

E-commerce options for Third World craft producers

Final technical report

DFID Knowledge and Research Project R7792



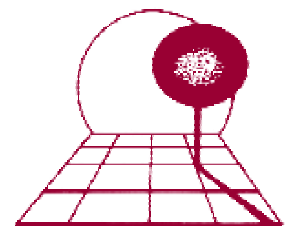
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1 Executive Summary

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

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

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

1.1 Overview

Craft production and fair trade crafts

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

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

E-commerce and E-business

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

E-commerce and craft production

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

1.2 Barriers to B2C e-commerce

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

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

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

Digital photographs are not colour accurate

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

Consumers expect high service standards

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

Trusting the company/brand

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

Financial security

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

Personal data

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

1.3 Poverty focus

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

1.4 B2B (business to business opportunities)

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

Key recommendations:

On-line catalogues

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

Design

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

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

Email

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

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

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

Multimedia

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

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

Market information

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

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

1.5 Future opportunities

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

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

KEY RECOMMENDATIONS TO EMPOWER PRODUCER GROUPS

The key recommendations to empower producer group are therefore:-

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

2 Introduction

2.1 Aims of the research project

E-commerce options for craft producers is a research project funded by the UK Government Department for International Development (DFID).

The study is being conducted during August 2000-March 2002 to determine if and how craft producers in less developed countries can take advantage of the Internet and e-commerce to sell their goods and so benefit their families and communities.

There has been much hype and exaggerated claims regarding the Internet and its likely impact on all our lives. Recent history has shown that while some companies and organisations have successfully created new ways of working and conducting business, many companies to date have found that e-commerce, for a variety of reasons, has failed to deliver actual sales of their products or services in any significant quantity. Even the largest and best known Internet companies, such as the bookseller and general trader Amazon (www.amazon.com) and the portal Yahoo! (www.yahoo.com) have yet to make a profit.¹

Given this background, the study looked at both new business opportunities created by the Internet for craft producers, as well as how Internet and related technology can enhance existing supply chains, making key stages more efficient.

2.2 Methodology

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

¹ For the first three months of 2002, Yahoo reported a net loss of \$53.7m (£37.4m), its sixth straight quarter of losses. BBC News report April 10 2002. See: http://news.bbc.co.uk/low/english/business/newsid_1922000/1922246.stm. Amazon lost \$23 million in the period Jan-March 2002 (compared with a loss of \$234 million in the same quarter in 2001). BBC News report April 23 2002. See: http://news.bbc.co.uk/hi/english/business/newsid_1947000/1947069.stm.

The research plan allowed producers to feedback at key stages. The research intended to be enabling of these groups, and aimed to present options to empower them with appropriate and locally-owned technology.

The project followed the following timetable:

Literature survey	Sept - Nov 2000
Collaborative setting of terms of reference	Sept – Dec 2000
Research and interviews with key US/UK organisations ATOs (Alternative Trading Organisations)	Oct 2000 – Mar 2001 Visit Mar 4-13
Consultation/workshops 1 with collaborators and producer groups in India and Bangladesh	April – May 2001
Collaborators survey producers India: research email options Bangladesh: research design options	May – October 2001
Workshop at IFAT (International Federation for Alternative Trade) conference, Tanzania to present draft options	June 2001
Consultation/workshops 2 for dissemination with collaborators and producer groups in India and Bangladesh. Dissemination of final report.	Sept 2001 – March 2002

Figure 1 Research project timetable

The first consultation/workshops in India and Bangladesh were conducted with a representative sample of individual artisans to gather producers own perceptions of the Internet and e-commerce, and their business needs. As part of the consultations, focus groups were used for producers to map out their own business activities and models, as a way of capturing how they perceived the Internet could bring benefits to them. The details of this process are recorded in section 5.

3 Collaborators

3.1 ASHA Handicrafts (India)

ASHA Handicrafts is an Indian Alternative Trading Organisation (ATO) which markets handicrafts from over 36 producer groups (representing some 820 individual artisans, plus their families). Established in 1975, it is based in Mumbai (formerly Bombay), and has an estimated turnover of \$624,000 (2000/01). ASHA sells a very small proportion of products locally – but this is not a profitable activity. The organisation employs 30 staff (9 women and 21 men).



Sales figures since 1997/98 are as follows:

	1997/98	1998/99	1999/00	2000/01
exports	\$317,600	\$432,200	\$425,273	\$615,620
local sales	\$10,600	\$7,600	\$8,344	\$8,504

Figure 2 ASHA Handicrafts sales 1997/98-2000/01

ASHA is primarily focused on exports (local sales accounting for less than 2% of total sales). Currently 60% of exports are to the USA.

They are a member of IFAT (the International Federation for Alternative Trade), and describe themselves as being committed to the following values:

- Transparency or openness about business practices.
- Ethical and effective work places.
- Equal employment opportunities.
- Concern for people and environment.
- Education and advocacy of fair trade.

As part of their support for artisans, ASHA makes advance payments from its own working capital to artisan groups to help them purchase raw materials

ASHA exports a range of handicraft products:

Textiles	Handloom, Block printed home furnishing
Wood	Small gift items useful in homes and offices; toys, and furniture made from Sesham wood, Haldu wood, Mango wood
Leather	Embroidered bags, spectacle cases, chair backs, embossed coin purse wallets made from buff leather, nappa leather wallets and bags etc
Ceramic	Vases, candle holders soap dishes
Stone	Boxes, candle holders, animals, photo frames, card holders, penholders
Brass	Vases, candle stands, bangles, boxes with horn inlay and Dokra animals. Copper bowls and boxes.
Jewellery	Necklaces, earrings finger rings, bracelets etc made with semi-precious stones, silver and German silver
Musical	Variety of folk musical instruments of India. Instruments mainly made with wood/ bamboo.

Textiles and wooden products represent 40% of their total turnover.

ASHA's mission is to preserve traditional regional Indian craft skills, by buying products from all over India for the export market. Migration of labour from rural to urban areas in India has threatened traditional village industries, such as craft production. ASHA believes that by helping to promote and develop small businesses in rural areas, it is helping to prevent rural families being pulled to the cities, where they are likely to join the growing number of landless slum-dwellers. Thus they would describe their business activities as having a focus on alleviate poverty.

They recognise too that a significant number of the individual artisans who make the goods they purchase are women (in 2000, 187 of the 795 artisans purchased from were women); and that the extra income this provides to families helps them to survive. ASHA say they are committed to equal opportunities, and that female artisans are paid the same piece rates as males.

ASHA exports to a number of European and US fair trade organisations, including 10,000 Villages (USA); Tearcraft (UK); Oxfam Trading (Australia); Caritas (Switzerland). They are also one of the trading partners listed by PEOPLink (USA), though have sold very little via their e-commerce site to date.

They provide a range of services to both overseas buyers and local producers, recovering the cost of these by marking up products sold on to buyers. These services, as described by ASHA, include:

For overseas buyers:

1. Locating Indian crafts made by producers who are paying fair wages to the artisans.
2. Follow up with the producer groups to ensure timely deliveries.
3. Quality assurance of crafts exported.
4. Repackaging with appropriate packing for air/sea consignments.
5. Consolidating shipments from different producers thus saving on their freight and handling costs.
6. Craft information to help promote their products abroad.
7. Liaison between clients speaking foreign languages such as Dutch, Spanish, Italian, French, German and English, and craftsmen who speak different Indian languages.

Services to artisans:

1. Marketing support for their products.
2. Advice on reaching and maintaining quality standards.
3. Inputs on systems of administration such as costing of products, personnel policies etc.
4. Guidelines to practice fair trade.
5. Product development and design inputs with certain materials.
6. Financial support by way of advance.
7. Market information.
8. Improvement of working conditions.
9. Financial aid for education and medical expenses.
10. Grants to better producer organisations, family groups and master craftsmen.

ASHA, which means ‘hope’ in Sanskrit, also has a team of regionally-based welfare workers who help producers develop their small businesses, and could also provide needy artisans and their families with medical help and educational grants irrespective of caste or creed.

A national co-ordinator supervises the work of the welfare workers, visiting the workshops of producers around India. *‘As a fair trade organisation, we are equally concerned about the working conditions of our craftsmen. We have begun a program to improve the working conditions in our producers’ premises. We have targeted wood workers in Saharanpur and stone workers in Agra, since there is lot of dust particles, by providing them face masks and vacuum cleaners.’*

‘We have installed fire extinguishers in the premises of many of our producers to make them safe from accidental fire. We hope to complete many more in phases. Another project is to provide pure and safe drinking water for the craftsmen at their place of work.’²

3.1.1 ICT and E-commerce experience

For the purposes of this study, we define ICT (Information and Communication Technology) to include a broad range of electronic and computer-based communications. We primarily focus on the use of the Internet, email, computer and network systems, e-commerce applications, as well as the use of digital media (eg for photography, video, audio etc).

Two staff members have received training locally in digital imaging, and how to use PEOPLink’s new catalogue generating software CatGen (www.catgen.com), which ASHA believes will be of significant benefit to them (see section 9.1.2).

Although this is still under development, they are hopeful this will enable them to create a simple catalogue of products which can be used for promotion to buyers on and off-line, which will be easy for them to update regularly. However in common with a number of producers we spoke to during the course of this project, they were concerned about illegal copying of their designs by both other artisans locally, and by commercial companies in China and the Far East. For this reason ASHA plans to display only a selected range of merchandise publicly, preferring to deal directly with known buyers.

ASHA have a web site (as part of the PEOPLink web site), but are considering developing their own separate web site, using the independently registered domain name www.ashahandicrafts.org. They would like to develop their ability to communicate the stories of individual producers and their products for marketing purposes, and see the Internet (and possibly an email newsletter) as being a suitable vehicle for this.

² Overview of ASHA Handicrafts, presentation supplied by Director Lucas Caldeira, 2000.

At the same time they are wary of investing time and money from their limited resources on a web site which has so far delivered few tangible returns. Director Lucas Caldeira has previously investigated advertising through the Hong Kong company Global Sources Ltd (www.globalsources.com, see section 9.1.8), which runs a number of business to business (B2B) vertical portals (including sites dedicated to a number of handicrafts and giftware categories, such as: ceramics and porcelain, furniture and furnishings, kitchen and tableware, bags and footwear etc). Global Sources also have a site dedicated to Indian sources (www.indiasources.com), and claim to have over 300,000 active buying members worldwide (January 2002).³

Lucas Caldeira has heard positive reports from local contacts, indicating that advertising has led to substantial new business. However he estimates that advertising through the Global Sources B2B site would cost around \$9,000 per year, which the organisation cannot currently risk.

Most of ASHA's producers can be contacted by telephone or fax (the smaller groups using the facilities of a neighbour, or local bureaus). Although ASHA themselves use email extensively to liaise with buyers and organisations in Europe and the USA, none of their producers had email at the start of this research project. During the course of the project at least five producers set up their own personal email addresses.

ASHA's web site can be found at:

http://www.peoplink.org/scripts/web_store/web_store.cgi?page=./products/in/ah/index_frames.htm&cart_id=312309.22387

	
28 Suren Road, Andheri (E), Bombay 400093 India. Contact: Lucas Caldeira Tel: 91-22-8301884, 91-22-8325516, 91-2-2-8235404 Fax: 91-22-8391603 E-mail: partner@bom3.vsnl.net.in	
Producer Groups	Asha Handicrafts serves many producer groups from all regions of India, concentrated in the states of Uttar Pradesh, Gujarat, Maharashtra and Andhra Pradesh.
Agha Handicraft Products: Paper Machie Agha Handicrafts is a group of artisans which came into existence as a result of centuries of great grand fathers who were also in the same business of manufacturing paper mache crafts.	 <p>PAPIER MACHE DECORATIONS</p>
Amina Enterprises Products: carved seshamwood lamp stand, plate stand, brass inlaid incense holder, letter rack jali, and letter rack brass inlaid. This is a cooperative society registered under Cooperative Act 1860 having 18 members.	 <p>SESHAMWOOD TOWEL HOLDER</p>

³ See section 9.1.8.

3.2 HEED Handicrafts (Bangladesh)

HEED Handicrafts was set up in 1978 with the aim of creating jobs and employment for poor and marginalised people, specialising in handicrafts production, using locally available resources. They support the activities of more than 400 producer groups, representing around 12,000 beneficiaries. It is a project of the national ngo HEED Bangladesh, and achieved sales in 2000/01 of \$509,000).



HEED Handicrafts operates as a self-financing project, accountable to HEED Bangladesh's Board of Directors, supported by an Advisory Committee.

Sales breakdown for the past four years is as follows (converted at \$1=56 Bangladeshi Taka).

	1997/98	1998/99	1999/00	2000/01
exports	Tk 22274750 \$464,057	Tk27701979 \$554,039	Tk21,066,238 \$376,200	Tk 19057228 \$340,307
local sales (Shetuli)	Tk 12172716 \$ 253,598	Tk9807063 \$207,200	Tk7,280,000 \$145,600	Tk 9462885 \$ 168,980
gross profit	Tk1,397,000 \$29,104	Tk2807800 \$56,156	Tk1,137,009 \$22,740	Tk 1130434 \$20,186

Figure 3 HEED Handicrafts sales 1997/98-2000/01

HEED Handicrafts currently exports to 50 buyers in 14 countries, mostly to Alternative Trading Organisations (ATOs) in Europe and the USA. The UK is their biggest buyer (sales of \$163,529 in 1999/2000), followed by the USA (\$70,592) and the Netherlands (\$70,566). Generally speaking, HEED Handicrafts say that 60% of their sales are exports; 40% local sales.

HEED Handicrafts run five retail shops in Dhaka under the *Shetuli* brand, one of which (the most profitable) is located in the luxury 5 star Sonargaon Pan Pacific Hotel.

The 1999/2000 HEED Bangladesh report notes that local sales by HEED Handicrafts through their chain of 5 *Shetuli* shops were adversely affected by the major floods of 1998, the increasing number of *Hartal* (general strikes), and strong local competition, such that local sales decreased by 30% compared to the previous year. This year also saw increased one-off costs as offices and workshops were relocated to be under one roof in Tongi; a move which it is hoped will reduce operational costs by at least 20 per cent.⁴

The organisation describes its main purposes as being to:

- organise and supervise effective production centres in which producers get fair wages and which are responsive enough to meet the demands of overseas buyers

⁴ HEED Bangladesh Annual Report July 1999-June 2000.

- market and promote the products of producers in the local and overseas markets to increase sales and ultimately create employment in crafts and cottage industries
- help research and support new products and skill development, to expand the range of producers' quality products
- help producers' communities through welfare services

HEED Handicrafts has its own production centre, employing more than 100 artisans, who work on tailoring and embroidery, handloom textiles and straw art. Otherwise they purchase products from external producers, sometimes giving assistance with product design and small business consultancy. Producer groups may be independent co-operatives, groups linked with ngos, family groups and commercial enterprises.

HEED Handicrafts employs their own team of designers who work with producers to develop products for the export market. In fact 90% of export items are designed by HEED themselves in response to their own market information of handicraft buying trends in Europe and the USA. For perhaps 10% of export products, the design is initiated by the overseas buyer (who may send drawings or designs; or possibly just photographs or magazine cuttings showing items similar to the desired product). Although HEED uses the traditional designs of local artists in the local market; these products are never used for export.

3.2.1 ICT and E-commerce experience

HEED Handicrafts is a trading partner of PEOPLink in the USA, but has sold very little products through their web site to date. They have also developed their own web site, under their own domain name: www.heedbangladesh.org. This includes a section on HEED Handicrafts, giving background history, contact information, details of producers and types of handicrafts. The site includes a catalogue of current products (with description, dimension and product code) – but does not give any illustrations or photographs.

On our visit in May 2001 we noted that the web site then included only photographs and details of old stock from the previous season. HEED Handicrafts say this is because they are concerned that unscrupulous competitors will copy their designs, and gave several examples of how this has happened to them and other craft producers in the past. Since this was also raised by a number of participants during the e-commerce options workshop presentation at the IFAT conference in June 2001 (see section 9.6), this fear would seem to be a significant barrier to the public promotion of craft goods using the Internet. HEED and others however say they would be happy to promote their goods using a catalogue or web pages accessed by know customers and buyers using a password protected site. The new CatGen software from PEOPLink allows password protection (see section 9.1.2).



While HEED Handicrafts began by promoting their products on the PEOPLink site, they have developed their own site at: <http://www.heedbangladesh.org/handicrafts/home.htm>.

4 Overview of handicrafts and e-commerce

The handicrafts market in the UK, Europe and globally covers a range of different sectors. Thus artisans (whether describing themselves as exponents of fair trade or otherwise) may produce hand-crafted or hand-finished products which fall into a number of commonly identified market sectors:⁵

Sector	Examples	UK Market (2001 est)
Giftware:		
Toys and games	Children's' wooden puzzles, Jigsaws Traditional toys and board games	£2,020m
Jewellery, watches and silverware	Earrings, necklaces, pendants Solid-silver and silver-plated ornamental ware and tableware	£1,865m
Ceramics	Traditional pottery Domestic tableware (eg dinner services)	£828m
Glassware	Hand-blown glass Glass ornaments, vases, figurines etc	£230m
Small leather goods	Wallets, purses, handbags, bags etc	£26m
Total Giftware:		£4,969m
Home Furnishings:		
Window Dressings	Ready-made curtains, accessories, blinds (fabric, wood, plastic, bamboo)	£1,790m
Bedding	Duvet covers, sheets, pillowcases, blankets etc	£1,580m
Bathroom textiles	Towels, bath mats etc	£580m
Cushions & covers	Cushions and covers	£250m
Table linen	Tablecloths, napkins etc	£40m
Total Home Furnishings:		£4,240m
Total giftware and furnishings		£9,209m

Figure 4 Handicrafts UK market sectors (est. 2001)

⁵ These are the sectors used by Key Note Ltd (UK) in their range of market reports.

In addition handicraft products also fall into other sectors such as furniture, garden furniture, perfumes and cosmetics, clothing and miscellaneous items such as candles.

Key Note estimates that the UK markets for giftware and home furnishings will grow over 2001 to 2005 as follows:

	2001	2002	2003	2004	2005
Toys and games	2,020	2,070	2,130	2,190	2,245
Jewellery, watches and silverware	1,865	1,950	2,000	2,045	2,095
Ceramics	828	832	840	850	860
Glassware	230	235	241	247	252
Small leather goods	26	27	28	28	28
Total	4,969	5,114	5,239	5,360	5,480
<i>% change year-on-year</i>	3.9	2.9	2.4	2.3	2.2

Figure 5 Forecast giftware market by sector by value (£m at retail selling prices) 2001-2005

Source: Giftware 2001 Market Report, Key Note Ltd.

	2001	2002	2003	2004	2005
Window dressings	1,790	1,870	1,960	2,050	2,145
Bedding	1,580	1,640	1,700	1,765	1,832
Bathroom textiles	580	594	605	611	616
Cushions and covers	250	255	258	262	265
Table linen	40	41	42	42	42
Total	4,240	4,400	4,565	4,730	4,900
<i>% change year-on-year</i>	4.1	3.8	3.8	3.6	3.6

Figure 6 Forecast total UK market for home furnishings by sector by value at current prices (£m retail selling prices), 2001-2005

Source: Home Furnishings 2001, Key Note Ltd.

Overseas Trade Statistics show that £1,807.4 million of Giftware items and £379.7 million of Home Furnishings were imported to the UK from outside the EU in 1999.

Furniture (as itemised below) accounted for £645.4 million imports from outside the EU. In many cases the main exporters were less developed countries.

Sector	Intra-EU	Extra-EU	Total
Giftware (1999)			
Toys ⁶	151.1	744.3	895.8
Jewellery	222.8	817.8	1040.6
China & Earthenware ⁷	112.3	172.5	284.8
Glassware	95.4	57.4	152.8
Fancy leather goods ⁸	3.5	15.4	18.9
Total Giftware:	585.1	1807.4	2392.9
Furniture (1999)			
Chairs (including cane and bamboo) ⁹	254.6	180.5	435.1
Other wooden furniture	126.6	275.6	402.2
Metal furniture	57.9	105.9	163.8
Wooden bedroom furniture	50.5	63.5	114
Furniture of other materials (inc bamboo)	4.2	19.9	27.3
Total Furniture:	493.8	645.4	1142.4
Home Furnishings (2000)			
Bedding ¹⁰	56.9	183.8	240.7
Table linen ¹¹	3.1	18.2	21.3
Toilet & Kitchen linen	29.5	96.4	125.9
Curtains & blinds ¹²	14	55.6	69.6
Other furnishing articles	3.1	25.7	28.8
Total Home Furnishings:	106.6	379.7	486.3
Total imports	1185.5	2832.5	4021.6

Figure 7 UK Handicraft imports by value (£m)

Source: Overseas Trade Statistics/Key Note

⁶ China, Hong Kong and Indonesia were the main non-EU exporters of traditional toys to the UK in 1999. *Giftware 2001*, Key Note.

⁷ Principle non-EU exporters include the US, China, Japan, Thailand, Taiwan, Hong Kong, Vietnam and Malaysia. *Giftware 2001*, Key Note.

⁸ The main non-EU sources of small leather goods were Thailand and China. *Giftware 2001*, Key Note.

⁹ Indonesia was a principle exporter of chairs in 1999, especially cane and bamboo, and wooden-framed chairs. *Household Furniture 2000*, Key Note.

¹⁰ India, the US, China and South Korea were the main importers of blankets into the UK. Almost 69% of the value of imported bedspreads from outside the EC was attributable to India. Other main sources of bed linen include Egypt, Pakistan, China, Bangladesh and Turkey. *Home Furnishings 2001*, Key Note.

¹¹ Egypt, India, China and Croatia were the main non-EC suppliers of table linen. *Home Furnishings 2001*, Key Note.

¹² Pakistan was the largest exporter of curtains to the UK, accounting for over 38% of the value of imports from outside the EC. *Home Furnishings 2001 Market Report*, Key Note

In analysing the global market for Giftware, Key Note draws attention to the US, German and Italian markets.

- 2001 is estimated to be the hardest year for retail sales in the **USA** since 1991. Sales of traditional toys represent over 75% of the total US toy industry, worth some \$29.9bn in 1999. Imports of toys in 1999 were valued at over \$14.6bn.
- **Germany**, with a population of 82 million, is the largest market in Europe for giftware, with a value of \$16bn. Imports, particularly from China and the US, are increasing. *‘It is anticipated that Germany will become, if it is not already, the European market leader when it comes to buying over the Internet.’* Favourite gift items for women are said to include perfume and cosmetics, jewellery and watches, leatherware and china; while men favour jewellery, watches and gourmet food.
- **Italy** is notable for having over 100,000 of its own handicrafts producers, many run by single craftsmen, in central and northern Italy, especially Tuscany. Domestic Italian demand for giftware is recovering after a recession that has lasted since the 1990s. Retailers sell around a billion gift items each year to consumers buying, on average, 20 gifts each. As in Germany, women tend to buy more items, but men will spend more.

From the perspective of Third World exporters, revenues from handicrafts can be significant. For example, in 1999/2000 India earned \$1.68 bn in handicraft exports, including carpets.¹³ Handicrafts exports from India grew overall by 12% between 1998/99 and 1999/00, with some sectors, such as embroidered and crocheted goods, growing by 31%.

The general view of crafts and giftware is therefore that the markets are increasing at a relatively steady rate and hold reasonable prospects for growth in the future.

¹³ Ministry of Textiles *Annual Report 2000/01*, Government of India
http://texmin.nic.in/annualrep/ar01_c09.html . See Appendix 9.4.1 for export figures by sector for 1993-2000.

4.1 Overview of fair trade handicrafts

The fair trade craft movement began to take off in the late 1960s and throughout the 1970s, combining a growing number of Southern producer organisations, and Northern importers, wholesalers and specialist shops (described as ‘World Shops’). These have been joined since 1988 by a number of fair trade labelling initiatives.

The four types of fair trade organisations play different roles in the supply chain between producers (artisans) and end consumers in the North.

Producers make a wide variety of handicrafts (including basketry, glassware, jewellery, musical instruments, textiles, wooden products etc) for export. Some also cultivate food products such as coffee, tea, cocoa, spices etc.

Exporting and importing organisations buy from producers, paying a ‘fair price’. Importers may offer other supporting services: giving advice on product development (perhaps by providing consultancy from a Northern designer), providing skill or management training; or offering financial support (as grants or advance payments for goods in to help cash flow). Exporters then tend to sell to an importing ATO. HEED and ASHA are examples of intermediary exporting organisations.

