractiveness to financiers

*Proposed interventions*

- Examine criteria for funding (e.g. Khula, the dti, Umsobomvu), identify criteria that do not reflect the unique dynamics of the crafts sector, and lobby for changes where required (*see also legislation and regulation*)
- Improve awareness of alternative funding mechanisms and relative merits and disadvantages
- Assist producers to become more formalised and "credit-worthy"
- Explore possible mechanisms to improve likelihood of producers receiving down payments or bridging finance (e.g. negotiations through trade houses)

*Key discussion/decision points*

What additional support can be provided to Western Cape crafts to make them more credit worthy?

Should improved access to finance be driven at a provincial or national level?

### *4.7 Legislation and regulation*

*Situational analysis*

- Protection of intellectual property, in particular collectively-held intellectual property, is insufficient
- Some industry members feel that the official definitions of SMMEs and cooperatives used by government (particularly in relation to requirements and thresholds to receive support) do not fit well with the organisational structures within the crafts industry (e.g. definitions of formal enterprises, turnover and employee thresholds)
- There is a lack of clarity about the most appropriate “vehicle” for formalisation of crafts organisations e.g. Section 21/CC/Company/ cooperative.
- Regulation of travel (e.g. delays in issuing of visas) can be a stumbling block to a successful export marketing trip

*Proposed interventions*

- Explore realistic mechanisms to protect collective intellectual property, in partnership with CIPRO division of **the dti**
- Establish mechanism to provide advice to craft producers on merits of different approaches to registration as a legal entity/formalisation (*see also industry organisation section*)
- Where required, advocate changes to the definitions/criteria used by support structures in relation to organisations from the craft sector (e.g. minimum/maximum turnover or employment)
- Keep industry members up to date on progress with cooperatives legislation (the Co-operatives Bill is expected to be tabled in Parliament in August and therefore will only result in potential changes for the industry by the end of the 2003)

*Key discussion/decision points*

As these issues are likely to be ones that face some craft producers in all provinces, how can they be taken up at a national level?

# 5 WAY FORWARD

Following the role players' workshop and debates around the issues raised in this discussion guide, Kaiser Associates will develop a document capturing high-level strategic recommendations

These strategic recommendations will need to be tested against any further research conducted in other sub-sectors. They will also need to validated as other processes underway in the Western Cape crafts sector unfold.

Once this validation has taken place, further work will need to be done to:
- Confirm the vision for the Western Cape crafts sector
- Prioritise key interventions
- Determine the resource implications and resource gaps
- Allocate responsibilities to role players
- Develop an implementation schedule/roll-out plan