Importers market their products via specialised retail shops (‘World Shops’), through local groups and representatives, and in some cases by mail order catalogue. Many also use other channels such as supermarkets, retail chains, gift shops, organic and whole food shops etc.

EFTA estimates that fair trade products (mainly food) are available in 43,000 supermarkets throughout Europe. Many importers have their own campaigns to raise the profile of fair trade and to lobby for changes in international trade. EFTA identifies more than 100 fair trade importing organisations in Europe, with four having an annual turnover exceeding €10m: Gepa (Germany: €29.8m), Fair Trade Organisatie (Netherlands: €15.9m), Traidcraft (UK: €12.4m) and Oxfam Fair Trade (UK: €10.7m).

Oxfam (UK), for example, founded in 1943, first began marketing handicrafts from the South in 1964 as part of their Bridge programme, which became the Oxfam Fair Trade Company in 1996. In the early 1980s Oxfam was selling more than £1 million of products via their mail order catalogue. They continue to sell handicrafts today through their network of 850 charity shops in the UK, of which 320 stock fair trade products. Handicrafts today represent 70% of the turnover of the Oxfam Fair Trade Company¹⁴ (turnover £8.8 million in 2000). However, Oxfam announced during the time of this study that they would dramatically change the way they source their crafts.

¹⁴ Fair Trade in Europe 2001, EFTA p’59 http://www.eftafairtrade.org/pdf/FT_f&f_2001.pdf

World Shops specialise in fair trade products, and act as sources of local information. Most are run by local associations of dedicated people, with volunteers doing most of the work (an estimated 100,000 in Europe in 2000). In most countries World Shops are represented by national associations. There are more than 2,700 World Shops in Europe, with estimated sales of over €92m (2000).

Fair trade labelling organisations have been developed since 1988. They aim to expand the market for fair trade goods by bringing them into mainstream channels such as supermarkets. There are labelling initiatives in 14 European countries, with sales under fair trade labels totalling €210m (mainly food products).

Fair trade has been defined by FINE, a consortium of the four major European fair trade networks¹⁵ as follows:

- **Fair trade is an alternative approach to conventional international trade. It is a trading partnership which aims for sustainable development of excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.**

The goals of fair trade, say FINE, are:

1. **To improve the livelihoods and well being of producers by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship.**
2. **To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process.**
3. **To raise awareness among consumers of the negative effects on producers of international trade so that they can exercise their purchasing power positively**
4. **To set an example of partnership in trade through dialogue, transparency and respect.**
5. **To campaign for changes in the rules and practice of conventional international trade.**
6. **To protect human rights by promoting social justice, sound environmental practice and economic security.**¹⁶

¹⁵ FINE represents FLO International (Fair trade Labelling Organisations), IFAT (International Federation for Alternative Trade), NEWS! (Network of European World Shops) and EFTA (European Fair Trade Association).

¹⁶ FINE April 1999, as reported in *Fair Trade in Europe 2001*, EFTA

EFTA, the European Fair Trade Association, estimates that the total fair trade market in the UK was worth €69.6 million (euros) in 2000/01 (£43 million); and for Europe in excess of €260 million (£161 million). These figures include all fair trade products (both crafts and food products) sold through all alternative channels and supermarkets¹⁷. Although EFTA do not provide separate detailed figures for fair trade crafts, they estimate that non-food items are likely to represent half of the total fair trade sales.

Thus fair trade products represent a very small proportion of the overall market for handicrafts. In the UK alone, estimated fair trade craft sales of £21.5m currently represent just 0.2% of the total UK market for giftware and home furnishings (£9,209m).

Fairly-traded food products have been more successful at establishing a larger share of the market in some European countries. *‘Although most figures still fall far short of the supposed market potential, they do reflect the future challenge for fair trade – the challenge of “going mainstream”.*’ EFTA estimates, for example, that fair trade labelled coffee has achieved a market share in 2000 of 1.5% in the UK, 2.7% in Netherlands and 3.0% in Switzerland, with fair trade labelled bananas achieving a 15.0% market share in Switzerland.

As specific sales data from Traidcraft indicates (see section 9.1.7), sales of fair trade food products are growing, whereas sales of crafts are generally static or in decline. Thus Oxfam Fair Trade Company has announced that as from the end of 2001 it will stop sourcing handicrafts directly from its current 18 producer groups, instead preferring to buy indirectly from importers such as Traidcraft. In a presentation to producers at the IFAT conference in Tanzania in June 2001, Oxfam reported that their fair trade craft business had *‘never broken even’*, and was an increasing cost to Oxfam (over £3 million in 2000).¹⁸

Organisations such as IFAT have themselves noted that fair trade importers helped to create the market for imported hand-made crafts throughout the 1970s and into the 1980s, but since then have found it hard to compete with commercial companies who are able to buy in significantly greater quantities, and with lower overheads and distribution costs. Third World producers who are committed as part of their fair trade criteria to paying wages above market rates have also found it increasingly difficult to compete with hand-finished machined products from China and South East Asia.

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

¹⁷ Fair Trade in Europe 2001, EFTA

¹⁸ IFAT,2001.

4.1.1 Strengths, weaknesses, opportunities and threats

We can bring the analysis of the global gift and craft market together with the fair trade handicraft overview to be summarised as follows.

Strengths

- Some producers have made significant improvements in quality control and product development for the export market, winning commercial contracts
- Women – the most frequent purchasers of gifts in Europe and USA – have greater financial independence. They may buy more themselves, and also buy for others.

Weaknesses

- Handicrafts, unlike fair trade foods, are not repeat products
- Alternative Trading Organisations and fair trade importers have historically lost market share to commercial importers
- Expenditure is very seasonal (dominated by Christmas)
- World Shops generally lack professionalism¹⁹

Opportunities

- People in Western markets are living longer: increasing the number of gift-buying occasions. The ‘grey market’ (the over 50s) often have high disposable incomes.
- Internet and digital TV may provide new opportunities for sales
- Growing public awareness and interest in Europe and USA in ethical and fairly traded products

¹⁹ Caserta identifies the main weakness of World Shops as lacking professional tools such as ‘strategic planning, budget and financial control, ICT, tasks division, training, marketing techniques’. *Creating a fair trade partnership through a fair trade global communication system*, NEWS!, 2001.
<http://www.citinv.it/equo/news/>

Threats

- Global recession
- Stiff competition from China and SE Asia, where labour rates are very low
- Traditional giftware faces competition from ‘gift experiences’, where vouchers can be exchanged for activity days
- ATOs and importers are focusing on food products to increase sales (especially in mainstream outlets)

4.2 Introduction and overview to E-commerce

‘E-commerce involves the sale or purchase of goods or services over computer-mediated networks. These goods and services may be ordered over these networks, but payment for them and the ultimate delivery of the good/service may be conducted on or off-line.’²⁰

Some analysts define **e-commerce** as simple buying and selling over electronic networks; and use **e-business** to refer to this wider range of supporting business activities that can be conducted over such networks. This study will consider how the Internet and related technologies can be used to enhance the overall business activities of craft producers.

E-commerce can be divided into primarily three categories:

- **business to consumer (B2C)**: where enterprises sell directly to the consumer, often cutting out (‘disintermediating’) wholesalers or ‘bricks and mortar’ retail outlets. B2C is the most commonly understood form of Internet business – as typified by the on-line retailers such as the bookseller and general retailer Amazon (www.amazon.com), whom some credit with ‘inventing’ e-commerce. The most successful B2C trading has been with standard products such as cds, books, software, downloadable music etc. Many high-profile companies, such as Amazon and Yahoo! however have yet to make a profit, even in the USA, where e-commerce is most advanced.²¹
- **business to business (B2B)**: where enterprises use ICT²² and the Internet to enhance the whole range of business to business activities. This includes procurement of raw materials and supplies, liaison with contractors and sales channels, servicing customers, collaborating with partners, integrated management of data and knowledge, etc. B2B activities can take place across both public networks (such as the Internet) and private systems. Because companies purchase in much greater quantities than consumers, B2B is expected to be the fastest growing sector of e-commerce, accounting for 80% by 2005.
- **business-to-government (B2G)**: where businesses trade directly with government offices and agencies for public procurement (eg supplies for hospitals, schools and other government contracts).

²⁰ *E-commerce: accelerator of development?*, Policy Briefing Issue 14, Hubert Schmitz, John Humphrey, Robin Mansell and Daniel Pare, IDS (Institute of Development Studies, University of Sussex), September 2001.

<http://www.ids.ac.uk/ids/bookshop/briefs/brief14.html>

²¹ See footnote 1.

²² For how we are using the term ICT (Information and Communication Technology) in this study, see section 3.1.1.

Other electronic business relationships have also been identified as variants of the above. These include **consumer-to-consumer** (C2C) (on-line transactions between private individuals, such as consumers trading second hand goods using on-line trading exchanges and market places such as Ebay); and **consumer-to-business** (C2B) (involving, for example, reverse auctions where airlines compete to give consumers the best price on flights).

4.2.1 Some people are enthusiastic

Some commentators, such as Nicholas Negroponte, founder of *Wired* magazine and the MIT (Massachusetts Institute of Technology) Media Lab, see e-commerce and the Internet heralding a brave new digital world of increasing equality and global harmony:

'The caste system is an artifact of the world of atoms. Even dogs seem to know that on the Net.

Childhood and old age will be redefined. Children will become more active players, learning by doing and teaching, not just being seen and not heard. Retirement will disappear as a concept, and productive lives will be increased by all measures, most important those of self. Your achievements and contributions will come from their own value.

*Sovereignty is about land. A lot of killing goes on for reasons that do not make sense in a world where landlords will be far less important than webmasters. We'll be drawing our lines in cyberspace, not in the sand. Already today, belonging to a digital culture binds people more strongly than the territorial adhesives of geography - if all parties are truly digital.'*²³

The leaders of the G8 nations share a fundamental optimism in the new opportunities of Information and Communication Technology and the digital age, as highlighted in the opening statement of the *Okinawa Charter on Global Information Society*:

*'Information and Communications Technology (IT) is one of the most potent forces in shaping the twenty-first century. Its revolutionary impact affects the way people live, learn and work and the way government interacts with civil society. IT is fast becoming a vital engine of growth for the world economy. It is also enabling many enterprising individuals, firms and communities, in all parts of the globe, to address economic and social challenges with greater efficiency and imagination. Enormous opportunities are there to be seized and shared by us all.'*²⁴

²³ *Beyond Digital*, Wired magazine, December 1998.

<http://www.wired.com/wired/archive/6.12/negroponte.html>

²⁴ The *Okinawa Charter on Global Information Society* (2000) is available at the Digital Opportunities Task (DOT) Force web site at <http://www.dotforce.org/reports/it1.html>

One hope of the digital economy is that e-commerce will equalise opportunities for small and medium sized enterprises (SMEs): by reducing costs of entry, and extending market reach (whether locally, nationally or globally). Thus the Internet brings a 'death of distance' as it: *'reduces the importance of physical distance and transportation costs as barriers to entry into international markets, making it possible for even small firms to market their products in a competitive manner'*.²⁵

4.2.2 What is the reality?

Increasingly researchers have noted that the early optimistic predictions significantly underestimated the barriers facing SMEs in the developing world. Thus IDS (the UK Institute of Development Studies) summarises their briefing on E-commerce for development:

*'E-commerce holds out enormous promises for producers in poor countries: easier access to the markets of rich countries and higher incomes resulting from these new trading opportunities. Many studies and policy documents, however, have underestimated the obstacles to reaping these benefits. It is not just a matter of bridging the 'digital divide' that arises from poor telecom infrastructure and lack of computer-related skills. Only with improvements in the transport of material goods and in the institutional arrangements that facilitate trust can e-commerce accelerate economic development.'*²⁶

The new global knowledge economy brings demand for new skills, resources and regulatory and policy environments. As UNIDO (the United Nations Industrial Development Organisation) observes:

'rapid technology change requires stable long-term framework conditions, just as fast traffic requires good long-distance roads. A globalising electronic economy needs a stable long-term global environment for development, in terms of international law, standards, security, telecommunications structures etc'.²⁷

In the new knowledge economy, access to know-how, the speed with which knowledge grows and is communicated, and the increasing knowledge content of output are critical factors. UNIDO identifies the key factors of knowledge-based industry, as compared to classical industry, as below:

²⁵ *Development and international cooperation in the twenty-first century: the role of information technology in the context of a knowledge-based global economy*, UN-ECOSOC report of the Secretary General, E/2000/52, May 2000.

<http://www.un.org/documents/ecosoc/docs/2000/e2000-52.pdf>

²⁶ *E-commerce: accelerator of development?*, Policy Briefing Issue 14, Hubert Schmitz, John Humphrey, Robin Mansell and Daniel Paré, IDS (Institute of Development Studies, University of Sussex), September 2001.

<http://www.ids.ac.uk/ids/bookshop/briefs/brief14.html>

²⁷ *Electronic and Mobile Business for Industrial Development*, UNIDO and Ericsson, December 2000. <http://www.unido.org/userfiles/PuffK/ericsson.pdf>

Classical	Knowledge-Based
Energy-intensive Standardized Stable product mix Automation Single firms, branches Centralization Specialized skills Vocational training Government control, planning and sometimes ownership	Information-intensive Customized Rapid changes in product mix Systemization Networks of firms, clusters Distributed intelligence Multi-skilling Continuous training and re-training Government information, regulation, coordination and vision

Figure 8 Knowledge-based industry compared to classical industry

Source: *Electronic and Mobile Business for Industrial Development*, UNIDO and Ericsson, December 2000

Despite the hype that has surrounded the dramatic growth of the Internet and the so-called global knowledge economy, access to the necessary ICT (information and communication technology) is very unevenly distributed globally. Thus even digital utopians such as Jeremy Rifkin acknowledge the growing ‘digital divide’ between the connected and the disconnected:

‘Despite all the euphoria surrounding the communications revolution and the bold projections about a future wired world, the realities are that 65 per cent of the human population today have never made a single telephone call and 40 per cent have no access to electricity. There are more telephone lines in Manhattan than in all sub-Saharan Africa.’²⁸

However access to the Internet is growing rapidly in many developing countries, especially in urban areas and in countries which have deregulated telecommunications markets. The table below shows how the number of SMEs in the developing regions with an Internet connection, will rise by an estimated 500 per cent by 2005.

²⁸ *The age of access*, Jeremy Rifkin, Tarcher Putnam, 2000.

Internet Users	2000	2001	2002	2003	2004	2005
World	222.6	293.2	376.6	470.8	570.6	676.6
Large businesses	73.4	97.0	120.3	142.0	162.1	182.4
SMEs	11.6	18.0	25.8	34.1	43.4	53.1
North America	94.0	117.8	143.7	169.0	196.0	221.1
Large businesses	25.9	33.3	40.0	45.9	51.1	56.3
SMEs	6.5	9.7	13.4	17.1	21.1	25.0
South/Central America & Caribbean	7.9	11.6	16.9	23.7	31.4	40.2
Large businesses	4.6	6.7	9.2	11.8	14.4	17.0
SMEs	0.4	0.7	1.1	1.7	2.4	3.2
Western Europe	56.9	76.6	102.9	135.0	165.3	196.8
Large businesses	18.4	24.1	29.3	34.0	38.1	42.1
SMEs	2.3	3.7	5.5	7.3	9.4	11.6
Central & Eastern Europe	6.6	9.7	12.7	15.8	20.0	25.1
Large businesses	1.4	2.1	3.1	4.0	5.0	6.1
SMEs	0.1	0.1	0.2	0.3	0.5	0.6
Central Asia	6.0	9.2	14.3	21.6	31.7	44.8
Large businesses	2.3	3.4	5.1	7.0	9.1	11.3
SMEs	0.3	0.4	0.6	0.8	1.1	1.4
Asia Pacific	47.1	62.3	77.6	93.6	109.7	127.4
Large businesses	18.9	24.7	30.1	34.9	39.2	43.4
SMEs	1.9	3.1	4.6	6.2	8.1	10.1
Middle East & Africa	4.1	5.9	8.4	12.0	16.4	21.3
Large businesses	1.9	2.7	3.6	4.4	5.3	6.2
SMEs	0.2	0.3	0.5	0.6	0.8	1.1

Figure 9 Internet users, by type – projections for 2000-2005

Source: *Mobile E-commerce: Market Strategies*, John Davison, Ann Walsh and Duncan Brown, Ovum Ltd, London 2000.

Note: Central Asia includes the People's Republic of China and India. ²⁹

Projected e-commerce transactions show a ten-fold increase throughout the developing world:

E-Commerce Transactions	2000	2001	2002	2003	2004	2005
All e-commerce transactions						
World	247.2	393.2	623.7	990.9	1,574.2	2,503.8
North America	148.6	233.1	366.2	576.1	907.6	1,431.6
South/Central America & Caribbean	4.3	6.8	11.0	17.8	28.6	45.9
Western Europe	46.9	75.8	122.3	198.1	319.5	515.7
Central & Eastern Europe	1.9	3.0	4.8	7.7	12.3	19.8
Central Asia	5.7	9.1	14.7	23.6	38.2	61.9
Asia Pacific	37.4	61.4	98.4	157.5	251.7	402.7
Middle East & Africa	2.4	3.9	6.3	10.1	16.3	26.1
Business-to-business e-commerce transactions						
World	218.3	344.5	543.1	857.8	1,355.6	2,145.9
North America	124.8	194.9	304.7	477.2	748.6	1,176.4
South/Central America & Caribbean	4.2	6.7	10.7	17.1	27.3	43.5
Western Europe	44.1	70.2	112.0	178.9	285.2	455.4
Central & Eastern Europe	1.9	3.0	4.7	7.6	12.1	19.4
Central Asia	5.5	8.8	14.1	22.7	36.6	59.1
Asia Pacific	35.5	57.2	91.0	145.0	231.0	368.6
Middle East & Africa	2.3	3.7	5.8	9.3	14.8	23.5
Business-to-consumer e-commerce transactions						
World	28.9	48.7	80.6	133.2	218.6	357.9
North America	23.8	38.3	61.6	99.0	159.0	255.3
South/Central America & Caribbean	0.0	0.1	0.3	0.7	1.3	2.3
Western Europe	2.8	5.5	10.3	19.2	34.3	60.4
Central & Eastern Europe	0.0	0.0	0.0	0.1	0.2	0.4
Central Asia	0.2	0.3	0.5	0.9	1.6	2.8
Asia Pacific	1.9	4.2	7.3	12.5	20.7	34.0
Middle East & Africa	0.1	0.2	0.4	0.8	1.5	2.6

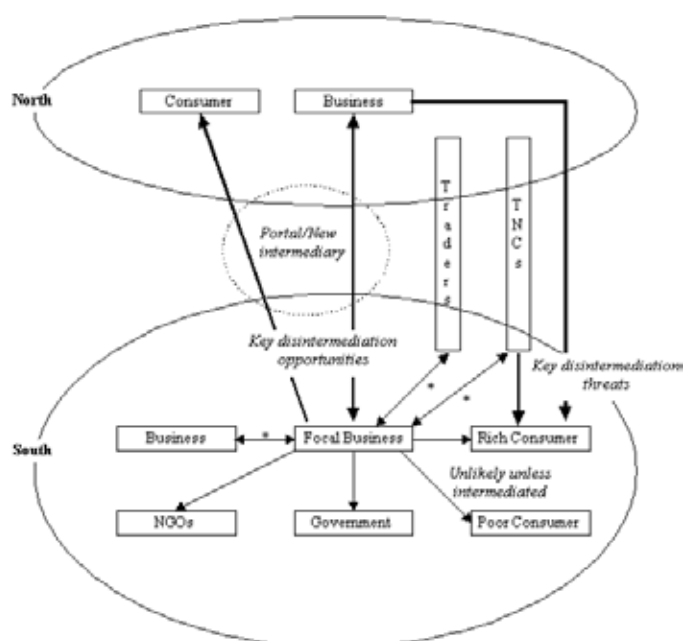
Figure 10 Projected e-commerce transactions, by region, 2000-2005 (US\$ billions)

Source: *Global Telecoms and IP Markets*, Richard Kee, Ovum Ltd, London 2000. Note: In this table central Asia includes the People's Republic of China and India.

²⁹ See *Electronic and Mobile Business for Industrial Development*, UNIDO and Ericsson, December 2000. <http://www.unido.org/userfiles/PuffK/ericsson.pdf>

This growth of e-commerce will bring new ways in which businesses can organise themselves, and deal with one another. While initially this will have the greatest impact on international trade, diffusion of Internet and related technologies in local markets will bring about new relationships both regionally and locally. This will allow for new supply-chain models to emerge as some companies are ‘disintermediated’ (cut out of the new supply chains of the digital economy), while others will reinvent themselves in new forms and with new business relationships (‘reintermediation’).

The opportunities in e-commerce for disintermediation in international trade between North and South can be represented graphically as in Figure 11 below:



* - Northern model key growth areas; potential disintermediation opportunities

Figure 11 North-South opportunities for disintermediation

Source: *Analysing E-commerce for Development*, Richard Heeks, IDPM, University of Manchester, 2000.
<http://idpm.man.ac.uk/idpm/diecomm.htm>

Heeks notes that the main opportunities will lie with large, established companies. As recent experience of e-commerce in Europe and USA indicates, after an initial ‘goldrush’ of new enterprises, it is the existing major companies (in the case of B2C in the North, the known brands of established ‘bricks and mortar’ retailers) who have the resources to take advantage of the new economy to enhance their existing business operations. As some observers have noted, the recent history of e-commerce follows the pattern of previous introductions of new technology, such as the growth of the railway in the USA, where of hundreds of new companies who set up to exploit the new technology, only a handful survived.

In the specific context of handicrafts, the existing supply chains and opportunities for disintermediation in general via the Internet can be visualised as in Figure 12 below.

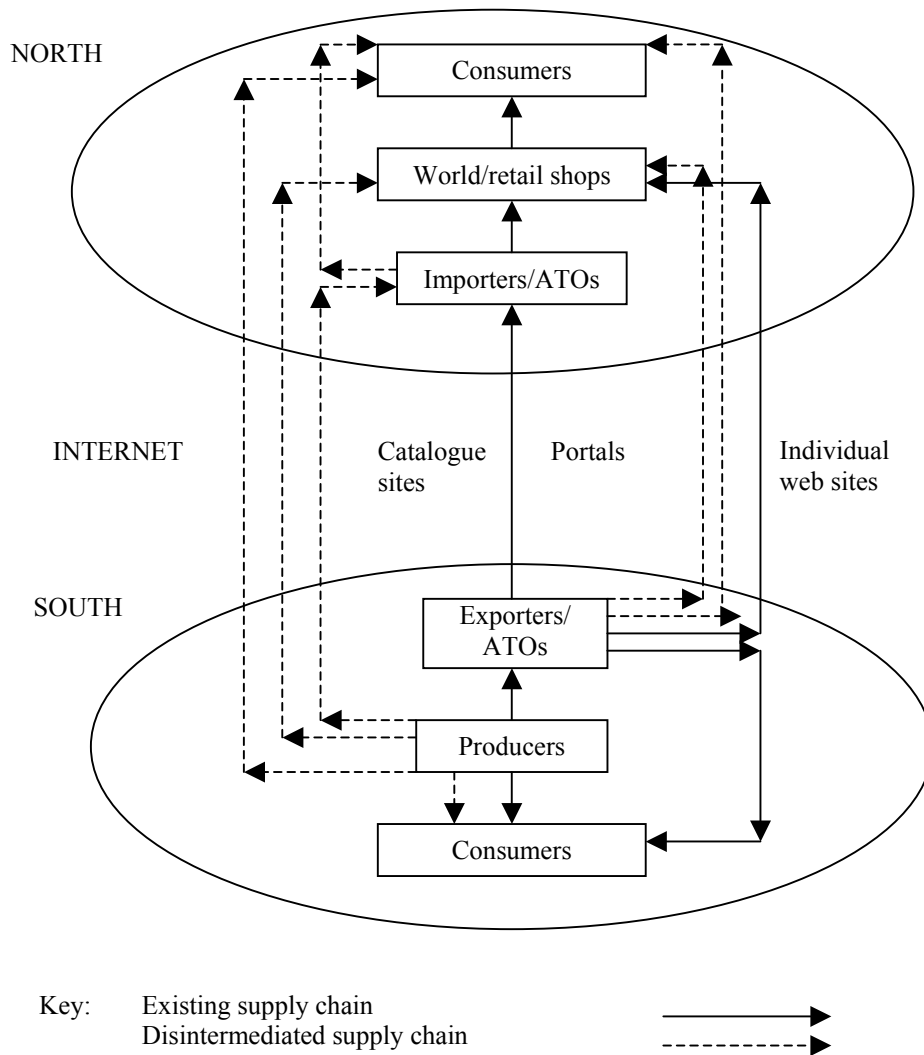


Figure 12 Disintermediation opportunities for crafts

4.3 E-commerce and SMEs

For these reasons the optimism and hype of e-commerce pundits needs to be tempered with a healthy degree of caution and scepticism. New opportunities do and will exist, but the existing (and significant) barriers and constraints facing SMEs in less developed countries remain.³⁰

The early experience of B2B e-commerce in the USA and Europe has shown that it can help to reduce transaction costs, and remove inefficiencies in the supply chain – largely where the commodities or products are homogeneous or standard items, and where there is a large enough range of suppliers and buyers actively participating within the electronic network (whether public or private). However, as indicated by the bursting of the ‘dot com’ bubble in both the USA and Europe, many of the first wave of vertical portals (which bring together buyers and sellers in a defined market sector: such as steel, pharmaceuticals, automobile parts etc) failed since their target customers were unable or unwilling to connect and integrate their business systems at the required levels.

Thus many SMEs in Europe and the USA still grapple with effective implementations of email and simple sharing of knowledge and data internally; let alone supporting a comprehensive integration of stock, sales and marketing data, especially where these are tied into older legacy computer systems and databases. Many smaller businesses have held back, put off by the high risks and costs (time, money and energy) of entry or system upgrades, adopting a ‘wait and see’ attitude to find out if e-business can deliver measurable benefits to their enterprises. Often the most vocal proponents of e-business and the new knowledge economy have been major transnational enterprises, such as Cisco and others, who have sufficient market clout to ensure that suppliers and partners invest and participate at the required levels.

Although the benefits of B2B e-business for SMEs are likely to take longer to materialise than first predicted, over the medium term these will include:

- Expanding market reach through new, cost-effective marketing tools
- Generating lower prices for buyers
- Cutting the costs of buyers’ operations
- Sharing of data and knowledge, more quickly and more cheaply, with staff, suppliers and partners

³⁰ To date, evidence of how poor communities have benefited from e-commerce is largely anecdotal. Thus UNDP quotes this account on its Info21 web site: ‘*An Internet connection set up in a Peruvian village helped the community establish a partnership with a company in New York and expand the market for their agricultural products. It resulted in a 5-time increase of income, from US\$300 to US\$1500 a month. Internet connectivity thus can provide an unparalleled opportunity to people in remote rural areas to expand their business activities beyond local confines to a global reach.*’
See: <http://www.undp.org/info21/e-com/e1.html>.

- The potential to integrate ‘back office’ operations (eg procurement, stock control, sales, marketing data) with more accurate reporting and forecasting
- The potential to capture sophisticated customer data and profiles, and identify market trends and opportunities more quickly

4.3.1 Strengths, weaknesses, opportunities and threats

Ultimately the economies of all developing countries will be affected in some way by global e-commerce and the advent of new electronic networks such as the current Internet. Thus decision makers in the so-called Third World face a number of macro-level issues if their nations are to be ready for e-commerce.

UNIDO (the United Nations Industrial Development Organisation) and the global telecommunications company Ericsson published the following SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) to help the leaders and key decision-makers in developing countries prepare for e-commerce.³¹

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> - Low labor costs - Possibility of skipping a development stage (limited vested interests in existing industrial/technological structures) - In a number of countries: education levels, awareness/attitudes - National products and culture as unique resources 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> - Low education levels - Limited understanding of ICT/EMC role in development - Low incomes -> limited internal market and access to ICT - Firms: inadequate management, info bottlenecks, low competitiveness of products - Infrastructure bottlenecks (telecom and transport) - Lack of security for EMB - Inadequate financial systems - Legal and regulatory obstacles to private business and international trade - In some countries: political instability
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> - Instant access to worldwide information - Technology transfer and growth of ICT industries - Penetration of developed country markets with goods and services - Internal B2B, B2G and B2C markets - Rapid expansion of supply/value added chains - Bypassing middlemen - New markets for local products and culture - In-country networking among firms 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> - Exclusion of economically and socially disadvantaged groups - Gains appropriated by developed country industries, emigration of ICT skills - Further concentration of trade in the developed world - Penetration of domestic markets by foreign firms - Dissolution of existing supply chains, greater dependence on transnationals - Established internet service providers as new power brokers - Swamping with foreign culture and products

Figure 13 E-commerce SWOT analysis

Note: EMB is Electronic and Mobile Business: ‘the conduct of business on the (mobile) Internet, not only buying and selling but also servicing customers and collaborating with partners’. EMC is Electronic and Mobile Commerce.

³¹ *Electronic and Mobile Business for Industrial Development*, UNIDO and Ericsson, December 2000. <http://www.unido.org/userfiles/PuffK/ericsson.pdf>

At a macro level, developing countries also face other threats and barriers posed by e-commerce and the increasing diffusion of the Internet and related technologies. These include, for example:

- Risk of diversion of resources and attention away from existing poverty-reduction strategies (eg critics have observed that village primary schools in remote locations need exercise books, teachers and basic infrastructure, such as basic buildings, before they need PCs and Internet access).
- Diffusion of ICT may bring new forms of dependency on proprietary software, systems and hardware.
- Information technology requires literacy – in the poorest countries over half of adults are illiterate. About 80% of the Internet is in English, and there is still a vast need for contextualised local-language content.
- Additional barriers are related to gender and age. In Latin America only 38% of computer and Internet users are women; in many parts of the world, where access to ICT is rare, older people may be left out entirely.
- E-commerce may help SMEs in developing countries market their goods and services internationally, nationally and locally – but SMEs still face challenges of management, distribution, secure payment, trust, availability of effective redress and issues relating to the security and privacy of personal data of customers (see section 6.1.6).
- In an increasingly connected world, SMEs and communities may need to safeguard their intellectual property rights. Transnational corporations like Monsanto and others are already patenting genes and seeds as intellectual property, giving them potentially enormous control over seed stocks in the future³².

³² This follows a landmark ruling by the US Patent and Trademark Office (PTO) in 1987 that *‘the components of living creatures – genes, chromosomes, cells and tissues – are patentable and can be treated as the intellectual property of whoever first isolates their properties, describes their functions, and finds useful applications for them in the marketplace.’* *The Age of Access*, Jeremy Rifkin, 2000. Rifkin notes that *‘the elimination of the widespread ownership of the seeds of life and their concentration in the hands of a few companies mark a turning point in the history of agriculture’*.

Successful adaptation to e-commerce opportunities requires governments to provide SMEs with more than access to ICT, but to tackle a number of business environmental factors. The information and technology consultants McConnell International in 2000 conducted a comprehensive survey of the 'e-readiness' of 42 (mostly developing) countries, structured around five issues:

- **E-leadership** (eg government policies to promote ICT access for all social groups, partnerships with businesses etc)
- **Connectivity** (basic infrastructure such as telecoms, electricity, transport, Internet access)
- **Information security** (intellectual property rights, data security, privacy etc)
- **Human capital** (culture of information sharing, broad-based human resource development for a knowledge-based society)
- **E-commerce climate** (investment climate, availability of efficient e-business services, transparent legal framework, political stability, sound financial sector)

The survey found that of country groups as a whole, Central and Eastern Europe and Latin America were closest to e-readiness. Asian countries in the survey were very mixed in their preparedness: with only Malaysia, India and China having created adequate (if not optimal) conditions for e-commerce. The survey also identified how Sub-Saharan Africa faces not only very major problems of connectivity, but also other barriers such as lack of information security, inadequate education levels, unfavourable business climates and a lack of e-leadership among both business and political leaders.³³

A graphic summary of the McConnell survey of global e-readiness (August 2000) is given in Appendix 9.4.2. An updated survey (May 2001) is available from

<http://www.mcconnellinternational.com/ereadiness/report.cfm>

³³ *Risk E-business: Seizing the opportunity of global e-readiness*, McConnell International, August 2000, available from <http://www.mcconnellinternational.com/ereadiness/report.cfm>.

4.4 Conclusions

No one can accurately predict how new technologies will be used by people (the unexpected explosion in SMS messaging is a case in point). However, the above overview suggests that there are considerable challenges that have to be overcome before B2C e-commerce is considered the norm. Every suggestion seems to be that the new opportunities of retail e-commerce will best be exploited by existing established 'bricks and mortar' companies. There are new opportunities for SMEs but they are in the back office operation rather than in market penetration.

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

5 Field research and visits

5.1 Workshops in India and Bangladesh

The producer consultation/workshops in India and Bangladesh were conducted with a representative sample of individual artisans to gather producers own perceptions of the Internet and e-commerce, and their business needs.

As part of the consultations, various participatory exercises were used with producers to gather the producers views. These included focus group discussions, mapping out their own business activities, modelling their business, and design exercises (with and without computer assistance). These exercises were designed as a way of capturing perceptions and identifying information and resource flows. The various models were used to discuss the Internet and the possible benefits to them. The details of this process are recorded below.

Group Exercise 1

Producers were asked to bring a sample of their work to the meeting. The presentation of their work to the rest of the group gave them an opportunity to present their business – people working, skills available, range of products etc.

Group Exercise 2

Modelling the business.

This exercise considered information flows in business

After the introductions, using their products as a starting point, the groups were asked to build a model of their business. The idea of this exercise was to model and discuss the material and information flows for taking a product from raw material to final market. The group used their own products and other materials available to illustrate the parts of the business. This has been summarised below. Figures 14 and 15 show the models created by producers in India and Bangladesh.



Photos: Producers at the workshop in Dhaka, Bangladesh used their own products to build a model of their business activities. Key stages in the process were described in Bangla on separate sheets of paper (see below).

The key points the model brought out concerned the information flow surrounding the purchase of raw materials for making the product and that this was actually an interactive process. The producers haggled with the tradesmen about the price, they insisted on seeing the materials, and they could specify what they wanted. If the product then turned out to be bad (a tree trunk that was rotten inside), they could return with the bad product and negotiate. This discussion was important for increasing understanding of how their own products are perceived by consumers and the need for interaction between consumer and seller.



This led on to a discussion about how far the producers are from their eventual customers, and how they do not have sufficient feedback.

The discussion included acknowledging that the producers often created items that they liked without due consideration of the tastes of the consumers. One or two suggested that they looked at magazines to see what people liked, but that often the magazines were quite old.

Regarding the supply side, producers noted the expense of sending samples and getting feedback from the ATO. They often sent photos and these proved to be a significant expense. The discussion progressed to explore the possible role of digital cameras and Internet cafes. The group identified the risk of designs being stolen through public Internet cafes.

As part of these discussions, producers also drew a map of how they thought the Internet could be used to buy and sell craft goods (Figure16).

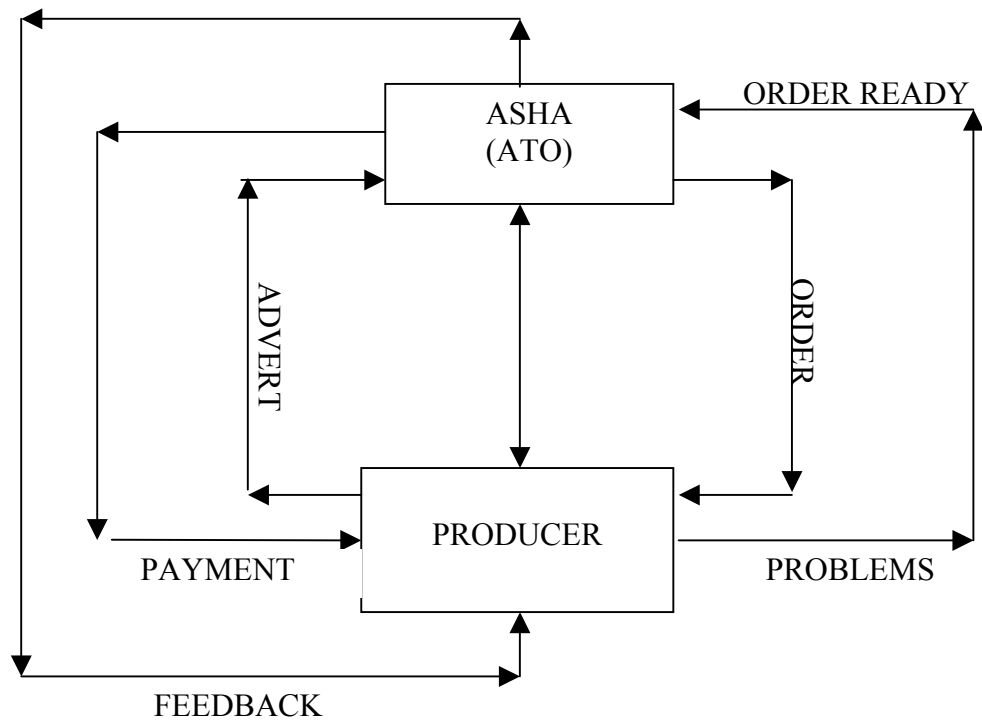


Figure 14 Information flow as mapped by producers during the workshop in Mumbai, India

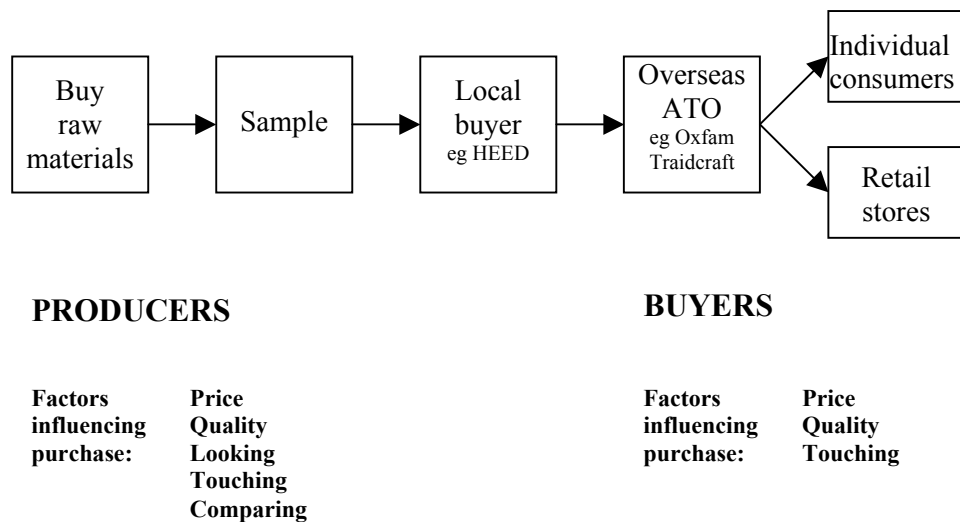


Figure 15 Production process, as mapped by producers at workshop in Dhaka, Bangladesh

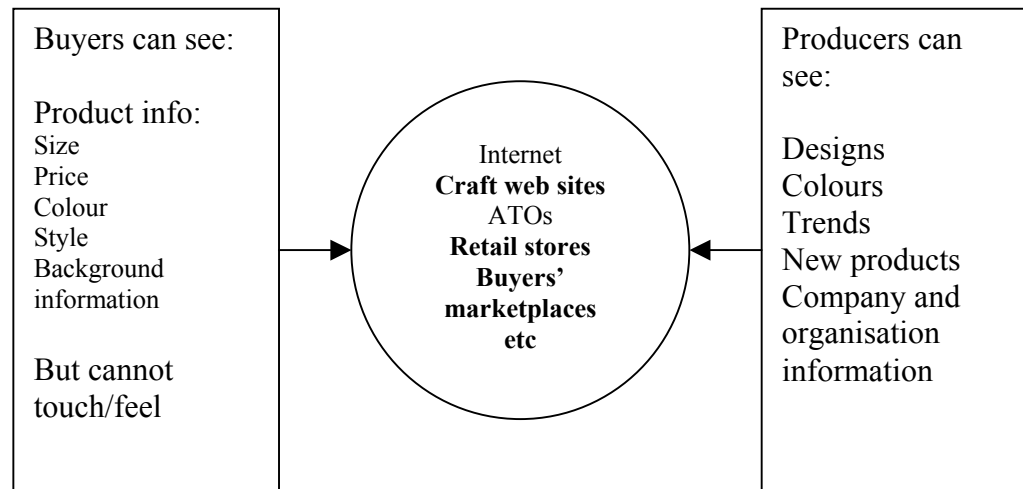


Figure 16 Producers' map of how the Internet can be used by producers and buyers to find information about handicraft products

Group Exercise 3

Design

This exercise evaluated the potential of a mediated design process using ICT.

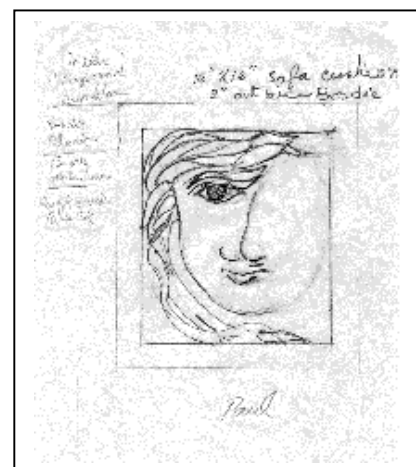
In Bangladesh the group was subdivided into five groups, each of about four persons. A magazine (same for each group) was given to three of the groups, while the remaining two were given access to a laptop computer. The magazine contained articles in English about London and some of the latest fashions. The groups were asked to look at the pictures and using them for inspiration they should sketch new or modified designs for their products.

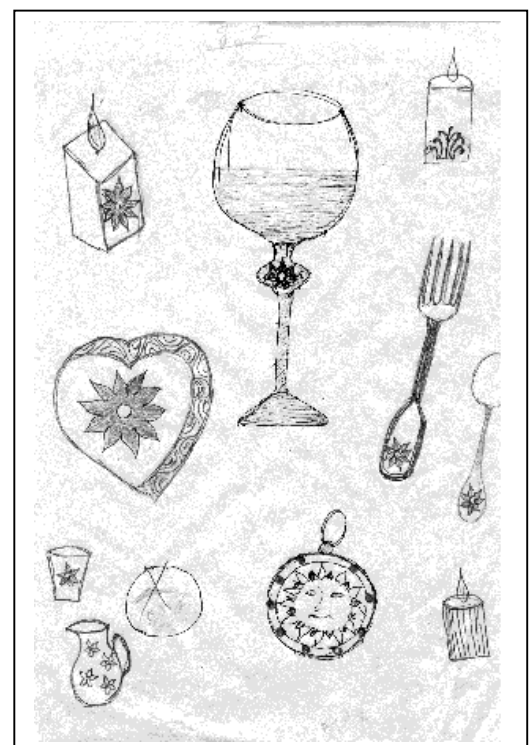
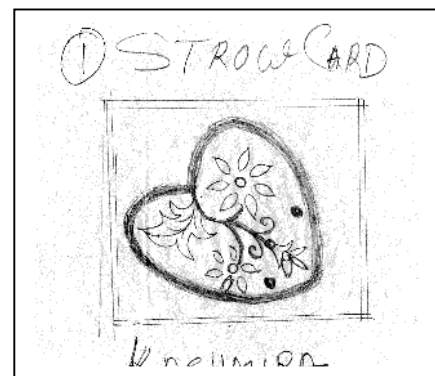


The groups using the laptop were presented with many of the same pictures but with some confusing or misleading pictures removed. Each picture could be seen on the full screen. No text was offered. The group had the same challenge – to design or modify their products in the light of the pictures, in order to appeal to the London market. The results are shown on the following page.



Photos: Producers at the Dhaka workshop use British magazines to create new product designs. Some (immediately above) used a laptop computer to view the designs.





Group analysis noted that the groups with the magazines had sometimes been unable to determine what is fashionable and acceptable in London. An article about Japanese museum pieces had prompted Japanese styled Bangladesh products. While this might have some appeal to some people, the team reaction was not favourable.

The groups with the computers were able to focus their ideas and produced ideas that seemed to have a more acceptable market in Europe.

Group Exercise 4

Exposure to technology.

The groups were exposed to a wide range of ICT.

Hands on exposure to technology – many had never used digital cameras and computers – they identified information and communication needs and then were shown how the technology could address those needs.



Photo: Workshop with craft producers in Saharanpur, India

5.2 Conclusions

- The groups developed ideas about information flow.
- They were able to deduce and articulate that it was unlikely that consumers would purchase their products from the Internet alone.
- They noted that better communications across continents could lead to better feedback helping them develop better (more targeted and acceptable) products.
- They noted that they needed help with design. This seemed to be the most likely ICT intervention that would make an immediate impact on their business.
- Communication between ATO and producer could be enhanced by cheap digital means but there were commercial threats to using public communications (Internet cafes).

5.3 Internet/email access and cost of communications

Informal discussion during the workshops revealed that all producers paid a significant proportion of their overheads on communication costs:

- Local telephone calls
- Long-distance telephone calls (especially to ASHA or HEED)
- Sending/receiving faxes (orders, product information)
- Courier charges (postal service unreliable)
- Photography (of samples, to send to buyers)

Although only a few producers at each workshop had their own telephone or fax machine, almost all had access via a family member, neighbour or local phone/fax shop.

Discussions revealed that using email via the growing number of local Internet cafes (cyber cafes, telecentres, booths etc) may bring significant benefits in:

- **Reducing costs** for in-country communications (email access costs typically 25-30 rupees/hour; compared to typical fax charges of 10-20 rupees to receive a one-page fax; and 30-70 rupees to send a one-page fax). Greatly reduced costs for international communications
- **Improving record keeping** (automatic with email software)
- **Increased security** (although some producers were concerned about sending product and commercial information from a public Internet café)
- **Speed** (as compared to making telephone calls from booth-to-booth, where neither party has their own phone)

These issues were followed up with interviews with eight of ASHA's producer groups in India (see 5.4 below).

5.4 Field survey (India)

Following the workshops, interviews were conducted with eight producer groups of ASHA Handicrafts. The questionnaire and detailed reports are given in Appendix 9.2. The summary table and conclusions are reproduced here.³⁴

Summary of data collected from ASHA Handicrafts producers by interview/questionnaire (Figure 17):

³⁴ This research project also included a short (two-page) global survey, by email, of on-line craft producers (located via search engines on the Internet). However this generated no replies. This may show that the targeted craft producers do not check their email, that the email addresses were out of date, or that this survey was considered as unsolicited email (spam) and deleted.

Name	Sana	Gulam Ayaz	RC Marble	Designer H'crafts	Sharma	Ethnic India	Agape	Ashoka
Products	Metal	Horn Bone Brass Wood	Stone	Cotton Textiles	Textiles	Board Bone Iron	Home Furnish- ings	Wood Metal Paper
Sales to ASHA \$ pa	12,325	12,262	13,887	3,154	6,088	2,901	3,256	
No. workers	10-20	7-20	20-26	5-15	50	51-75	8-15	45-100
Men	10-15	7-16	18-23		40	46-70	6+	45-100
Women	0-5	0-4	2-3		10	5	2+	
Power Supply	Cuts daily. Has generator.	Runs gen. 4/hrs day	2-3 cuts/ day	Cuts for 2-3 hrs/ day	Cuts for 3/hrs day	Cuts for 4/hrs day	Sched. cuts	Cuts in Dec and Jan
Tel cost pa	Own tel for local calls	3,300rs local	8,623rs	12,000rs	120,000rs	15,000rs	2,250rsc	38,000rs
Fax cost pa	6,000rs	1,000rs	1,000rs	1,050rs	60,000rs		2,400rs	6,000rs
Mobile tel cost	No	No	No	No	12,000rs	No	24,000rs	No
Post/ Courier cost pa	12,000rs	2,400rs		2,860rs	36,000rs	4,500rs	7,000rs	12,000rs
Photo cost pa	400rs two sets	3,800rs	400rs	60rs	5,000rs	3,000rs	1,000rs	7,000rs
Own TV?	B/W	B/W	Bro has col TV	Col TV	Col TV	Col TV	Yes	Yes
PC?	No	No	Friend's son	Win98 cd-rom	Win98 ME	Plans to buy P3	No	Win98 Printer Scanner
'Expert' on hand?	No. Wants to train daughter	No. Wants to train daughter	Friend's son.	Brother	Employee	Will teach himself	No	Son
Local Email/ Internet?	No	No	Yes 25rs/hr	Yes 25rs/hr	Yes	Yes 30rs/hr	Yes 25rs/hr	Yes 25rs/hr
Aware of email/ Internet?	Email last month	Not until now	Yes	Yes	Own email address	Own email address	Own email address	Own email address

Figure 17 Summary of data collected from ASHA Handicrafts producers

5.4.1 Conclusions

- While only two producers have their own direct access to the Internet and email (via their own PC), six of the eight producers could access the Internet and email via local Internet cafes (for between 25 and 30 rupees/hour). Two producers had no local access.
- Four producers had someone in their business or family whom they regarded as a 'computer expert' to help with technical support. Three were planning to train themselves or a family member in this area.
- All producers spend significant sums on fax (up to 60,000 rupees/year) and long-distance telephone charges. Appropriate use of email could bring significant reductions in overheads, as well as offering increased speed, reliability and security.
- Although photography is not a major expenditure, all producers here used photographs to promote new designs in-country (especially to ASHA Handicrafts). Use of digital photographs and email in-country could save time, processing and courier charges; as well as offering low-cost promotional opportunities internationally (ASHA already uses email for this purpose). However producers noted that physical photographs were required for reference and for use by individual artisans.
- Only one producer had not heard of email. Four already had their own email addresses for business activities. One reported they had made savings on fax, telephone and courier charges.

5.5 Overview of e-commerce craft sites

As part of this research, we visited a number of UK and US e-commerce businesses specialising in the sale of crafts (in both the B2C and B2B markets). Other businesses and web sites have also been included in the overview. Fuller details are given in the appendices, see section 9.1. The conclusions of this overview are:

- Craft sales in the B2C sector (business to consumer) market have been disappointing. Among fair trade operators, the US ATO **PEOPLink** has achieved very low sales (and is now focussing on its CatGen system to enhance B2B (business to business) operations). The web site of UK ATO **Traidcraft** generated sales representing just 0.2% of overall sales, while US site **Viatru** (formerly **world2market**) closed during the course of this research. **Eziba** (USA), despite investment in excess of \$40 million, like many e-commerce ventures, has yet to become profitable (and is increasingly exploring off-line channels). **Novica** (USA) is attempting to make direct selling of craft goods to consumers profitable (using a network of offices to consolidate orders) but has not disclosed sales data.
- Craft sales in the B2B market are more promising, if still undefined. Both **OneNest** (USA) and **PEOPLink**'s CatGen (USA) have set up B2B marketplaces. The level of **OneNest**'s actual sales is unknown, while it is still too early for CatGen (still at demonstration stage). The generic Asian B2B portal **Global Sources** reports that 18 per cent of suppliers advertising on their site had sold 'many orders' (but no breakdown is given by industry, product type or size of company, or by Return on Investment).
- Like the rest of the 'dot com' market, early optimism about the potential for craft sales on the Internet has given way to a more realistic assessment of the market. Increasingly e-commerce sites are using off-line marketing (conventional) methods to find customers: thus **OneNest** has moved towards print advertising, paper catalogues and exhibiting at trade fairs; while **Eziba** has found most success with its mailshot of colour catalogues (and is now planning to open its first retail outlet in New York).
- We also note that generally sites have been unwilling to disclose actual sales information, but have been willing to give relative data (eg sales comparisons with previous years). For these reasons hard data is hard to come by. The experience of individual producer groups we know of (eg collaborators in this research and others) suggests that actual sales are low.

6 E-commerce for crafts producers

6.1 Barriers to B2C e-commerce for craft producers

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

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

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

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

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

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

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

6.1.2 Digital photographs are not colour accurate

By the nature of the way digital images are captured, compressed and viewed, digital photographs are not colour accurate. Thus consumers have preferred to shop for craft products, where colour is often a distinctive feature, using printed paper catalogues (eg mail order) rather than using only on-line promotion.³⁵

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

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

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

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

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

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

6.1.3 Consumers expect high service standards

Consumers expect high standards of service from retailers in the High Street, and by extension, on-line retailers. This can present a formidable barrier to artisans in developing countries hoping to sell direct to individual consumers in the West.

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

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

6.1.4 Trusting the company/brand

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

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

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

Customers are therefore increasingly wary of ordering from companies or shops unknown to them ‘at home’, especially since it can be hard to measure a company’s worth or effectiveness from a web site alone. The established brands and ‘bricks and mortar’ stores have been more cautious than the start-ups in creating on-line stores, but when they do so, have tended to offer a full range of customer support services.

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

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

6.1.5 Financial security

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

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

Although standards have improved, security experts such as Bruce Schneir³⁸ have identified the fundamental insecurity of computer-based systems, ensuring that hackers and others will continue to exploit security weaknesses on computer systems used by both businesses and consumers.

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

- Increasingly complex operating systems will inevitably include exploitable weaknesses unforeseen by software designers³⁹
- It only takes one person to discover a security hole or weakness, and the information can be published globally (via secret hacking sites) to thousands of other hackers in a matter of minutes

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

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

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

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

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

6.1.6 Personal data

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

Increasingly consumers are becoming aware of the amount of personal data which is held about them. Data Protection legislation gives consumers and individuals certain rights of access and redress, and outlines responsibilities for those holding such data within their companies and organisations. However these laws, such as the UK Data Protection Act, and the bodies which monitor and enforce their application, are not internationally recognised. Indeed there are significant differences even between what US and European companies can do with the data they hold about individual customers.

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

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

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

⁴² *The Guardian*, April 15 2002.

⁴³ For more on on-line privacy see, for example, the Electronic Frontier Foundation (www.eff.org), Electronic Privacy Information Centre (www.epic.org), Privacy International (www.privacyinternational.org) etc.

⁴⁴ *The Daily Telegraph*, November 2 2000.

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

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

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

6.1.7 Conclusions

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

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

6.2 Doing e-commerce

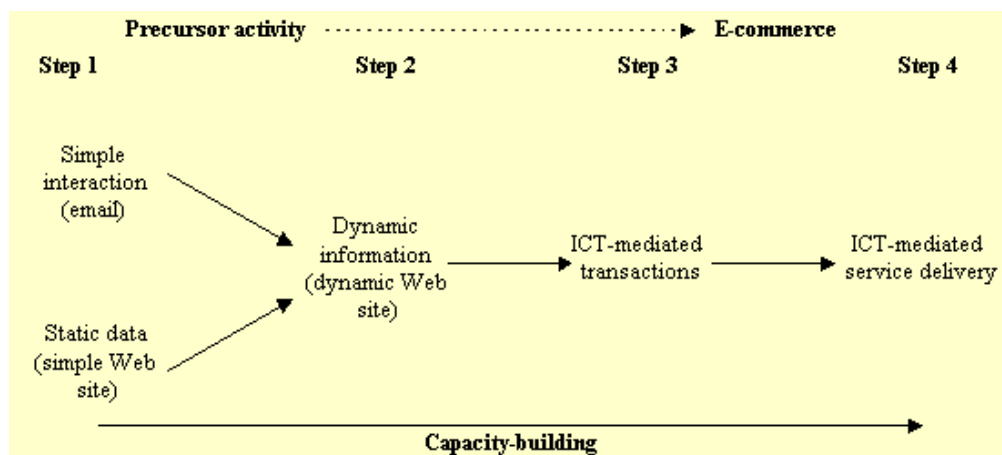
6.2.1 Preparing for e-commerce

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

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

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

Heeks has identified the generic process thus:



Source: *Analysing E-commerce for Development*, Richard Heeks, IDPM, University of Manchester, UK, 2000⁴⁶

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

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

6.2.2 Key success factors for web sites

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

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

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

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

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

The key success factors we have identified are:

6.2.2.1 Define your web site audience and strategy

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

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

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

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

6.2.2.2 Integrate with other processes

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

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

6.2.2.3 Register with search engines and optimise ranking

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

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

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

6.2.2.4 Build links to your site

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

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

6.2.2.5 Promote your web site off-line

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

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

6.2.2.6 Start a short email newsletter

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

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

6.2.2.7 Payment processing

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

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

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

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

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

7 Alleviating poverty through craft production

Where then does this leave handicrafts as a livelihood option for alleviating poverty?

DFID encourages the use of the sustainable livelihood framework for analysis and planning of development interventions. The following section discusses sustainable livelihoods in order to place the commentary on the specific subject of handicrafts and e-commerce linkages to handicrafts in context.

Three interviews with craft producers from HEED Handicrafts (Bangladesh) and ASHA Handicrafts (India).⁴⁷

7.1 Kalachand Pal, 38, potter

HEED Handicrafts, Dhaka, Bangladesh

Kalachand Pal, 38, is a male potter from Madhumpura, Patuyakhali, 300km from Dhaka. His father and grandfather were both potters before him. He is married with one son (11) and produces pots for both the local market, and for HEED Handicrafts for export.



⁴⁷ Interviews conducted by Mike Webb in Dhaka, Bangladesh and Mumbai, India in January 2002.

Capital

Capital	Description
Human	<ul style="list-style-type: none"> • He attended Primary School to class 7. • He has traditional skills as a potter making ceramic pots. • He says he is in good health.
Physical	<ul style="list-style-type: none"> • His village (Madhumpura) has electricity and water from a tubewell (though there is now a big problem and national scandal in Bangladesh with water contaminated by arsenic). He says it is a good place to live. • His father owns the plot of land for their house – but no land for a paddy field. Kalachand will inherit this with his two brothers on his father's death. • He owns a manual potters wheel, bought 15 years ago (worth c 5,000 Takka c £60)
Financial	<ul style="list-style-type: none"> • He has savings (enough to sustain his family for one year) • He owns a cow (worth 10,000 Takka: c£125) for producing milk; plus with his brother owns 100 rain trees (<i>kri</i>), whose wood is used for building. • He has a workshop which can accommodate up to 100 workers (if he has many orders to fulfil)
Social	He has many customers for his pots: a wholesale buyer, individuals and HEED Handicrafts.

Vulnerability context

Shock	Occasional sickness.
Trend	Inheritance between brothers means that the family plot will be jointly owned after his father's death.
Seasonal	Bangladesh suffers from seasonal flooding.
Seasonal	His local buyers are dependent on good harvests to create cash to buy his pots. So if the harvest is poor, as it has been for the last two years, his local sales are reduced.

Policies, Institutions and Processes

Culture	Corruption/bribery is widespread
Structure	Communications with Dhaka are difficult. Telephone system is poor and unreliable; post cannot be trusted.

Livelihood Strategies

	He is not dependent on just one buyer or market, so is confident he will also be able to sell his pots.
	He can take on additional part-time workers to cope with seasonal orders; and to cope with sudden larger orders from HEED Handicrafts
	He wants to make samples from his own designs (eg vases and decorative items) for both local and export markets
	He has not taught his son to be a potter. He wants his son to get a degree, so he can become a doctor or professional. He wants his son to have a better job than him.

Livelihood Outcomes

	Good harvest this year, so he is selling a good number of pots.
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7.2 Saleh Khatung, 40, spinner

HEED Handicrafts, Dhaka, Bangladesh

Saleh Khatung works as a spinner for HEED Handicrafts in their workshop in Dhaka. She has two daughters, aged 20 and 14, who are both working. Her husband is a weaver too, and works for HEED, though this is dependent on orders.



Capital

Capital	Description
Human	<ul style="list-style-type: none"> • She has traditional spinning skills • She is in good health.
Physical	<ul style="list-style-type: none"> • She lives in a rented house in Dhaka. She has access to gas, water, electricity.
Financial	<ul style="list-style-type: none"> • Her husband owns a small plot of land in Norshindi village (150km away) – suitable for building a house (not big enough for a paddy field)
Social	<ul style="list-style-type: none"> • They work as a family. Her daughters also work for HEED in a different part of the workshop.

Vulnerability context

Shock	<ul style="list-style-type: none"> • She has a little sickness in her stomach sometimes.
Trend	<ul style="list-style-type: none"> • As the number of children increase, inherited land is divided, leading to land shortages.
Seasonal	<ul style="list-style-type: none"> • Work for both her and her husband is highly dependent on local/export orders of HEED Handicrafts. They had not worked for the previous three months. Her whole extended family is dependent on HEED.
Trend	<ul style="list-style-type: none"> • HEED Handicrafts is operating in a very competitive market place.
Seasonal	<ul style="list-style-type: none"> • Flooding affects their home, which was flooded in 1988 and 1998.

Policies, Institutions and Processes

Culture	<ul style="list-style-type: none">• She (and her four sisters) were not sent to Primary School. They stayed at home, doing chores, spinning etc.
Culture	<ul style="list-style-type: none">• Endemic corruption.

Livelihood Strategies

	<ul style="list-style-type: none">• If they cannot find work, they will go back to their village, where it is cheap to live (no rent, no bills)
	<ul style="list-style-type: none">• Her husband will do different work if he cannot work as a spinner – he has also worked as a packer for HEED Handicrafts.
	<ul style="list-style-type: none">• She believes that if she cannot find work, her husband will find work for her. ‘That is his responsibility,’ she says.

**7.3 Kiran Jamsandekar, 40, artisan in copper and enamel
ASHA Handicrafts, Mumbai, India**



Left to right: Kiran Jamsandekar, daughter Anuja, and father Hareshwar.

Kiran Jamsandekar, 40, learned his skills as an artisan in copper and enamel from his father, Hareshwar Jamsandekar, a recognised master craftsman, now 79. Kiran has been making bowls, key rings and vases for both local and export markets for the last ten years; and is a third-generation artisan in his family. He employs up to 25 producers at their workshop in the village of Bhaimalla, Alibaug, 100km from Mumbai. The metalwork he specialises in is a traditional skill of Maharashtra District (of which the capital is Mumbai).

Capital

Capital	Description
Human	<ul style="list-style-type: none"> • He is a Graduate in Commerce, University of Bombay (B.Com 1982); also completed Construction Management post-graduate course • He says he is in good health, with no problems
Physical	<ul style="list-style-type: none"> • He has a secure home: he lives at his father's house (where his father has lived for the last 50 years) in a desirable suburb of Mumbai. This 3,000 sq ft family home is estimated to be worth 7 million rupees (c £10,000). • His house has good facilities: electricity, running water etc. The suburb has good schools, colleges and hospitals; and attracts IT and communications companies.
Financial	<ul style="list-style-type: none"> • He owns a 25 per cent share of the production workshop in Bhaimalla (he estimates this is worth c £6,000). This employs up to 25 producers, depending on demand.

Vulnerability context

Shock	<ul style="list-style-type: none"> • His four-year-old daughter Anuja is very sick at the moment, requiring regular hospital treatment. This means he has less time and energy to spend on his business.
Shock	<ul style="list-style-type: none"> • Raw materials, such as copper, are imported. He is dependent on the fluctuating global commodity market.
Shock	<ul style="list-style-type: none"> • For the last two years Monsoon flooding (June-October) near the workshop has delayed production. Also telephone is unreliable (breaks down for 2-3 days each month), and electric power fails for 1-4 hours every week. There is no power on Fridays (scheduled power cut). Kiran thinks this is partly because neighbouring states are stealing electricity from Maharashtra (eg families making illegal connections to overhead power cables).
Shock	<ul style="list-style-type: none"> • In the aftermath of the September 11 bombings in USA, export orders have been reduced; and fewer tourists are coming to India (he is dependent on selling to tourists as part of local sales).
Trend	<ul style="list-style-type: none"> • The market has been depressed for the last two years. Local middle-class buyers face rising unemployment, and increasing costs for education, healthcare and medicines: leaving them with less disposable income to buy his handicraft products.
Seasonal	<ul style="list-style-type: none"> • The local market for his products is highly seasonal (this represents 60 per cent of his sales). Local customers are businesses (buying corporate gifts) and families (traditional marriage gifts). Peak times are Diwali (Hindu Festival of Light in October/November), when company contacts expect gifts; and Christmas/New Year. Slack period is June-August.
Seasonal	<ul style="list-style-type: none"> • Workshop employees must also work on their rice fields, sowing and reaping, so they are not available to work during these seasons.

Policies, Institutions and Processes

Culture	Corruption/bribery is widespread.
Structure	Telephone and power supplies to workshop are unreliable.

Livelihood Strategies

	<ul style="list-style-type: none">• Kiran wants to develop his export business (currently 20% of sales). He recognises one current vulnerability: his dependency on one main US buyer, who is price sensitive. ASHA Handicrafts is helping him try out different designs and colours to show buyers from US, UK and Germany.
	<ul style="list-style-type: none">• To improve local market sales, he wants to try some local publicity and marketing.
	<ul style="list-style-type: none">• To improve local sales to companies, he is trying to develop products which can be branded with screen-printed company logos and colours (eg keyrings, coasters etc).
	<ul style="list-style-type: none">• He wants to teach his two daughters (aged 8 and 4) his skills: 'so the craft will not die out'. 'It will provide them with bread and butter,' he says.

General overview

From these specific interviews, and other research data we can make the following observations.

Vulnerability context

At the grass roots level, handicraft production of goods can seem a useful livelihood strategy but only where the market is assured. We have noted that the international market is becoming more competitive, and the poor must take this into account in their livelihood strategies. The interviewees noted this within their comments on the seasonality of the work. The long term viability of their products in a changing world could be in question.

Producers are still vulnerable to the shocks that are a normal part of life in India and Bangladesh. Handicrafts do little to alleviate this vulnerability. There is a minor contribution to security by offering an alternative to rain-fed agriculture.

Capital

It is worth noting that most of the craft producers were trained by apprenticeship either with their parents or a master craftsman. The human capital resource is diminishing as the new generation are working towards more formal educational opportunities and different careers. Handicrafts is often undertaken by the landless and in this sense is a livelihood strategy that does not rely on land ownership.

As it uses residues, handicrafts are often a good use of the natural capital. However there is an increasing use of chemicals to enhance products which can have pollution effects, and where the handicraft is based on unsustainable resources (eg hardwoods) the costs of the resources are increasing.

Policies, Institutions and Processes

India in particular has had a national strategy to encourage handicrafts.

Livelihood Strategies

The intended outcome of being a handicraft producer includes - to achieve –

- **generating more income** - however this depends on constant sales and there is a big difference between repeat products (food and consumables) and crafts.
- **increased well being** – this often depends on the fair trade organisation assisting the family with appropriate knowledge and extension services. This is true for all poor families and handicrafts itself does not add value to this well being.
- **reduced vulnerability** – however the producers remain vulnerable to ATO decisions and to market shifts.
- **improved food security** – this outcome is dependent on achieving the increased income.
- **more sustainable use of NR base** – many crafts do use natural resources that might otherwise be wasted eg weaving of crop residues. However, there are also challenges where non-sustainable use of resources threatens the longer term eg use of hardwoods in small crafts.
- **retention of culture** – this has been promoted by the ATOs as a key reason for encouraging craftwork, however the increasing market trend is towards modern traditional hybrids which sell more easily (eg Indian hand made boxes with Celtic inlaid brass designs for the UK market).

7.4 ICT impact on handicraft livelihood strategies

- **Natural Capital** – opportunities for accessing national government policies – thereby giving people the possibility of forming an advocacy or lobbying group to change policies that restrict land ownership (giving indigenous people the rights to their land).
- **Financial Capital** – identification of lending organizations and communication with them may be enhanced by ICT. At the most basic level (mobile) telephones have increased communication potential (eg as in Bangladesh, where Grameen has marketed mobile phones to women in poor communities).

- **Human Capital** – ICT is unlikely to affect labour inequities or lead to new opportunities for accessing labour requirements. ICT might yield increased knowledge of global markets and the processes required for certification and offer distance learning for required new skills.
- **Social capital** - ICT offers the opportunity for building social capital beyond the immediate community. Friends in distant places can sometimes open doorways.
- **Physical capital** – apart from perhaps affecting the financial constraints of the livelihood outcomes, ICT is unlikely to affect physical constraints. Lobbying for the provision of basic infrastructure might be affected by ICT.

As Heeks puts it '*ICTs are not the only "technology" that handles information*'. ICT is based on digital information held as 1s and 0s, and comprise computer hardware, software and networks. Other information-handling technologies include (Heeks, 1999):

- '**Intermediate**' technology, still based largely on analogue information held as electro-magnetic waves such as radio, television and telephone.
- '**Literate**' technology, based on information held as the written word such as books and newspapers.
- '**Organic**' technology, based solely on the human body such as the brain and sound waves.

Any study of information and small enterprise must therefore encompass these other technologies since there may be situations in which they are more appropriate than ICT.

Like Heeks we found:-

Sources and channels of informal information were characterised by:

- A high degree of reliance on information obtained through the knowledge and experience of the business owner.
- Information received through informal local networking within the business community.
- Information received through contacts with family and friends.
- Information accumulated through enterprise-specific learning.
- Information gaps are certainly an issue for small entrepreneurs, but a more important part of the total small enterprise development picture are resources like skills, markets and money. Addressing information alone may be a necessary step in small enterprise development but it is far from being a sufficient one. And what is true for information must necessarily be true for the ICT which provides more efficient or effective means of handling that information.

7.5 Conclusions

The key recommendations to empower producer groups are therefore:

- **Consider first the market for any product.** While this is common sense for any business, the global market for crafts has changed since many handicraft projects were first set up. Consider producing something which wears out or is consumed - long life 'single' products (eg brass boats) are not a good strategy; food products can be very effective once the initial hurdles have been overcome (since these are repeat products).
- **The local market is often as important, or more important, than the export market.** Local producer groups and ATOs would do well to strengthen their outlets in their own country before attempting to tackle the global market through the Internet.
- **Business to consumer Internet sales are still evolving** and the idea of selling handicrafts over the Internet is in its infancy. There are considerable difficulties with disintermediation between producer groups and consumers involving the supply chain, instant delivery, quality control, trust of financial controls amongst other factors. Consumers still generally distrust the Internet in general and in particular will distrust Internet sites originating in the so-called Third World.
- **Internet web sites are good for advocacy.** Simple sites (not necessarily with shopping facilities) can be used for educating the public to the conditions of the handicraft producers and lead to improvement of conditions, encouraging direct longer term contact etc.
- **Business to business opportunities do exist on the Internet.** ATOs and producer groups can access new commercial outlets for their products. This may be as simple as a demonstration of their wares on the Internet (an advertising brochure), or application to selling gateways (eg globalsources.com). There are some difficulties in product protection - commercial copyright of latest designs.
- **There are opportunities for improving the supply chain** of existing handicrafts through ICT. This includes the items stated above.
- **There are some opportunities for 'digital crafts'** using the Internet to protect indigenous knowledge and create income streams from it. Producer groups who offer handicrafts should explore these opportunities (see the following section 8.6.2).

- **There are opportunities for ethical tourism** which can be built on the experience of handicrafts. The promotion of this through the Internet avoids many of the difficulties associated with delivering handicrafts to the consumer (see next section 8.6.3).

While ICT may enhance the livelihood strategies of the poor by timely provision of information and communication, it is unlikely to significantly affect the trends of handicraft production. Producers will continue to be among the poorest of a community and be vulnerable to market trends.

8 Key recommendations: E-commerce options

In the previous sections, we have determined that business to business (B2B) represents the best opportunities for craft producers wishing to take advantage of the Internet and related technologies to develop their businesses.

Here we present key recommendations, most of which are relatively easy to implement. We do not consider that the Internet currently offers a radical new business model for craft producers: but rather enhancements to existing processes and activities. We are therefore cautious about the scale of benefits offered by ICT for craft producers in the current market.

However we believe that appropriate application of some or all of the below can bring measurable cost-benefits to producers.

In the section Future Opportunities (see 8.6) we consider a wider range of options that involve more tangential business models and opportunities for consideration by fair trade craft stakeholders.

8.1 On-line catalogues

Although sales of craft goods via on-line catalogues to individual consumers have been low to date, catalogue-based web sites can be a helpful enhancement when dealing with wholesale and retail buyers (B2B).

This is the approach taken by specialist craft sites such as OneNest and PEOPLink, as well as more generic virtual marketplaces such as Global Sources. However experience to date suggests that offering a searchable catalogue on its own will not help businesses find and win new customers. Rather this should be seen as an additional service to help known buyers find products, review new designs and samples quickly, before the buyer requests a product sample.

Producers will need to continue to develop conventional (largely off-line) marketing to find new customers, such as:

- Attendance at trade shows
- Advertising in relevant trade publications/directories
- Mailshots of catalogues/newsletters

It is instructive to note that this too is the direction taken by OneNest in their dealing with retail buyers, whom they describe as very conservative in their approach to and use of the Internet.

8.1.1 Telling stories

On-line catalogues also offer significant benefits when these are integrated with or linked to additional promotional materials such as:

- **Stories** of individual artisans (especially linked to featured products). These can include text and photos, as well as video content, where available. Such materials give buyers and (if well-presented) end-consumers a strong connection to the individual artisan and context of the craft products.
- Historical/cultural background to indigenous materials and processes

The Fair Trade Global Communication System feasibility study (Caserta 2001) noted that World Shops identified receiving information about producers, stories, images and characteristics of products as being a priority information need.

PEOPLink's CatGen software enables producers to link this type of information to particular products and producer groups: both for the benefit of buyers, and for their own administration and organisation of content.

8.2 Design

Many producers we have spoken to consider design input from professional designers from the US and Europe to be crucial to help them develop suitable export products. Organisations such as Traidcraft (www.traidcraft.co.uk) have seen this as an important way of building local capacity, to help producers win retail contracts. There have been successes to date, with some producers winning contracts to supply UK and US retail chains.

However the cost of sending a designer to work with producers for 1-2 weeks are high, and may often be disproportionate to the amount of export sales smaller groups can achieve. (For this reason, where possible, a designer may hold a workshop with a number of producer groups at the same time).

A possible application of Internet technology could allow a designer (or designers), based in Europe or the US, to offer real-time consultancy and advice to producers using on-line conference tools (such as Microsoft Netmeeting and others). Although this would currently only be possible for those producers with robust (and ideally higher bandwidth) Internet connections, the approach could be very cost-effective, and would allow a designer to have input throughout the whole design process - and not just concentrated within a brief overseas visit.

Existing conference and meeting tools allow a group of users to share photos and other files, use an interactive whiteboard, and share voice and video communications etc.

[Peoplink](#) have developed some tools to facilitate such conferencing, but have not yet tested these with producers, due to lack of funding.

While it is likely that a designer would still need to make an initial visit to a producer group, this could extend the value of such visits significantly, and allow continuing interaction.

8.3 Email

Email has been identified as being by far the most important benefit brought by the Internet for developing countries. In Bangladesh, for example, 82% of Internet traffic consists of email; whereas in the USA the web accounts for 70% and email only 5%⁴⁸. This is largely a result of the relatively high access costs in Bangladesh, as compared to the USA.

Although Internet access costs are still a major barrier for ngos and small and medium sized enterprises in developing countries, the rapidly increasing number of community telecentres and cyber cafes provides increasing access to email, especially in urban areas.

Email has brought enormous benefits to many ngos, development organisations and international businesses. For those who have affordable access, email is a cheap and effective way of communicating nationally and internationally - especially when compared to the much higher per minute costs of long-distance and international telephone/fax calls.

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

Email can also bring significant benefits in-country too. In many of the less developed countries, telephone and postal communications can be unreliable or non-existent. Using email can bring considerable efficiencies in saving time and costs, and in sharing key information rapidly among groups who may be far apart geographically. Thus email has already brought many benefits to organisations in processing sales information, assisting in product development, and enhancing communications within organisations, and to those on the periphery.

⁴⁸ *Challenges to the Network: Internet for Development*, International Telecommunications Union (ITU), Geneva 1999.

Email also enables digital images to be sent internationally quickly and at low cost. Although digital photographs by their nature are not colour accurate (many ATOs prefer producers to use Pantone charts as their reference point), they do give an idea of design and shape, and can be a valuable contribution to developing new products (especially where there may be considerable dialogue between buyer, producer network and individual artisan).

In our workshop with producers in India, we discovered that there were significant cost savings that could be made if individual producers made use of the growing number of cyber cafes, Internet restaurants or telecentres which are springing up in many urban (and some rural) areas (see sections 5.3 and 5.4). Delhi, for example, now has more than 1,000 Internet facilities offering access to the Internet and email on a pay-per-use basis.

The feasibility study for a fair trade global communications system commissioned by NEWS! (Network of European World Shops) notes that producer groups in the developing world are in some cases making more effective use of new technology than their counterparts in Europe. Thus many producers have seized the opportunities offered by email to promote their goods and supply company information to prospective buyers; but many of the specialist 'World Shops' in Europe lag behind. According to the survey, an average of only 29% of World Shops in Europe (787 of 2741 shops) have email (and only 9% a web site). Only 3% of the UK's World Shops (13 of 400 shops) have email, as compared to 43% in Germany (300 of 700) and 100% in Spain (62 of 62)⁴⁹.

The report notes that '*many producer organisations are investing in Internet technologies to promote the organisation and products, increasing the use of email for communication with buyers*'. Through organisations such as PEOPLink, many producers have received training on digital images and simple web page and catalogue creation, and have invested in simple digital cameras and computer equipment.

Barriers to the use of email by producers are identified as:

- slow or unreliable Internet connections
- small producer groups only having access to fax and telephone
- Internet connections only available to exporting organisations

In the same report, producers identified their top five most important communication needs in relation to importers as being:

- receiving feedback from importing organisations on sales and market trends

⁴⁹ *Creating a fair trade partnership through a fair trade global communication system*, Angelo Caserta, NEWS!, 2001.

- sending to importers information on new products
- sending to importers photographs and descriptions of products
- sending to importers general information about themselves
- letting importers know the producers' vision of fair trade (criteria, goals, strategies)

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

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

8.4 Multimedia

The Internet and related technology also present new media for promotion and marketing. While few producers would think of creating their own video programmes, rapid changes in digital video technology mean that £2000 can buy near-broadcast quality equipment (video camera; laptop or PC equipped for video editing) that would have cost five times as much two years ago, and even ten or twenty times as much five years ago. Reducing costs and increasing standards present many new opportunities for promotion both on-line and off-line.

As a demonstration of what is possible, we have created a short 10-minute video programme to show how one of HEED Handicraft's producers makes clay pots in Bangladesh. This was shot on digital8 video, edited on a laptop, and output to video cd format (which is common in Asia). Compressed formats of this programme could be streamed from a web site, or even played in-store (from a

video player, or multimedia kiosk etc) to show customers the people (and their stories) behind the products.

Video and other multimedia formats (eg Flash presentations, slideshows with text/audio commentary etc) can be used to tell the stories of individual producers and groups, show a particular production process, give the community context etc. World Shops, which sell fair trade craft goods to consumers, consistently identify this kind of material as a priority need to help the promotion of craft goods (see Caserta 2001).

The sample video sequence is on the cd which accompanies this report. See 9.9.3.

8.5 Market information

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

Accurate, up to date market information is a key component of successful export designs. This is currently provided by a number of organisations, who provide market intelligence as a service to producers.⁵⁰

Often producers and designers rely on magazines or catalogues (which may be out of date) - whereas viewing products currently on sale enables producers to view the latest trend or season, see room sets and on-line displays etc.

Caserta (Caserta 2001) identified sales and market trends as being the top information need listed by both World Shops and producer organisations.

We recommend therefore that craft producers make use of the Internet to view current products, designs, trends, colours etc in key on-line US and European stores on a regular basis. As part of the workshop conducted in Bangladesh, producers were exposed to both sample colour magazines and digital images (viewed on a laptop), as part of an exercise to evaluate different ways of gathering design information. The workshop found that producers were equally happy to work from digital images as magazine pages, and that the selection of images provided by the laptop encouraged producers to have more 'effective' designs.

However since many producers can access the Internet only on low-bandwidth connections (and where telephone lines are often of poor quality, as in Bangladesh), ATOs and other organisations could consider enhancing their

⁵⁰ For example, Traidcraft produces a regular newsletter giving the latest reports from trade shows, key web sites etc for their own producers. SERRV International publishes a Trends report, researched by US designer Docey Lewis, with colour illustrations, to show the latest products, styles, colours etc. Market information is also provided by the Dutch Centre for the promotion of imports from developing countries (CBI). See www.cbi.nl.

market intelligence services by offering archived content on cd-rom. Thus, for example, Traidcraft and others who provide a newsletter giving details of web sites and links could enhance their service by offering the actual content on cd (subject to copyright and agreement with on-line stores).⁵¹ This could be a cost-effective means of enabling producers in remote areas to make use of the Internet in this way. Even where producers do not have their own multimedia PC, cd-roms can be accessed using the growing number of cyber/Internet cafes.

We also note the experiments of Viatru in this area. Viatru, before their collapse in April 2001, had set up a Visible Commerce Forum to share market information, give background information to producers (eg about seasons), recommend on-line shops etc. Viatru hoped that the Forum would grow into an interactive exchange for all stakeholders with an interest in fair trade products: producers, importers, buyers, retailers etc. This did not happen; though the concept is still worthy of consideration.

A range of the materials produced by Viatru for this forum, which are no longer available on-line, are included on the accompanying cd (see sections 9.1.1 and 9.9.3), along with sample archived web pages from on-line craft stores (see 9.9.3).

8.5.1 The 'e-commerce lens'

We have said that there is very little opportunity for disintermediation of the supply chain through B2C trade. Many of the barriers to e-commerce can only be solved by having a supply chain similar to the traditional one – ie a consolidation of products through a respected outlet which can hold stock and supply quickly on demand near the end market. These functions have been provided by ATOs (Alternative Trading Organisations) such as Traidcraft, 10,000 Villages etc. The model below represents this by the solid arrows flowing from one organisation to another.

However, Information Technology does offer disintermediation opportunities for information.

In the traditional fair trade business model of the 70's, the market would tend to 'see' the handicraft industry through the eyes and images of the ATO (Figure 18). ATO retail outlets would offer some explanation of who produces the goods, and marketing from the ATO would promote the cause of the poor. Similarly the producers would only have an understanding of the overseas market through the information given to them by their local ATO intermediary.

⁵¹ This concept was piloted as part of this research at the IFAT conference in June 2001 in Tanzania. A cd of sample content was demonstrated during a workshop and distributed to over 100 participants. These materials are included on the cd, available as part of this report.

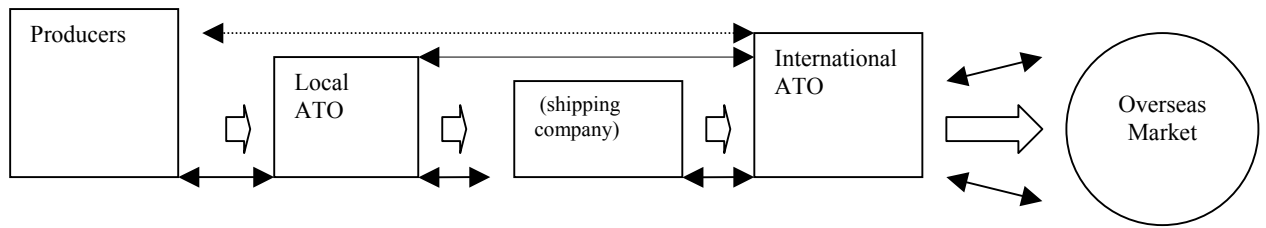


Figure 18 Pre-Internet information and supply flows for craft producers

With the advent of the Internet, producer groups have the opportunity to ‘see’ what the overseas market is like and to display their wares directly (even though they still need a supply chain for delivery). The Internet then acts as a ‘lens’ to give some information about the global market directly to producers, and for producers to undertake advertising and advocacy directly to the global market (Figure 19).

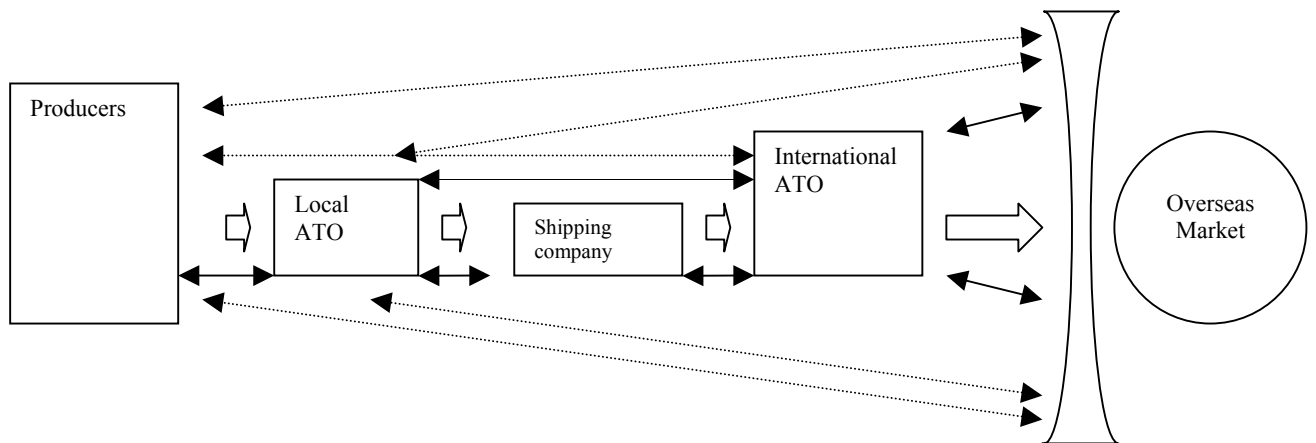


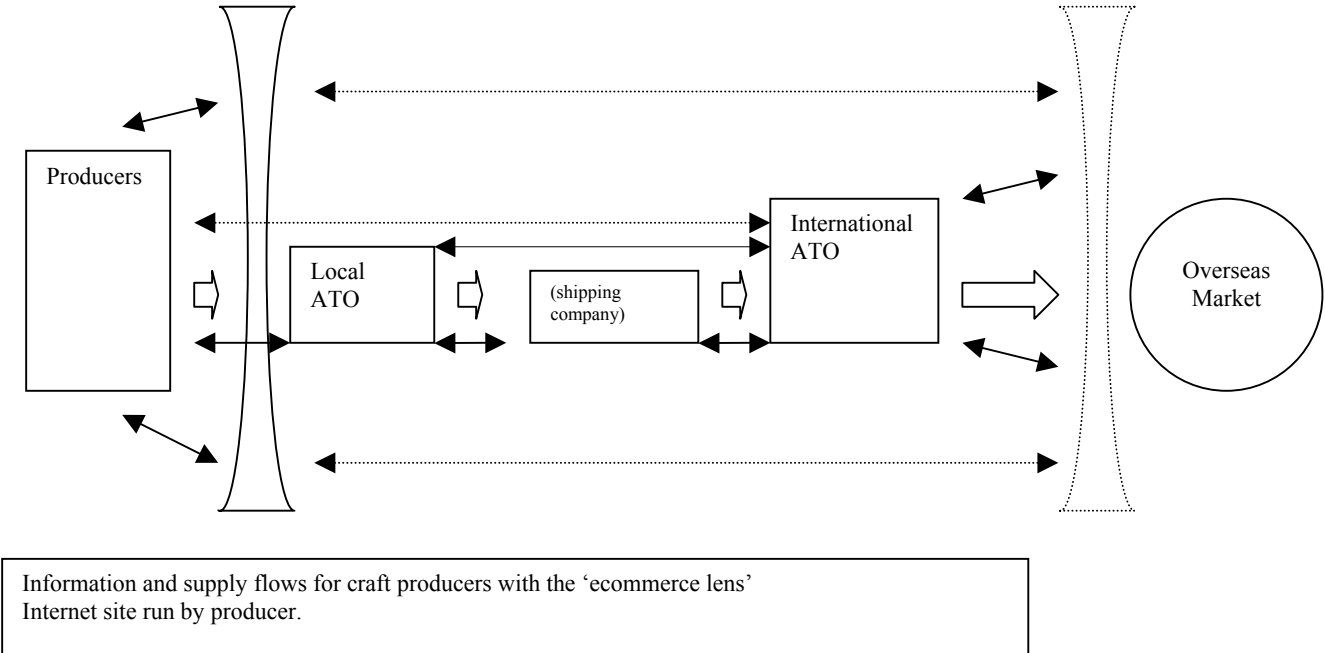
Figure 19 Information and supply flows for craft producers with the 'e-commerce lens'

The local producer or local ATO could have their own web site or be given control of its own web site as a sub site on a larger portal (eg PEOPLink).

The **strength** of this approach is that the producer group manages their site and are able (and empowered) to state clearly and accurately who they are and what they do. Story telling become simple. This is good for B2B connections.

However the **weakness** is that this does little to add to their international profile. If they have an independent web site it is unlikely that they will be able to get the search engines to rank them high enough to catch the eye of new customers. Searching customers are still more likely to reach the international sites that have put in the time and expertise in getting sufficient ranking in search engines. If the international ATO site then has linkages to the producer site, or offers a service of sub sites, the profile is still relatively low as they are one of tens or hundreds of producer groups featured on the international site (see Figure 20).

The passage of goods is still constrained by the (physical) supply chain.



8.6 Future opportunities

Having found that fair trade handicrafts are a weak livelihoods option, vulnerable to a shifting market (both supply and demand), the research team investigated some ideas that were connected to e-commerce and crafts, although ones that may be considered ‘parallel’ or ‘tangential’. The concept behind this section is to provide enabling ideas for handicraft producers and ATOs.

8.6.1 A Fair Trade Global Communication System

Caserta (Caserta, 2001) proposes creating an Internet-based Fair Trade Global Communication System (FairTradeForum.net) to improve information flow between the different fair trade stakeholders (producers, importers, labelling organisations and World Shops).

The current information flow is mapped below (Figure 20):

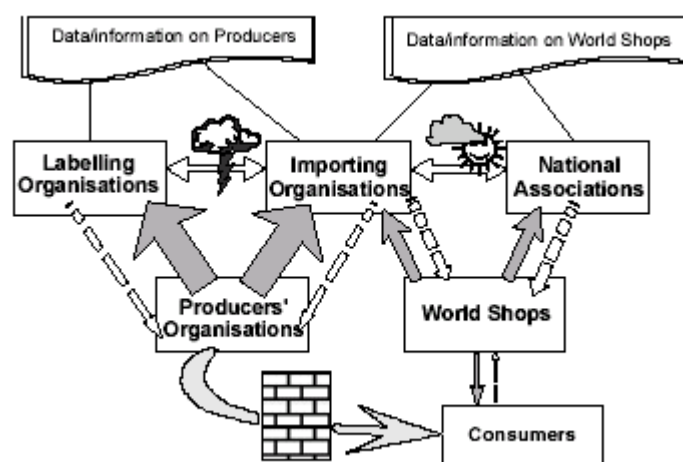


Figure 20 Existing information flow between fair trade stakeholders

Source: Caserta, 2001, p25

The new communications system has been proposed in order to meet a number of needs identified in the research, including to:

- Improve transparency between all stakeholders
- Increase information flow (eg importers often unwilling to share information with other importers/retailers)
- Enable producers to give background information, producer stories, product details and promotional materials (eg photos, videos) to World Shops and other retailers

- Allow collation of customer profiles, and feedback from stores to producers about market trends

The improved information flow offered by the proposed portal FairTradeForum.net is shown below (Figure 21). The grey arrows represent outgoing information; the white arrows incoming information.

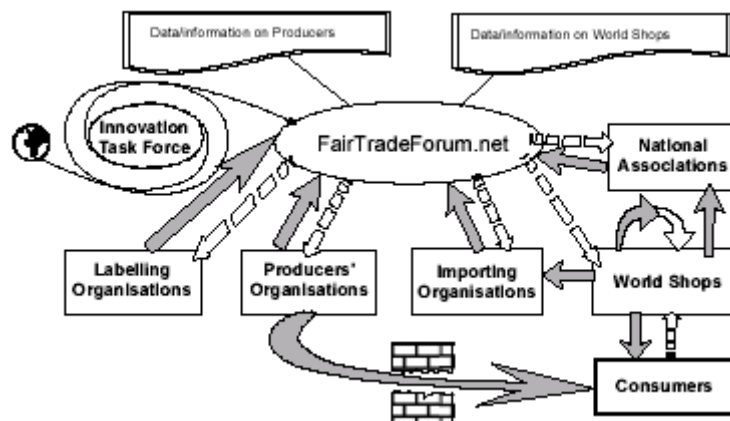


Figure 21 Improved information flow between fair trade stakeholders

Source: Caserta, 2001, p29

However the research also acknowledged that such a system itself faced a number of **obstacles** in its implementation:

- Lack of standard systems/databases between stakeholders.
- Producers often have limited (or no) access to the Internet, which can be costly.
- World Shops tend to be run as charity projects, rather than business ventures; many see ICT as a luxury (rather than a business tool).
- Need for high level of commitment and financial support from stakeholders (estimated cost of 1.4 million euros over four years). The feasibility study identified the European Commission and the Dutch ngo HIVOS (www.hivos.nl) as possible sources of funding.

NEWS! (the Network of European World Shops), working with IFAT, submitted the outlined communications system for funding in April 2002, with the hope that implementation may begin early in 2003.⁵²

⁵² Personal communication from Angelo Caserta, author of the feasibility study.

8.6.2 Digital Fair Trade

The advent of the Internet and related technologies has created a range of new products for mass markets. Digital formats have been widely used to distribute the following:

- Text and multimedia (web pages, and document formats)
- Books, magazines, newsletters (in text and audio formats)
- Music, spoken word recordings, photographs, video
- Software (business and domestic), games etc.

In essence the digital formats for text (eg txt, doc etc), web pages (html), audio/video (mpeg, Windows media, Real etc), photographs (jpeg), and others offer a number of significant advantages:

- They can be copied perfectly without degradation (analogue copying, such as tape to tape, always loses quality with each generation)
- They can be stored on a computer or other information appliance; and on permanent removable media, such as floppy discs, CD-ROMs, DVDs etc. Some of these formats, such as CD-ROM, are very cost-effective compared to traditional media (eg paper, audio/video tape etc).
- They can be distributed by email (as attached files) and by the Internet (as downloadable files, or as streamed media). The on-line music exchange Napster and others revolutionised the distribution of popular music through its peer-to-peer network of users.
- Digital formats can be highly compressed (at selectable rates) for low-bandwidth delivery
- Production software is commonly (and often freely) available, making use of standard formats and specifications. This also means that digital content can be easily migrated without loss of quality into future formats.

Some of these new formats and products offer new opportunities for 'digital' fair trade products. We identify the following as potential opportunities for craft producers, ATOs and others:

- **Music:** mp3 (mpeg3) music files have become commonplace in recent years, especially with young people who have access to a computer and the Internet. So-called 'World' music, from indigenous artists, is a significant market globally. Fairly traded world music could promote local/regional artistic culture (as do many existing craft products). The Internet offers the potential to disintermediate the traditional publishers/labels, allowing artists to reach consumers direct.⁵³ The same formats can also be used to produce and distribute spoken-world recordings: traditional stories etc.
- **Design:** many craft products draw on indigenous art and design forms (eg in textiles, ceramics, wood products etc). These designs, and contemporary variations, have commercial value: especially as global communications (satellite television, the Internet etc) make increasing use of local cultures for recreational entertainment: part of what Rifkin (Rifkin, 2000) identifies as the long-term shift from industrial production to cultural production.⁵⁴ Designs can be mediated and distributed in digital formats, both to keep the designs alive, and to generate income for artists, producers and communities.
- **Digital postcards and greeting cards:** Digital formats make it easy to send photographs, postcards and greetings cards digitally via the Internet and email. A number of web sites already promote these services⁵⁵. Greetings cards are produced by a number of artisan groups (including those in India and Bangladesh), and marketed by ATOs in Europe and the USA. Digital formats would allow the appropriate promotion of local art forms, and give promotional opportunities to producer groups and individual artists.

⁵³ The market research group Informa Media estimates that downloadable music will account for 6 per cent of global music sales by 2007. Online sales, mainly the physical sale of CDs over the Internet, will account for 25 per cent of the total \$9.7 billion market. Financial Times, London, March 23 2002.

⁵⁴ *'More and more cutting-edge commerce in the future will involve the marketing of a vast array of cultural experiences rather than of just traditional industrial-based goods and services. Global travel and tourism, theme cities and parks, destination entertainment centres, wellness, fashion and cuisine, professional sports and games, gambling, music, film, television, the virtual worlds of cyberspace, and electronically mediated entertainment of every kind are fast becoming the centre of a new hypercapitalism that trades in access to cultural experiences.'* The Age of Access, Jeremy Rifkin, 2000, p7.

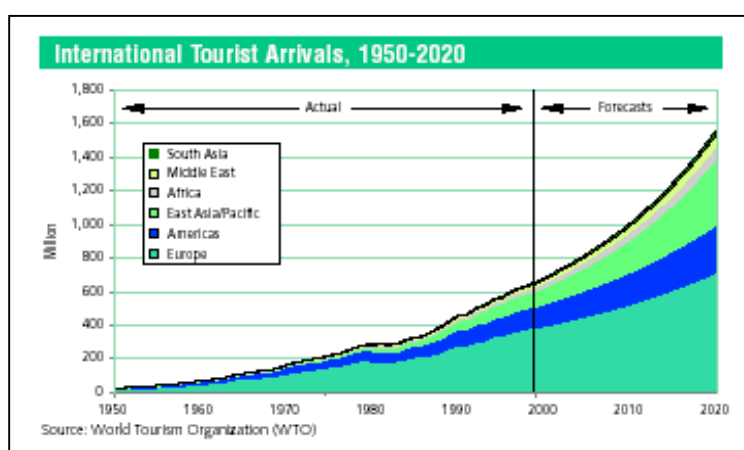
⁵⁵ See <http://www.all-yours.net/>, <http://www.belizenet.com/postcard.html>, <http://www.egreetings.com/> etc

8.6.3 Ethical Tourism

Ethical or fair trade tourism is a new and growing global fair trade market. This section summarises the background and growth of so-called ethical tourism, and highlights ways in which this gives existing craft producers and stakeholders new ways to promote their goods using the Internet, as well as creating opportunities for new business models to deliver new fair trade services.

8.6.3.1 Traditional tourism in developing countries

- International tourism is one of the world's biggest markets, with receipts worth \$476 billion in 2000. The World Tourism Organisation estimates that tourism grew by 4.6 per cent between 1999 and 2000.⁵⁶ Although international tourist arrivals fell by 1.3 per cent in 2001 (due to world recession, and the September 11 attacks in the USA), the WTO estimates that global tourism will grow at an average rate of 4.1 per cent per year until 2020.⁵⁷



⁵⁶ Tourism Highlights 2001, World Tourism Organisation.

See: http://www.world-tourism.org/market_research/data/pdf/highlightsupdatedengl.pdf.

⁵⁷ 'The total tourist arrivals by region shows that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia and the Pacific (397 million) and Americas (282 million), followed by Africa, the Middle East and South Asia. East Asia and the Pacific, South Asia, the Middle East and Africa are forecasted to record growth at rates of over 5 percent per year, compared to the world average of 4.1 per cent. The more mature regions Europe and Americas are anticipated to show lower than average growth rates.'

Tourism Highlights 2001, World Tourism Organisation.

See: http://www.world-tourism.org/market_research/data/pdf/highlightsupdatedengl.pdf

- There is a shift in tourism towards developing countries. International tourism arrivals in developing countries have grown by an average of 9.5% per year since 1990, compared to 4.6% worldwide.⁵⁸
- Developing countries hold about 30% of the international tourism market. China, Thailand and Indonesia account for a large percentage of this. The participation of less developed countries in the global tourism market is often small and uneven.

Developing countries have often used their natural and geographical endowments to achieve remarkable growth in their tourism sector. However, a number of circumstances common, but not exclusive, to developing countries militate against their efforts to develop a strong tourism export sector:

- A generally weaker bargaining position towards international tour operators
- An increasingly competitive global tourism sector where natural competitive advantages are becoming less significant
- Long distances and little or no competition result in high air fares

8.6.3.2 Ethical/fair trade tourism in developing countries

*'Fair trade in tourism is a key aspect of sustainable tourism. It aims to maximise the benefits from tourism for local destination stakeholders through mutually beneficial and equitable partnerships between national and international tourism stakeholders in the destination. It also supports the right of indigenous host communities, whether involved in tourism or not, to participate as equal stakeholders and beneficiaries in the tourism development process.'*⁵⁹

In this rapidly emerging new market, a number of overlapping terms are used to describe approaches to tourism which promote ethical, fair trade, sustainable and pro-poor values. Thus different organisations promote distinctive forms of tourism labelled as 'ethical', 'fair trade', 'sustainable', 'community-based', 'responsible', 'pro-poor' etc. This is in addition to the more established identity of so-called green and eco-tourism which emphasise the impact of tourism on the environment.

⁵⁸ *Pro-poor tourism: harnessing the world's largest industry for the world's poor*, Dilys Roe and Penny Urquhart, International Institute for Environment and Development, May 2001.

See: <http://www.poptel.org.uk/iied/pdf/tourism11.pdf>.

⁵⁹ As defined by the Fair Trade in Tourism Network. See: http://www.tourismconcern.org.uk/main_page.htm.

A number of researchers and academics use ‘new tourism’ to describe the whole range of new tourist markets, encompassing the following descriptors:

academic	adventure	alternative	appropriate
archaeo	cottage	culture	eco
ecological	environmentally-friendly		ethnic
green	nature	safari	scientific
sustainable	trekking	truck	wilderness
wildlife			

Source: *Tourism and Sustainability: new tourism in the Third World*, Martin Mowforth and Ian Munt, Routledge, 1998.

Figure 22 New tourism descriptors

This list does not include community, fairly-traded or ethical – which shows what a recent phenomenon this is.

According to a 2001 WTO study, ecotourism may represent between 2 and 4 per cent of global tourism. WTO notes:

‘The global significance of ecotourism does not come from its revenue volume, but rather because it strives to:

- *Protect the rapidly disappearing ecosystems that house most of the remaining biodiversity on Earth, and it is one of the few feasible economic tools to finance conservation of sensitive ecosystems; and*
- *Ensure that local communities have a voice in sustainable development, that they benefit positively from revenue flows, since ecotourism operations and infrastructure are generally small-size and are run directly by them, and that less impacting alternative livelihoods are available*⁶⁰

A Tearfund survey in 1999 in the UK reported that a majority of consumers would be prepared to pay a premium of 5 per cent for an ‘ethical’ holiday.⁶¹

For the purposes of this overview we have adopted the generic use of ethical or fair trade tourism.

⁶⁰ WTO news release January 28 2002. See: http://www.world-tourism.org/newsroom/Releases/more_releases/january2002/launch_ecotourism.htm.

⁶¹ In the more established eco-tourism market, a significant number of consumers are prepared to pay premium prices for their holidays. A US survey in 1992 indicated that 7% of US travellers (8 million) had taken at least one ecotourism trip, and that 30% (35 million) claimed they would take one in the next three years. The Panos Institute reports that 7 million tourists in the US are willing to pay \$2,000-3,000 for an ecotour.

Tearfund has described ethical tourism as follows:

*'It offers tour operators a competitive advantage and safeguards the future of the industry by ensuring the long-term sustainability of a destination. It offers the tourists a richer experience, as holidays will draw on the interests of those living there and those working for development, as it can help combat poverty and contribute to sustainable development.'*⁶²

The WTO (World Tourism Organisation) has drawn up a global code of ethics, approved by the UN, which spells out the respective rights and obligations of all those who are stakeholders in the tourism industry. It aims to minimize the negative impact of tourism on the environment, on host communities and on cultural heritage. At the same time, it sets out to maximize the potential benefits for residents of the areas visited as well as for the private sector of both tourist-receiving and generating countries.⁶³

8.6.3.3 Ethical tourism as an ecosystem (extract)

Anna Pollock & Leon Benjamin⁶⁴ have examined the tourism industry as an ecosystem in transition – triggered by the emergence of e-commerce. Figure 23 depicts a more or less typical business ecosystem or business web.

'A most important feature that must be recognised is that this concept is fully scaleable. A business web could comprise a small hotel that will become both entwined with nearby institutions and populations – the local Rotarians that meet on Fridays, the insurance company with its corporate account, the American specialty in-bound tour operator catering to antique buffs, the local supplier of fresh organic produce for the three star restaurant, the ASP providing payroll services online. Those are the sort of reciprocal, mutually beneficial relationships that can define a business ecosystem. Alternatively, the same concept can be scaled up to include a whole destination such as a city like Vancouver or destination like the Cotswolds or a global intermediary such as Travelocity.'

⁶² *Tourism: Putting Ethics into Practice*, January 2001, G. Gordon and C. Townsend.

See: <http://www.tearfund.org/acting/tourism.pdf>

⁶³ See <http://www.world-tourism.org/projects/ethics/principles.html>.

⁶⁴ *Shifting Sands: The Tourism Ecosystem in Transformation*, Pollock, Anna; Benjamin, Leon, May 2001. See: http://www.eyefortravel.com/papers/The_Tourism_Ecosystem_for_Eye_for_Travel.doc

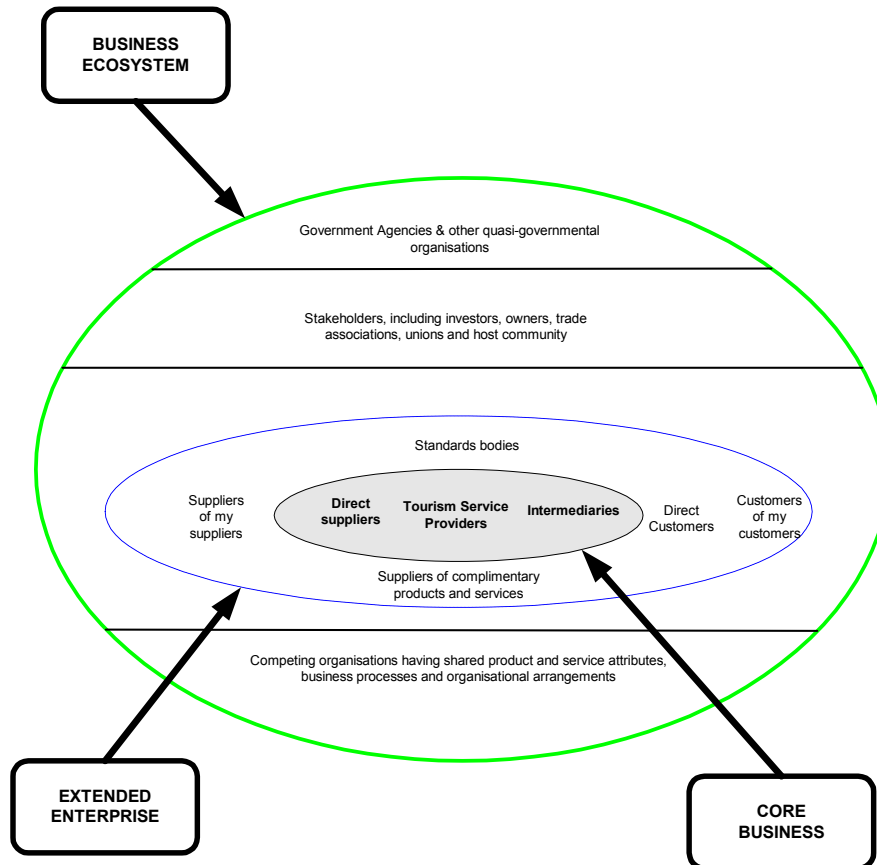


Figure 23 Tourism business ecosystem

Key to Figure 23: Moore’s Business Ecosystem Applied to Tourism

Tourism Service Providers: enterprises that offer a product or service that forms part of the consumer’s travel experience. These providers also show enormous heterogeneity and diversity in terms of type, size, sophistication and market focus. They can be further classified into core providers (lodging, transport, dining, entertainment etc.) and ancillary (insurance, currency, financial services, retail, interpretive etc).

Intermediaries: enterprises (tour operators, travel agents, destinations) that exist to assemble the elements of a trip experience into a complete package that could be sold via retail channels to consumers. They have done what it was virtually impossible for either an individual supplier or purchaser to do alone. Until a few years ago, the vast majority of these intermediaries were ‘bricks and mortar’ businesses whose value was based on their brand and customer base. In recent years they have faced stiff competition from a new breed of ‘e-mediaries’ such as Expedia, Travelocity and LastMinute.com that have used technology to aggregate and personalise electronic content and enable online transactions.

Direct Customers: these might be guests, whose personal and trip characteristics show enormous variability by purpose, length, trip type etc or agents for those guests.

Direct Suppliers of direct and indirect goods and services that form the input into the travel product (eg furniture, bed linen, tableware, accountancy, printing, equipment etc.) or can be sold as ancillary services (insurance, currency, traveller's cheques, finance). A business ecosystem also includes the owners and other stakeholders of these primary species including government agencies, regulators, associations, standards bodies, and representatives of the host community. To one extent or another, an ecosystem also includes direct and indirect competitors that, as circumstances shift, may also be collaborators.

Host Communities (residents and their governments at local, regional and national levels) that can both benefit and suffer from the tourism sector according to how well it is managed at the destination.

*'We foresee that companies and individuals will disaggregate their functions and services and convert them into web services that form the equivalent of the cell. Cells will specialise and cluster together to form tissues and organs. Providers will be aggregated into clusters of content and functionality around a specific market requirement or opportunity. More complex clusters of clusters will be created (the new e-mediaries) to provide a comprehensive range of services. **Note: in this new, organic, fluid world, any provider, group of providers or any customer or third-party could become an e-mediary or synonymously a content and service aggregator.** In a world of electronically available and purchasable web services, virtually all barriers to becoming intermediaries disappear – a process of natural selection will take place around profit to companies and value to customers.'*

*Figure 24 provides our modified version of the tourism business web to reflect the fluidity of the digital world. Note: there won't be one business web but several hundreds of thousand co-existing b-webs each organised **not** around products but **customers and groups of customers.** Our guests (consumers) will provide the rationale and focus for service providers and their suppliers to collaborate – in other words, these b-webs are intrinsically customer-centric and opportunistic! Intermediaries will be formed around customers and market opportunities **NOT** product ownership.*

It is also important to perceive the categories of service provider not as static, fixed structures but as comprising “pools” of web services (offering content and functionality) that can be aggregated in a multiplicity of permutations to meet a customer need or exploit a market opportunity. Some b-webs might appear permanent (ie, their members might collaborate with the same partners for years); others might form and disband for a few days, weeks or months to exploit an event, respond to a crisis etc.

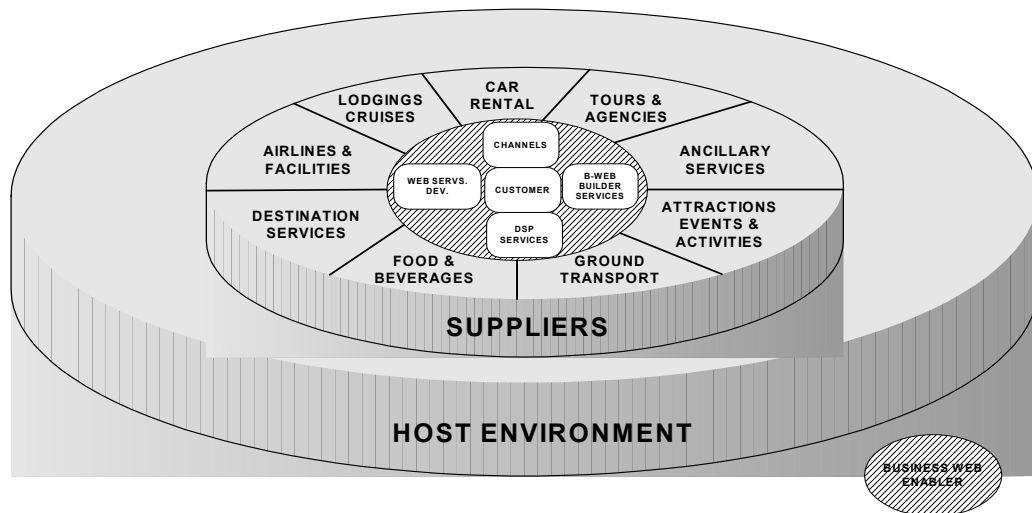


Figure 24 Tourism business web

What has been added to this model compared to Figure 23 is some form of organising principle based on the concept of a “business-web enabler” (BWE) whose members develop and manage the infrastructure necessary to enable providers to find each other, select partners, aggregate and customise services. Typically, BWEs will include Internet Service Providers, hosting companies, application service providers, systems integrators, software vendors – notably middleware vendors – consultants etc.

Figure 24 highlights three core functional activities undertaken by BWEs: web services development (the process whereby content and functionality are converted into XML wrapped services); DSP services: a directory of web services (the place where web services are published, classified, made accessible for re-use, quality is assured, security issues are attended to) and business-web builder services (the process whereby more complex applications and services can be assembled by any party to meet customer demand).

Winners will be obsessed with customers as unique individuals whose needs vary with each trip. They will have moved beyond the provision of ideas and alternatives based on past behaviour. They will treat the individual as a whole person and, while perhaps internally focusing on their core competencies, they will have levered a complex array of partnerships with a multiplicity of suppliers whose mix of aggregated services can be assembled in real-time at the point of demand and consumption.

The material above extracted from: *Shifting Sands: The Tourism Ecosystem in Transformation*, Pollock, Anna; Benjamin, Leon, May 2001.⁶⁵

The challenge for the development community is to rework these assumptions into a pro-poor and sustainable livelihoods approach based on local values and culture. Then e-commerce may become the tool to differentiate such offers (based on a host approach) from the emerging global (operator driven) offers.

Rifkin (Rifkin, 2000) observes that global tourism is at the centre of the new ‘cultural commerce’ increasingly mediated by the Internet and other channels.

‘The most visible and powerful expression of the new experience economy is global tourism – a form of cultural production that emerged from the margins of economic life just half a century ago to become one of the largest industries in the world. Tourism is nothing more than the commodification of cultural experience.’⁶⁶

He and others note that one of the drivers behind ethical tourism is the high level of so-called ‘leakage’ of tourism spending in developing countries. It is estimated that 50-80% of tourism revenues ‘leak’ back to the First World – rather than benefiting local people. Those who do benefit tend to be the richer and more powerful. Thus one argument for ethical tourism ventures is to ensure that more income is retained by local people and communities.

‘Leakage notwithstanding, world travel and tourism is likely to gain momentum in the twenty-first century as the top 20 per cent of the world’s population spend an increasing amount of their income on cultural consumption and lived experiences.’⁶⁷

⁶⁵ See: http://www.eyefortravel.com/papers/The_Tourism_Ecosystem_for_Eye_for_Travel.doc

⁶⁶ Rifkin, 2000, p

⁶⁷ Rifkin, 2001, p151.

8.6.3.4 Ethical tourism and craft producers

We have seen that the take up of e-commerce by craft producers and ngos in developing countries has been spasmodic. There are few examples that are clearly viable either in financial terms or in developmental terms (eg sustainable livelihoods).

- Many of the examples identified depend on first world ‘champions’ wishing to introduce the technologies to their local partners (eg PEOPLink).
- Many of the e-commerce examples are based on producers ‘pushing’ their offers at potential purchasers in unfamiliar markets with little understanding of what is wanted (this is particularly true of individual producer web sites, where the target audience is often unclear)
- The mismatch between craft producers in developing countries and professional buyers is not by-passed just by appealing via the Internet direct to the end purchaser.

Yet the economic imperative to disintermediate in order to reduce the cost of marketing and fulfilment is strong. However selling craft products via straight e-commerce is still working at the lowest ends of the added value chain. Because the producer/purchaser relationship based on a single purchase is relatively fickle, modern e-commerce propositions seek to be much involving, more personal, collaborative and long-term. The seller’s ambition is to move up the added value chain - away from goods towards services.

Most craft producers and ngos would not immediately identify themselves as part of the global service industry of tourism. But many have traditionally provided tourism services (if only on a small scale) to a steady stream of volunteers, donors, partners, supporters, well-wishers, members of a Diaspora, project managers, impact assessors and evaluators - mainly from overseas. These tourism services may include:

- **Placement and skill exchanges** (eg induction, orientation, mentoring, training)
- **Travel agency services** (eg ‘meet and greet’, interpreters, money-changing, car hire, accommodation booking)
- **Cross-cultural activities** (eg local guided tours, pilgrimages, family hosting, seminars, workshops, best practice conferences)

Many a volunteer returns from the trip of a lifetime with not only the photographs to prove it, but also souvenirs such as indigenous crafts and clothing. Volunteers may stay in touch with their host communities for years

after returning – and even encourage others to follow in their footsteps. A number of fair trade importers and basic e-commerce sites have been set up in this way by former volunteers.

At present the First World partner hosts most Internet-based volunteer schemes. But, there is a prima facie case for an indigenous ngo setting up a local ethical tourism initiative because:

- tourism is higher up the added value chain than selling crafts
- technology costs are lower in developing countries

But an indigenous craft producer or ngo is unlikely to be interested in mass inward and physical tourism. So, from day one, the emphasis should be on building a strong digital community of selected stakeholders who will produce significant revenue for the project over a number of years. Internet economists measure this as the Average Revenue Per User (ARPU) recorded over the life cycle of that relationship/service.

In the following sections we outline a number of Internet-mediated business models for community-based ethical tourism initiatives.

8.6.3.5 Standalone business models

1 | Migrate traditional service to the Internet

Variation 1 - The ngo acts as a in-country facilitator for the visitor, liaising via email. According to the wishes of customers, the ngo talks to potential suppliers and brings together the services required for the trip. The visitor pays each supplier direct and the ngo charges an arrangement fee.

Variation 2 – The ngo acts as agent for the visitor, again liaising via email. This time the ngo charges the visitor nothing but looks to partners amongst the local service providers for a selling commission to cover the costs. For example, Osh Bazaar (www.oshbazaar.com), based in Kyrgyzstan, combines tourist services and selling handicrafts over the Internet. Osh Bazaar is not a tour company, but acts as an advertising platform and a third party to collect and post references and assist in hiring. It offers its services as an on-line dispatcher or receptionist where organisations, travel agents etc can find and hire guides, drivers, translators and more.

Variation 3 – Combining a craft orientated e-commerce offer with a before and after sales service. Buy the (one-off, individually designed) craft product for \$1,000 (and get the visit free). This could offer the buyer the chance to choose/influence the design, participate in the build and take it home at the end of the trip.

2] Join a First World ethical tourism portal

www.responsibletravel.com is a portal for responsible/ethical tour operators and tourism providers in destinations to market themselves. The subscriptions from UK based operators fund the scheme - so that community-based initiatives have a marketing portal for free. However the tone, approach and codes of practice may be set up the senior partner. This is a low-entry cost approach to testing the opportunity.

3] Build a visitor community, sharing revenue with a local digital partner

Alternatively an ngo might prefer to form a relationship with a local service provider who supplies an on-line community service. In return the ngo uses the service to build a set of digital relationships with its existing national and overseas stakeholders. The ngo has more control of the direction in which the community develops and the pace at which it can grow. Revenues from subscriptions, bookings, craft sales, etc are split with the commercial partner.

Similar in some ways to a college community, such a service could cover a lifetime of relationships between the ngo and its supporters - from initial recruitment of the first time visitor; followed by updates and incentives to encourage repeat business, through to an alumni association of past visitors who wish to continue financially supporting the cause.

Such a community could offer users a special interest group of their choice (based on geography, shared values, favorite craft technology, hobby etc), perhaps in return for an annual membership subscription.

The entry-level costs can be reduced if the solution adopted is based on open source software such as www.zope.org and www.openacs.org/. Care should be taken to ensure that the costs of on-going development and routine maintenance are not forgotten.

8.6.3.6 Multi-stakeholder business models

The economics of making any shared network viable and self-sustaining, including an ethical tourism network for indigenous ngos, conform to the same guiding principals:

- **High sunk costs:** it costs a lot of money upfront to set up a network – long before any sign of revenue (may require initial external/donor funding)
- **High fixed costs:** once operational, a network costs a lot to keep going – even if very few people are using it (so, joining but not using, does not help)
- **Vulnerable to free loaders:** especially in a collaborative endeavour, some organizations might sit back and let others put up the cash, spend the time and put the resources into developing it. And then, expect to join in without having to recognize or contribute towards the investment to date.
- **Attractive to cherry-pickers:** a network is a package – where the costs and revenues are balanced in order to service the poor, the weak and the marginalised. Some of the services will therefore be priced very competitively compared with other suppliers in order to reach those users. Some organizations might be tempted to pick out just those offerings (such as data content) and decline the rest. Any scheme should resist such approaches.

Anyone considering planning such an endeavor should be looking for:

- **The early advent of network externalities:** this is a technical term used by network economists to define the moment when the margin cost of adding a new user is as low as practical – and therefore the revenue margins per user increase. This is the moment when the scheme will be assured of its sustainability.
- **Opportunities to cross-subsidise service delivery:** some areas that ngos would wish to see developed and sustained may never be able to recover costs on their own or may not be currently chargeable. So it is important to make a surplus in some areas to cover others.

1] Digital co-operative

Many ngos would find the prospect of going it alone too daunting. So any approach that shares the costs, pools the risks and shares the profits might be worth considering. A co-operative is a well-understood mechanism for doing this. This approach could work if ngos already have a list of names and addresses of supporters and well-wishers. Otherwise the lack of a captive audience and a global brand may delay critical mass to the point that the project fails.

2] Umbrella Alliance

Economies of scale and scope work in network economics. So a better approach could be to establish a global network of digital ethical tourism communities. This would require ngos agreeing a number of strategic design decisions: combining appropriate knowledge networks, organisational networks and technical networks. Use of open source technologies throughout could reduce the cost base in the medium/long term.

Wherever possible technical activities should be moved to the edges of the network. This will enable local partners to raise awareness in their communities, build local capacity and stimulate local autonomy.

In the early stage it will be necessary to ensure that local technical difficulties do not prejudice the viability of the scheme. Offering a default technical approach may be the best way to do this. So, as partners become more comfortable they can make changes in a way that ensures that local diversity does not come at the price of global coherence.

A digital support service delivered on and off-line is the risk adverse way to achieve the scheme's overall objectives. A phased approach would use individual ngos as beta-test sites for a range of approaches. These would then be documented and built in partnership with local technology partners.

8.6.3.7 Conclusion

- Ethical tourism offers existing craft producers and other stakeholders new ways of promoting their goods, and, more broadly, of developing new lifetime customer relationships.
- In addition, ethical tourism, by applying the principles of fair trade and sustainable development to tourism (both North-South and South-South), offers a significant new global market for organisations concerned to promote fair trade.
- Basic approaches to selling craft products to consumers via e-commerce business models have not had much success. One future option is to adopt an alternative approach based on multi-stakeholder on-line communities creating and exchanging combinations of physical and/or digital goods within a service environment. There buyers and sellers become collaborators who are able to meet each other repeatedly on-line, and, from time to time, in person.
- Positioned at the developing nexus of the local craft, local ICT and local tourism sectors, such interactive and focused communities might give an new economic incentive for network-based trading partnerships.
- **The goal is to move away from transactions based on impulse buys for the ‘here and now’ towards a future set of sustainable high quality, high added value long-term digital and personal relationships.**

This section 8.6.3 on Ethical Tourism has been researched by Michael Jenkins and Sarah Andrews at MJ Associates (see section 9.9.4).

8.7 Conclusions of research

- We have seen how the giftware and handicraft market overall is growing, but that ATOs and the fair trade supply of craft products is losing ground to commercial interests. E-commerce, which herald a number of opportunities, is also constrained by barriers, and these factors favour the existing major players in the market rather than SMEs.
- Interviews with producers in India and Bangladesh showed that even they were aware of the significant barriers. The recommendations therefore have made a few practical suggestions concerning entry into e-commerce, but have advised caution and discouraged over-optimism. Any intervention seeking to encourage fair trade production of handicrafts must consider the overall business and livelihood system, in which the introduction of ICT and e-commerce is just one small element.
- In order to redress this perhaps disappointing and negative picture, the report has suggested a few future opportunities that build on the strengths and distinctives of the existing fair trade handicraft sector.

E-commerce options for Third World craft producers

Appendices to final technical report

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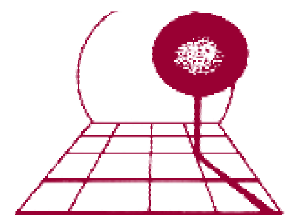
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9 Appendices

9.1 Overview of selected e-commerce craft sites

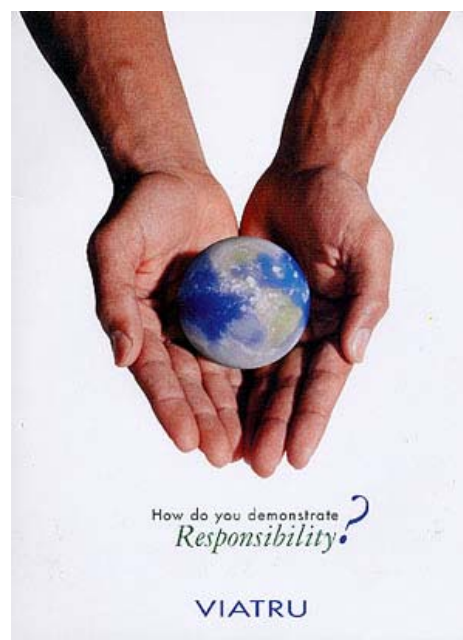
As part of this research project, interviews were conducted with a number of e-commerce businesses and organisations selling craft goods. This overview of selected sites concludes with a summary of lessons learned in the last two years (section 9.1.9).

9.1.1 Viatru (USA)

In 1999 Derek and Michelle Long founded the US e-commerce site 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, section 9.1.5) and Novica (www.novica.com, section 9.1.4), who had attracted significant funding (Eziba, for example, received a capital injection from Amazon and others of \$40

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.’

(Viatru 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 ATO 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)

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 17th 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, with its web site and office operations ceasing immediately.

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

As at April 2002, they and some other former staff members of Viatru had had set up the Seattle-based non-profit Transparency Centre (www.transparencycenter.org).

Some of the information resources from the former Viatru site are included on the accompanying cd: see section 9.9.3.

9.1.2 PEOPLink (USA)

PEOPLink (www.peoplinc.org) has been instrumental in training many IFAT producer groups in digital media skills, and gave a series of workshops and presentations at the IFAT conference in Tanzania in June 2001. IFAT and their members have been highly appreciative of their work, which has helped many groups to create digital catalogues of samples, set up their first web pages (often published on the PEOPLink site), and use digital photography to enhance the process of product development (see section 8.3).



PEOPLink was established as a non-profit organisation in 1996, founded by Daniel Salcedo. Dan Salcedo had experience helping artisans in Central America market their products, and was Peace Corp Country Director for the Dominican Republic. PEOPLink was established with support from the World Bank, USAID and others. It continues to receive support from international donors and company foundations, such as the Skoll Community Fund (set up by Ebay founder Jeff Skoll).⁶⁸

Their web site features details on many hundreds of products, with images and descriptions, from over 100 artisan groups from 30 countries. Products can be ordered over the Internet, paid for by credit card. The site also links to the homepages of many producer groups: though these are not always well-maintained.

Sales of craft products from the PEOPLink web site have been generally disappointing: no craft producer we spoke to had sold products from the site. The site itself has not changed markedly during the course of this research (April 2000-March 2002).

However PEOPLink has developed a new second-generation e-commerce site for artisans, CatGen, at www.catgen.org. This is a sophisticated 'catalogue generator', developed as an XML-enabled open source application for use by craft producers and other businesses to promote their products. The software can be downloaded free of charge, and can be used to create a searchable catalogue of samples which can be posted to the CatGen site, or indeed to the producer's own web site. On the CatGen site, catalogues can be searched by keyword, country and region, displaying results as small jpeg images with product

⁶⁸ See Skoll Community Fund at <http://www.skollfoundation.org/>.

specifications. (In March 2002 the site was under development, with demonstration product catalogues only.)⁶⁹

In response to feedback from users, refinements have been added, such as the facility to password-protect pages, enabling them to be viewed only by selected contacts (eg known wholesale and retail buyers).

CatGen software version 2 was introduced in December 2001, and is described to be in use by 40 artisan groups to promote 3,000 craft products. According to the site CatGen is expecting to add e-commerce facilities, such as shopping cart and credit/debit card processing by the end of March 2002; as well as consolidation of orders to save on shipping costs.

Although it remains to be seen if CatGen will be any more successful than the PEOPLink site in terms of promoting and selling craft goods on-line, there is no doubt that PEOPLink have been instrumental in helping many craft groups discover the Internet and to promote their goods on-line. Their free catalogue-generating software catgen, and accompanying regional training, has also helped many groups organise and catalogue their products more efficiently than previously: enhancing the service they can provide to existing buyers and contacts.

Extracts of an interview with Surendra Shahi, formerly with Mahaguthi Handicrafts, Nepal, responsible for PEOPLink's Trading Partner Liaison, is included in section 9.9.3.

⁶⁹ For more on the CatGen catalogue generating software, see the Executive Summary at <http://www.catgen.org/EN/executivesummary.html>.

9.1.3 OneNest (USA)

OneNest, founded in Spring 2000, is an on-line market place, bringing together craft producers and retail and wholesale buyers. Sellers include importers and exporters, and artisan groups; buyers include boutiques, department stores, 'etailers' and catalogue companies.

OneNest therefore focuses on the b2b market (business to business): and requires buyers to register before they can access the searchable marketplace. The main content is not accessible by individual consumers.



The site lists details of thousands of craft products from 30 countries, with information and functions oriented towards the professional buyer. Thus alongside standard product details is included delivery times, minimum order quantities, and some background information about the products and producer groups (some of which are identified as being fair trade organisations). Sellers can amend their on-line catalogues remotely, and the facilities allow sellers to offer discounts, if, for example, they wish to clear overstock items.

Buyers have the option of ordering individual samples, with requests being forwarded automatically to sellers.

OneNest acknowledges that most professional buyers are conservative in their attitude to new technology. Thus OneNest has increasingly made use of conventional off-line marketing to promote products, such as advertising in the trade press, print catalogues, and attending trade shows. They have plans to open a (real) showroom in New York to display products.

OneNest charges sellers a sliding scale of fees, dependent on the level of services provided. In March 2001 these varied from \$750 pa (to include a basic catalogue of 15 items, handicraft trade directory listing, and company profile page) to \$2,500 pa and upwards (additional services including print advertising and promotion at trade fairs).

Although OneNest would not disclose actual levels of sales, they indicated that their site had been commercially successful for producers, depending on the producer, and the type and cost of products. OneNest estimated that the minimal catalogue entry (\$750 pa) generated sales of between \$5,000 to \$7,500; and that producers buying the print and trade show promotions (\$2,500 pa) were generating sales in excess of \$20,000 pa.

However the Bangladeshi supplier of handicrafts BRAC Aarong, whose products have feature in the OneNest catalogue from the beginning, reported in May 2001 and January 2002 that they had not sold any products through the site.⁷⁰

The following documents are included in the cd which accompanies this report:

- *OneNest business overview* (March 2001)
- *OneNest pricing plan* (March 2001)

⁷⁰ Personal communication. In January 2002 BRAC Aarong indicated they were developing their own e-commerce facilities to service the requests for products from overseas buyers. However as at April 2002 their web site at <http://www.brac-aarong.com/index.html> listed only a simple catalogue of products with email response form.

9.1.4 Novica (USA)

Novica (www.novica.com) is a commercial b2c (business to consumer) e-commerce site offering over 8,000 hand-crafted products from 1700 artisans from around the world. Based in Los Angeles, they launched in May 1999, and employ 200 people in 12 offices around the world.



A number of factors make the Novica site distinctive:

- Although Novica is not a fair trade operation, it does promise to pay artisans '*more than local market prices*'. Artists are free to set their own prices, and they keep about 70 per cent of the selling price. Artists are not charged to advertise their products on the site: but products are vetted by local offices to maintain high standards of quality.
- Products are shipped direct from the country of origin to the individual consumer by international courier (eg UPS, DHL, FedEx), to the USA and globally (generally taking 2-3 weeks, and typically costing \$10-20). This is via a network of Novica offices who liaise with producers, take product photos, write up producer stories, and consolidate items for shipping. Offices have been opened in 11 countries: El Salvador, Brazil, Ghana, India, Indonesia, Mexico, Morocco, Peru, Thailand, Venezuela and Zimbabwe.
- Novica is highly focused in its marketing, offering a range of premium products (priced from \$25 to \$4,000 plus shipping). For Novica, artisans are 'artists', and customers are 'collectors'. They describe themselves as 'eliminating numerous middlemen', through the Internet, so that 'artists make more, collectors pay less.'
- They offer a full refund on products up to 60 days after the customer receives the order. Returns are sent to the USA (not the country of origin), and the cost of refunds is born by Novica, not the artisan.
- Novica have clearly invested in professional graphic design, high-quality photographs of products, and make prominent and effective use of interviews with named individual producers in order to promote products.

- This dynamic site is sophisticated in its navigation, grouping products by type and region, offering frequent links to similar products, as well as customer reviews of artists themselves.

According to one report, future plans for Novica include live chats with artists and streaming audio and video clips. *‘In the very near future, customers will tune into Novica.com as they do their televisions: to visit an artist’s home or to see how a craft that has existed for thousands of years is actually produced,’* says co-founder and President Roberto Milk.⁷¹

Novica claims to be ‘the leading world arts site on the Internet’⁷². However they were unwilling to meet with a researcher as part of this report and do not disclose financial or sales data on their web site (as some others do).

The Novica site is an impressive operation. As with other sites reviewed here, it remains to be seen if they have a business model which is sustainable long-term. Novica have the advantage in being able to select only the best-quality artists, and focus on premium products (with premium prices). This is not generally an option for some of the fair trade operations reviewed elsewhere, whose mission is often to provide employment and income for (poor) artisans and their communities.

However there are lessons to be learned from the Novica site: it is consumer-oriented, attractive and colourful, making strong use of the stories of individual producers (via photographs and interviews). The site makes also makes use of dynamic links to promote products and artists, has seasonal promotions (eg Christmas, Mother’s Day etc) and has forged a number of marketing associations (eg with National Geographic magazine).

Novica has also invested in a regional network of offices to maintain quality control of products, to ensure that photographs and interviews are of a high standard, and to consolidate shipping via courier. They have also developed effective means of redress (see section 6.1 Barriers to e-commerce for craft producers) with their 60-day returns policy, addressing the fears of consumers who may be concerned about quality of workmanship, or of damage to products during delivery.

⁷¹ See <http://www.internetindicators.com/casestudies.html#novica>

⁷² Novica say this is according to Jupiter Media Metrix and P.C. Data, but give no further information.

9.1.5 Eziba (USA)

Eziba was launched in November 1999 as an on-line 'global bazaar' offering hand-crafted products from 60 countries to individual consumers (business to consumer). While a 'for-profit' commercial enterprise, the company also supports the Eziba Foundation to improve the lives of artisans.



In March 2000 Eziba secured second-round funding of \$70 million, including \$17.5 million from the leading US on-line retailer amazon.com. This was subsequently scaled back to \$40 million overall.

Like Novica, the site groups products by type and region, is searchable, and offers some information on producers (though not to the extent of Novica).

The site enables customers to order a free, full-colour printed catalogue, which has increasingly been the focus of marketing efforts (rather than the web site). Thus promotional campaigns for the Christmas 2000 season focused on direct mailings of printed catalogues. The site notes that '*we started off as an e-commerce company, and we've evolved into a multi-channel resource for world crafts*'.

In a business press release of October 2001, CEO Bill Miller identifies the paper catalogue as being their most successful marketing tool:

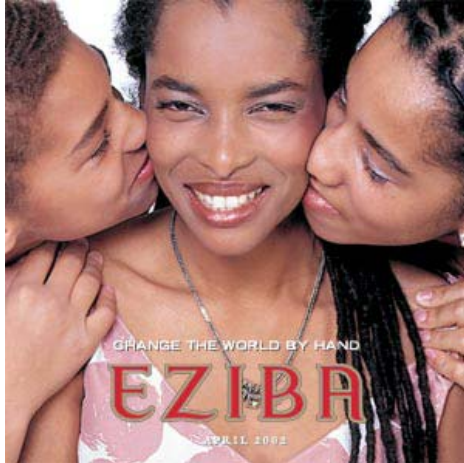
*'The catalog is an increasingly important dimension of our business. It is our most cost-effective marketing tool and attracts hundreds of thousands of people to www.Eziba.com, who find what they want in the catalog and then order on the web site. The catalog has enabled us to rapidly grow revenue, while helping us to simultaneously reduce cost. While revenue is currently running ten times over last year, total expenditures are running roughly one third less than last year. We have steadily been engineering the company to take advantage of the success of the catalog. The result: Eziba is moving rapidly toward profitability.'*⁷³

In January 2002 Eziba reported record sales for 2001 (triple that of its first year, 2000). '*Eziba's sales are derived equally from its web site (www.eziba.com) and catalog. For 2001 the company mailed 11 catalogs, including four during the*

⁷³ Press release of October 2 2001. See <http://www.eziba.com/StoreFront/about/pressReleaseSixteen>

*crucial November/December holiday season, for a total circulation of more than seven million.*⁷⁴

In July 2001 Eziba announced a new retail partnership with the American Craft Museum, and in February 2002 announced they plan to open their first retail outlet in New York in April 2002. This will be a 900 sq ft store featuring a selection of 1,000 products from the web site and catalogue.⁷⁵



Above: Eziba's printed catalogue for April 2002.

⁷⁴ Press release of January 22 2002. See <http://www.eziba.com/StoreFront/about/pressReleaseEighteen>

⁷⁵ Press release of February 27 2002. See: <http://www.eziba.com/StoreFront/about/pressReleaseTwenty>

9.1.6 10,000 Villages (USA)

10,000 Villages (www.tenthousandvillages.org) is a US ATO (Alternative Trading Organisation) selling fairly-traded crafts through a network of over 60 shops in the US (achieving sales of \$10.9 million of craft goods in 2000). They are a member of IFAT (the International Federation for Alternative Trade) and the US Fair Trade Federation and have been marketing handicrafts since 1946. It is a non-profit program of the Mennonite Central Committee (MCC).



While 10,000 Villages has a web site, they have decided not to sell any handicraft products directly on-line until the market develops more fully. So the site provides details of their retail stores, with details of selected merchandise, with some feature articles about individual producer groups, with links to their products.

10,000 Villages feels that investing in e-commerce in the current economic climate will be unproductive for them. *'If we sell on-line, we may sell one item at a time,'* says Marketing Director Dwight McFadden. *'But if a customer visits one of our shops, they will probably buy two or three items. We want our customers to touch and feel our products.'*

10,000 Villages has invested in ensuring that their retail shops (200 in both US and Canada) have a consistent look and feel, and are attractively laid out. They believe the Internet does not allow them to promote their goods to their best advantage. They also want to ensure the best financial returns for producer groups, since they are committed to paying a fair price to artisans (in 1999 on average 27 per cent of the retail price went back to the producer group; compared to perhaps 15% via commercial importers). They do not believe that significant investment in e-commerce facilities would give a sufficient return either for themselves or their producers.

10,000 Villages is however using email to help their network of volunteers order products from their warehouse, enabling them to offer a streamlined and more efficient service.

They report that they have been approached by a number of the new on-line craft stores, who wish to take advantage of the infrastructure and experience

they have developed over the last 56 years: including quality control, relationship with producers, import and distribution channels, warehousing etc.

10,000 Villages has adopted an approach of 'wait and see'. Given the very limited success of fair trade craft products in the business to consumer market, their conservative approach may well be proved right.

9.1.7 Traidcraft Plc (UK)

Traidcraft is a UK public limited company, founded in 1979, which is a major importer and distributor of handicrafts, fashion goods, stationery, beverages and foods sourced in the Third World. They trade with over 60 producer groups in 25 developing countries.



	1999/2000	2000/01
Sales	£7,466,000	£8,394,000
Gross profit	£2,828,000	£3,001,000

Source: Traidcraft Plc *Annual Review* for year ended 31st March 2001

Traidcraft's Annual Review⁷⁶ for 2000/01 notes this has been '*the second most profitable year in our history*', and the fourth consecutive year of profitable business '*following a period of losses in the mid 1990s*'. In 1996/97 Traidcraft rationalised their business (announcing 50 job losses and disposing of their few remaining retail shops); and in 1997/98 ceased trading with 19 craft and fashion suppliers '*as part of their ongoing programme to recover profitability*'.⁷⁷

Much of the growth in 2000/01 is due to the increased sales of food goods through supermarkets – and it is clear that Traidcraft Plc sees the greatest potential for growth in food products; whereas their sales of craft goods in the UK remain almost static (Figures 25 and 26).

⁷⁶ See <http://www.traidcraft.co.uk/review/reviewplc.html>

⁷⁷ Factsheet: A brief history of Traidcraft, June 2001 <http://www.traidcraft.co.uk/historyplc.html>

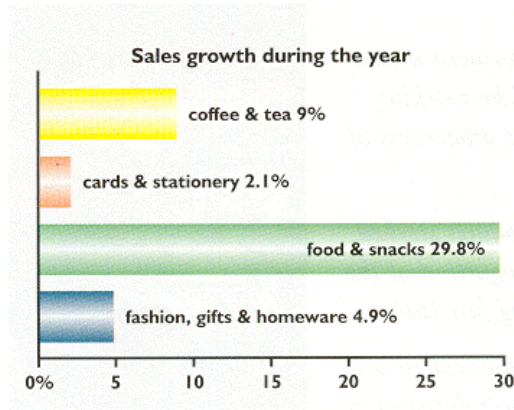


Figure 25 Traidcraft sales growth 2000-01

Source: Traidcraft Plc Annual Review 2000/01

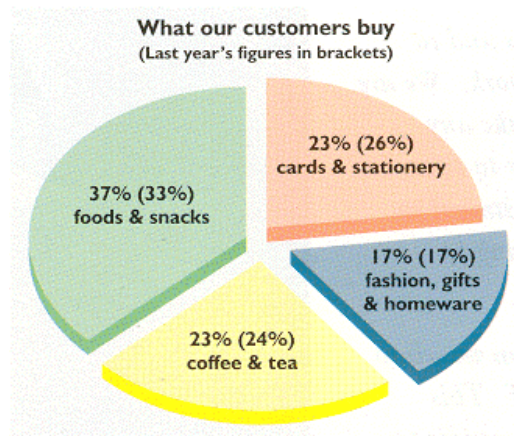


Figure 26 Traidcraft 'What our customers buy' 2000-01

Source: Traidcraft Plc Annual Review 2000/01

This trend is also noted in Traidcraft's own analysis of fair trade purchases (Figure 27):

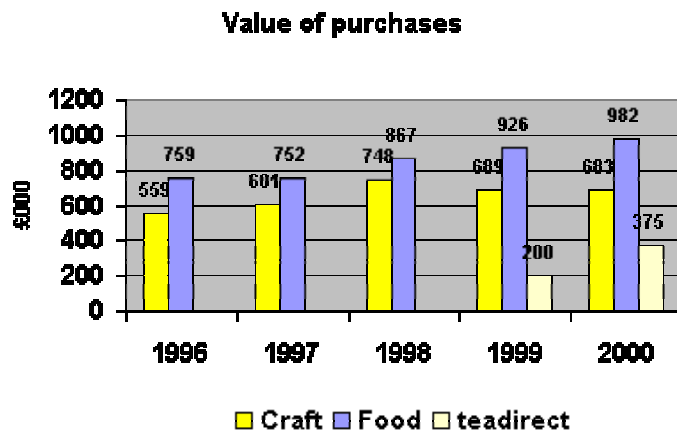


Figure 27 Traidcraft value of purchases

Source: Traidcraft Plc Social Accounts 1999/2000, section 1.1.1

Figure 28, which shows the product groups sold by Traidcraft's Fair Trader volunteers (who account for around 60% of all Traidcraft Plc sales) also reflects the trend away from crafts to food products:

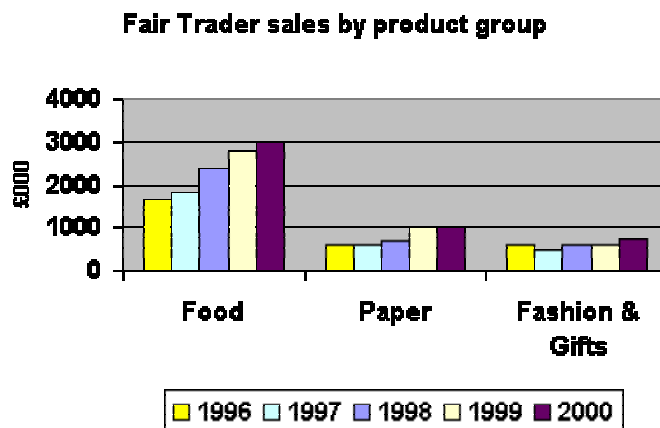


Figure 28 Traidcraft Fair Trader sales by product group

Source: Traidcraft Plc Social Accounts 1999/2000, section 1.4.1

Traidcraft Exchange is Traidcraft Plc's linked charity, which provides business training and market information to overseas producers (including the ECOTA Forum, Bangladesh, one of whose members is one of this research project's collaborators, HEED Handicrafts). Traidcraft Exchange focuses on six main partners, concentrating on local capacity building and trade facilitation. This includes a range of services and supporting activities, including occasionally providing a designer to travel overseas to visit producers to assist with product development for the export market; providing market information reports (eg colour and style trends in handicrafts in the USA); capacity building in production management and quality control.

Traidcraft Exchange had an income in 1999/2000 of £2.04 million.

Traidcraft Plc sells food, craft and fashion items through their mail-order catalogue, via their network of over 4,000 volunteers⁷⁸, and to wholesalers and large UK multiple stores such as BHS, Sainsbury, Waitrose and Safeway. While their volunteer Fair Traders account for 60% of Traidcraft's turnover, a further 25% of sales are accounted for equally between the mail order catalogue and sales to independent World Shops⁷⁹.

Each Traidcraft's craft producer group is asked to meet the following fair trade criteria:⁸⁰

⁷⁸ Traidcraft's *Social Accounts 1999/2000* report they had 4,155 'active' Fair Trader volunteers in 2000.

⁷⁹ Fair Trade in Europe, 2001, EFTA January 2001 p58

http://www.eftafairtrade.org/pdf/FT_f&f_2001.pdf

⁸⁰ Description of Traidcraft Plc, from www.traidcraft.co.uk

- be organised for the benefit of its members
- be concerned for the personal welfare of its members
- pay wages which are, or are above, the average in the locality
- make products that are, or may soon be, commercially viable
- pay no more than a reasonable service fee to agents (if they are involved)

Traidcraft has a web site (www.traidcraft.co.uk), which recorded over 20,000 hits per month in March 2000⁸¹. In addition to providing background information about Traidcraft's activities, details of producers and their stories, and their detailed and highly-transparent *Social Accounts 1999/2000*, the site hosts an on-line store with a small selection of products. These include clothing (T-shirts), tea, coffee, chocolate and other food goods (such as snack bars and breakfast cereals). The only craft product available on-line is Traidcraft's branded football from Pakistan.

The site allows visitors to order Traidcraft's latest mail order catalogue, join their email list, as well as to display a listing of UK shops selling Tearcraft products.

According to International Director Andy Redfern, the web site achieves sales of up to £1,000/month (including food and craft goods) – representing a very small proportion of their overall sales (less than 0.2%). However, like 10,000 Villages in the USA (see 9.1.6), Traidcraft's Fair Trader volunteers can use email to order goods – and were generating 300 orders a week in this way in April 2001.

Traidcraft also uses email (and digital photographs) to enhance liaison with producers, and for product development. They have found that digital images can give a good idea of what a product will look like, but still require producers to send physical samples before they would consider making an order. Digital photographs (such as compressed jpeg images) are not colour accurate, so Traidcraft prefers producers to work from the standardised set of Pantone colours.

Traidcraft have previously experimented with using CD-roms to distribute product information to commercial buyers, but found the medium was too slow, and unsuited to the needs of professional buyers. They found that buyers preferred to use a printed colour catalogue, which they could scan through rapidly, selecting a few products they would like to see as physical samples.

⁸¹ 'Hits' are not defined: it is not clear if this represents multiple downloads of page files and/or pages, or discrete users. Traidcraft aims to achieve over 30,000 monthly hits by the end of 2001. *Social Accounts 1999/2000*.

9.1.8 Global Sources (Hong Kong)

Global Sources (www.globalsources.com) is a Hong Kong based b2b (business to business) marketplace offering product and trade information for volume buyers. A number of their 'vertical' categories include craft products, such as furniture and furnishings, kitchen and tableware, ceramics and porcelain etc.



The company began in trade publishing (*Asian Sources* monthly magazine, founded 1971), developing Asia's first web-based B2B portal in 1995 (alongside continued publishing of magazines and cd-roms).

The Global Sources on-line market was launched in 1999; with financial processing facilities added at the end of 2000. Over \$20 million has been invested in Global Sources since 1995, matching (mostly Asian) manufacturers with buyers all over the world.⁸² In August 2000 Asiaweek voted them best B2B web site in Asia. The lure, as for other numerous B2B exchanges in Asia, is to generate revenue from financial transaction charges. However few B2B exchanges to date, if any, are actually profitable.

According to *Asiaweek*, Global Sources made \$11 million on sales of \$91.8 million in 1999/2000. But most of its profits came from print advertising and web-related marketing for clients. A loss of \$1.8 million was forecast in 2000/01 because of the on-line venture. 'Although we believe Global Sources has been successful in achieving a profitable online catalogue-style advertising business, the jury is still out on whether it can replicate the same success with online transactions,' says a Merrill Lynch brokerage report.⁸³

By January 2002, Global Sources report they have over 300,000 active buyers (those who have enquired using the web site, as well as recipients of magazines and cd-roms), and 135,000 suppliers.

The site offers a range of services. On-line product catalogues (for internal use, or for promotion to a company's existing customers) cost from \$720 pa for 200 items to \$1530 pa for 650 items.

⁸² *Asiaweek*, April 28 2000.

⁸³ *Asiaweek*, September 29 2000.

However to access Global Sources 300,000 buyers is significantly more expensive.

A standard marketing web site (with homepage, company profile and product 'showroom') costs from \$9,600 pa (up to 15 products) to \$35,880 pa (up to 100 items). Enhanced business marketing web sites (with extended company information and higher ranking in searches) costs from \$17,880 pa (up to 15 products) to \$44,160 pa (up to 100 products).

Global Sources also enables 'private offers', whereby products can be securely targeted at individual buyers who have expressed a preference for this type of product. Thus competitors do not see what products are on offer, and the seller is able to track feedback and orders automatically using the site. 'Private offers' cost from \$250 for 10 (existing sellers) to \$970 for 10 (new sellers).

The site also offers a free basic listing for suppliers, and claims to generate 2.9 million business enquiries a year (of which 31 per cent come from Asia, 22 per cent from USA and 17 per cent Western Europe). Their own survey of 5,000 suppliers in November 2001 found that 18 per cent had received 'many orders' (amount not specified) from the site; while 43 per cent had received no orders to date.⁸⁴

ASHA Handicrafts had considered using Global Sources, since some craft business contacts in India had reported this as being a cost-effective way of advertising. However the level of charges to access 'active buyers' is beyond their budget, and likely to be significantly more than craft producers can afford.

⁸⁴ Global Sources metrics Q4 2001. See:
<http://corporate.globalsources.com/METRICS/METRICS.HTM>

9.1.9 Conclusions

Following our overview of craft-related web sites, and interviews with selected personnel, we conclude:

- Craft sales in the B2C sector (business to consumer) market have been disappointing. Among fair trade operators, the US ATO **PEOPLink** has achieved very low sales (and is now focussing on its CatGen system to enhance B2B (business to business) operations). The web site of UK ATO **Traidcraft** generated sales representing just 0.2% of overall sales, while US site **Viatru** (formerly **world2market**) closed during the course of this research. **Eziba** (USA), despite investment in excess of \$40 million, like many e-commerce ventures, has yet to become profitable (and is increasingly exploring off-line channels). **Novica** (USA) is attempting to make direct selling of craft goods to consumers profitable (using a network of offices to consolidate orders) but has not disclosed sales data.
- Craft sales in the B2B market are more promising, if still undefined. Both **OneNest** (USA) and **PEOPLink**'s CatGen (USA) have set up B2B marketplaces. The level of **OneNest**'s actual sales is unknown, while it is still too early for CatGen (still at demonstration stage). The generic Asian B2B portal **Global Sources** reports that 18 per cent of suppliers advertising on their site had sold 'many orders' (but no breakdown is given by industry, product type or size of company, or by Return on Investment).
- Like the rest of the 'dot com' market, early optimism about the potential for craft sales on the Internet has given way to a more realistic assessment of the market. Increasingly e-commerce sites are using off-line marketing (conventional) methods to find customers: thus **OneNest** has moved towards print advertising, paper catalogues and exhibiting at trade fairs; while **Eziba** has found most success with its mailshot of colour catalogues (and is now planning to open its first retail outlet in New York).
- We also note that generally sites have been unwilling to disclose actual sales information, but have been willing to give relative data (eg sales comparisons with previous years). For these reasons hard data is hard to come by. The experience of individual producer groups we know of (eg collaborators in this research and others) suggests that actual sales are low indeed.

9.2 Field research: Producer data collected by ASHA Handicrafts

As part of the research, following the workshop with producers, ASHA Handicrafts interviewed eight producer groups in different parts of India. The questionnaire, reproduced below, focused on issues of connectivity, local access to the Internet/email, and expenditure by producers on communications and photography.

9.2.1 Questionnaire

- 1 Name of group
- 2 Number of employees (may be a range, according to season)
- 3 How many employees are men? How many employees are women?
- 4 What products do they make? What products do ASHA Handicrafts buy from them? How much do they buy each year (in last 12 months, or last financial year): as number of pieces; as rupees value.
- 5 Do they have reliable power supplies? (If unreliable: how many power cuts do they have a day; how many hours a day is power not available?)
- 6 Do they have their own telephone? (or access to someone else's telephone?) How much do they spend on telephone calls each month/each year - for local calls? long-distance calls? international calls?
- 7 Do they have their own fax? (or access to someone else's fax?) How much do they spend on fax calls each month/each year - for local calls? long-distance calls? international calls?
- 8 Do they have their own mobile telephone? (or access to someone else's mobile telephone?) How much do they spend on mobile telephone calls each month/each year - for local calls? long-distance calls? international calls?
- 9 How much do they spend on postage/courier costs each month/year?
- 10 How much do they spend on photography (eg to send photos of samples to ASHA)
- 11 Does the manager have their own television (or access to someone else's television)?

- 12 Do they have a Personal Computer (PC), or access to one? (If so, how old is the computer? Is it Windows 3.1, Windows 95 or Windows 98?)
- 13 Is there someone in the group who is regarded as a 'computer person' or 'expert' - someone who understands computers, or is familiar with them? (This may be a younger person who has had some basic computer training or experience)
- 14 Is there an Internet cafe/restaurant or telecentre (providing access to the Internet and email) nearby that the group could use to send/receive emails? What do they charge for this (cost per hour; cost per 15 minutes)
- 15 Have they already heard about the Internet and email? If so how?
- 16 Do they think using email could bring them any benefits? Do they think that having access to the Internet would be helpful in any way? If so, what do they think would be helpful?
- 17 Other comments

9.2.2 Data collected by ASHA Handicrafts

Report on visit to producers
Sarai Tarin (Inn of Tarin)

This is a small town near Moradabad in Uttar Pradesh. In spite of being about 40 Km away from Moradabad it does not have much infrastructure developed. Sarai Tarin is a well-known centre for bone/horn inlay craft.

For over 100 years this was known for decorative combs made with horn. These were cherished by the many royal families as well as rich traders and the landed gentry. After Independence, the royal families did not have much money left as their kingdoms merged into the union of India. As the artisans lost their patronage, their financial situation became bleak.

About twenty five years ago some artisans began to experiment with using bone instead of horn to make a range of products. The gamble paid off and today they have a bone processing unit in each by lane of Sarai Tarin.

Place : Sarai Tarin (Moradabad)

Response to questions by Sana Handicrafts

01. Name of the Producer Mohd. Yunus
02. No of Artisans regular 10 During peak season 20
03. Gender ration 10 Men 15 men 5 women who do packing
04. Type of items made Metal Iron candle stand, mobile Aluminium picture frames.
Horn Items:- box brass inlaid, candle stand, photo frames, incense holder.
Bone items :- box brass inlaid , photo frame
Number of items sold to Asha 10,752 pieces Valued at Rs.5,29,948.00 (\$12,325.00)
05. Power supply is not regular some times there is an eight hour cut some time power is off for most of the day.
They use generator for 8hrs to power 10 machines. Running cost is Rs 20/- per hour. Cost of generator along with foundation for it is Rs 20,000/- annual maintenance is Rs.2000/-
06. He has own telephone that he uses for local calls. For STD(long distance) he uses a local booth with conference facility. So he does not have to go out and stand in queue. The booth operator dials the number and connects him. They are already using new appropriate new technology to meet their needs.
07. Cost of receiving a fax at the STD booth is Rs.20 /- per page. For sending a fax is Rs. 60/- per page. This is very excessive. Yunus spends on an average Rs.500/- per month for faxes receiving and sending.
08. He does not have a mobile No applicable
09. Courier charges for sending documents per month is about Rs.1000/- this includes sending photographs at the beginning of product cycle.
10. Number of samples 179 spread over 50 photographs cost of photography Rs 400.00 for two sets of prints.
11. He has a 14” black and white T.V
12. He does not have access to a computer
13. He plans to educate his daughter in computer science.
14. There is no email facility in Sarai Tarin there is just one computer education institute in Sarai Tarin
15. There is no email facility He heard of email for the first time last month when a courier parcel he had sent to us was charged double. And his courier company checked with their Mumbai counterpart via email.

Place Sarai Tarin (Moradabad)

Response to questions by Gulam Abbas Mohd. Ayaz

01. Name of producer : Gulam Abbas Mohd. Ayaz.
02. Number of artisans: Regular 5 peak time 20 +2 father and son
03. Gender ratio: Regular 5 men peak time 16 men and 4 women
04. Types of products :- Horn :- Necklaces, bangles, box, earrings , beads , hair clips, spoon /fork .
Bone: Necklace , bangles, box, earrings, beads hair clip
Brass:- Candle stand, mobile , bangles
Wood:- Box spoon/ fork , bangle, paper clip.
Number of items supplied to Asha Handicrafts Association during 2000/01
13,929 pieces valued at Rs.5,27,249.00 (\$12,262.00)
05. Power supply is not regular. Generator runs for 4 hrs each day. Cost of running generator is Rs. 50/- per day for 3 litres of Diesel. Cost of generator purchased 5-6 years ago was Rs. 10,000/- annual maintenance is Rs.2,500/-
06. He has his own telephone and spends about Rs.3,300/- for local calls. Cost of STD (long distance) calls and faxes comes to Rs.1000/- per year
07. He does not have a fax machine but to receive a fax he pays Rs.. 10/- per page and for sending a fax he is charged Rs. 40/- per page. Obviously he has a better deal than Sana handicrafts but they both will not use the same operator due to competitiveness.
08. He does not own a mobile phone Cost of operating mobile not applicable
09. Courier charges incurred are Rs. 200 per month
10. He developed 214 new samples. Spent Rs.3500 for two sets of photographs and Rs.300 for courier
11. He owns a small black and white T.V
12. He does not have an access to a computer
13. He plans to train his daughter in computer application. She is presently studying in B.A first year.
14. He does not have any access to email and there are no cyber cafes in Sarai Tarin
15. He learned about email when I talked to him.

Place : Agra

Response to questionnaire

01. name of the producer R.C. Marble
02. Number of artisans regular 20 peak time 26
03. Gender ratio Regular 18 men 2 women peak time 23 men 3 women
04. Type of products made Gorara stone box, candle holder, soap dish, incense holder, oil burner , penholder, pen card holder, flower vase, pot pouri, game , bowls ash tray, under cut animal, carved animal , semi precious stone inlay, painted wall plaque, coaster set chess set pen box.
Number of items sold to Asha Handicrafts Association during 2000/01
16,417 pieces valued at Rs. 5,97,134.00 (\$ 13,887.00)
05. Power supply is not regular there are two or three power cuts daily.
06. He has his own telephone the charge is Rs.8623/- for the last year.
07. He does not have own fax pays Rs.10/- per page for receiving fax and Rs.75 /- per page for sending fax. Last year he spent about Rs.1000/- for fax.
08. He has no mobile. Cost of operating mobile Not applicable
09. Courier cost is Rs. 1800/- for the last year
10. He took about 20-25 photographs of his new samples it cost him Rs.8/- per copy and Rs.400/- for two sets.
11. His brother has a colour T.V
12. He has access to computer with his friend's son who owns cyber café
13. Yes his children are learning computer applications in school
14. He has access to email at the cyber café cost is Rs.25 per hour
15. He had heard of email but did not think of its profitability or application to until now.

Place : Agra

Response to questionnaire

01. Name of the producer Designer Handicrafts
02. Number of looms 15 so number of weavers from five to fifteen
03. Gender Ratio all men
04. Types of products made Cotton, Chenille, Woollen Dhurries, bath mats, Dhurrie bags, place mats, runners.
Number of items supplied to Asha Handicrafts Association during 2000/01 905 pieces valued at Rs.1,35,630.00 (\$3,154.00)
05. Power supply not regular daily power cut of 2-3 hours specially during summer.
06. Has own telephone it is a family phone and annual cost is Rs.12,000.00 for local and long distance phone calls.
07. He does not have his own fax but a care of fax for receiving and sending cost him Rs.1050.00 for the year 2000/01
08. He does not have a mobile phone cost of maintaining mobile Not applicable
09. Courier charges for the last year were Rs.2860/-
10. Number of new samples developed were 12 so cost of photographs was Rs.60.00
11. He has own colour T.V.
12. He has access to a computer with windows 98 and CD drive.
13. His brother is studying computer application
14. He has a cyber café next door owned by his brother. Charges are Rs.25/- per hour.
15. He has email id
16. He thinks use of email will help in terms of correspondence and promotion. He did make a contact with a buyer via Internet but so far no business has resulted.

Place : Agra

Response to Questionnaire

01. Name of the producer Sharma Handloom
02. Number of artisans 30 weavers and 20 packers
03. Gender ratio 40 men and 10 women
04. Type of products made Cotton, Chenille, woollen, Jute dhurries
Number of items supplied to Asha Handicrafts Association during 2000/01
482 pieces valued at Rs.2,61,798.00 (\$6,088.00)
05. power supply is not regular. There is a three hour cut in supply every day.
06. He has three telephone lines which are shared with his brother's unit the
cost of telephone is about Rs.10,000 per month including local and long
distance.
07. His fax bill is about Rs.5000/- each month.
08. He has a mobile phone it costs about Rs.1000/- each month.
09. His courier costs are about Rs,3000/- each month this includes documents
10. He had developed 100 new designs and spent about Rs 5000/- for
photography
11. He has his own colour T.V
12. He has own PC with Windows ME
13. He has an employee who is knowledgeable about computers.
14. He has known about email for the past four years. He has his own email id.
15. He has been able to contact 2-3 buyers via Internet

Comments

This is one of our older producers. His father used to supply to us now he does. Over the years he has grown and expanded his business. He has a digital camera and keeps a record of his designs on the computer.

How ever his opinion is that :-

- one can not completely eliminate photography.
- He needs photos to keep a master copy of design for reference of weavers.
- The buyers are able to process photographs faster as there is no down loading time.
- Computer print out is not always consistent or accurate.
- Computer disk might crash.
- CD might get corrupted or infected by virus

Place

Ajmer it is a former princely state in Rajasthan. Originally called Ajay Meru (Invincible Mountain) it was corrupted to Ajmer by the British. Ajmer is well known for its Mausoleum of a Muslim saint .

As else where the region is rich in crafts. The group is a marketing arm of a NGO working for upliftment of the local artisans.

Response to Questionnaire

01. Name of the producer Ethnic India
02. Number of artisans for particle board regular 15 men peak time 30 men
Bone workers regular 6 men peak time 10men
Iron workers regular 30 artisans peak time 35 artisans
03. Gender ratio Iron workers include 5 women
04. Type of products Particle board:- letter rack , furniture, boxes, wall plaque, partition screen.
Bone items :- Book ends, boxes, candle holders, table lamps, animal figures.
Iron items :- Candle holders, CD racks, furniture, lanterns. Cages, frames, wine bottle holders, fire place set, planters animal figures.
Number of items supplied to Asha Handicrafts Association during 2000/01 319 pieces valued at Rs.1,24,780.00 (\$2,901.00)
05. Power supply is not regular there is four hours of break down each day.
06. Does not own phone in the office but has access to one. He has a phone at his residence . The cost of telephone is about Rs. 15,000.00 per year
07. He does not have own fax pays Rs.10 for incoming fax and Rs.30 for out going fax.
08. He has no mobile
09. His courier costs are Rs.4,500.00 per year
10. He makes 50- 60 samples each year cost of photography is Rs.3000/- per year.
11. He has his own colour T.V.
12. He presently does not have a computer but is planning to purchase one in July. It will be Pentium III
13. He does not have any expert but plans to teach himself.
14. Cyber cafes are plenty they charge Rs.30 per hour.
15. He has email id but checks it once a week.
16. He believes that application of computer would lead to better communication at lower cost..

Place : Jaipur

Jaipur is a premier city of Rajasthan. It is one of the oldest planned city still inhabited. There are many crafts practiced in Jaipur such as Gem cutting, block printing, ceramics, leather work, wood carving. Meena work

Response to questionnaire

01. Name of the group : - Agape International
02. Number of employees: 8 regular and 15 at peak time
03. Gender ratio: 6 regular men 2 regular women.
04. What products do they make? Block printed / screen printed home furnishing. Purchases by Asha Handicrafts Association in the last 12 months Rs.14,000,00/-
05. Do they have reliable power supplies: yes Not many unscheduled power cuts.
06. Do they have their own telephone? Yes he owns a telephone. Cost of local calls Rs.1500 for two months. STD calls costs Rs.1500/- per month.
07. Do they have their own fax ? They have a care of fax and it costs about Rs.200/- per month.
08. Do they have their own mobile phone? Yes it costs about Rs.2000/- per month for STD. Mobile is registered in Mumbai so all calls made to and from Jaipur are considered STD
09. How much do they spend on Courier/ Postage? Post is not used at all courier charges are about Rs.500 to 600/- per month.
10. How much do they spend on photography? About Rs.1000/- per year.
11. Does the manager have his own television? Yes
12. Do they have a Personal Computer? No
13. Is there some one in the group who is regarded as a computer person? No
14. Is there a Internet café that they could use to send or receive emails? Yes it costs about Rs.25/- an hour He spends about Rs.500/- a year at the cyber café
15. Have they heard of Internet or email ? Yes he has hi email id. He heard about it through Asha Handicrafts Association.
16. Do they think email could bring them benefits? Yes It is saving on courier and phone costs in part but not always.

Place Jaipur

Response to questionnaire

01. Name of the producer: Ashoka Arts.
02. Number of employees: 45 regular artisans 100 during peak times.
03. Gender ratio : All are men.
04. What products do they make? Sandal wood/ white wood ebony wood with bone/ brass inlay, Aluminium items, Lac products, papier mache , water colour paintings on paper/ marble or canvas, chess sets, painting on glass with gem stone powder.
What type of products do Asha Handicrafts Association purchase from them? White wood Aluminium, gem stone dust pictures, lac and papier mache.
05. Do they have a reliable power supply? Yes only in December and January when farmers need extra power is there a power cut even this is announced in the paper and is for a short time.
06. Do they have their own telephone? Yes they own a telephone. It costs them between Rs.36,000/- to 40,000/- per year @ Rs. 3000/- per month approximately 50% are for STD.
07. Do they have their own fax ? They have care of fax it costs Rs5/- plus STD charge. They pay Rs.10/- for incoming fax. Total costs of Fax was about Rs.500/- per month. before getting email id.
08. Do they have mobile? No
09. How much do they spend on postage /courier each month? Rs.1000/- per month mostly on courier.
10. How much do they spend on photography? He has purchased a camera for Rs.7000/- until then they spent about Rs.6000/- 7000/- per year. He does not initiate the process of taking photographs and sending them to his buyers as it would be most expensive.
11. Does the manager have his own Television set? Yes
12. Do they have a PC ? Yes he has recently purchased a PC with windows 98,Adobe, tally a scanner, a HP inkjet printer.
13. Is there someone in the group who is regarded as an expert? Yes Ashok Das the son.
14. Is there a cyber café nearby that they can access? Yes but there is no need of use it .The charges are Rs.25/- per hour.
15. Have they heard of email or Internet? Yes they have a email id.
16. Do they think using email would bring benefits to them? Yes. It would reduce cost of sending faxes and calling long distances as well as cost of sending couriers abroad. How ever it would not eliminate cost of taking photographs as they are needed to show to the artisans also for easy reference and portability.

9.2.3 Summary table of data

Summary of data collected from ASHA Handicrafts producers by interview/questionnaire.

Name	Sana	Gulam Ayaz	RC Marble	Designer H'crafts	Sharma	Ethnic India	Agape	Ashoka
Products	Metal	Horn Bone Brass Wood	Stone	Cotton Textiles	Textiles	Board Bone Iron	Home Furnish- ings	Wood Metal Paper
Sales to ASHA \$ pa	12,325	12,262	13,887	3,154	6,088	2,901	3,256	
No. workers	10-20	7-20	20-26	5-15	50	51-75	8-15	45-100
Men	10-15	7-16	18-23		40	46-70	6+	45-100
Women	0-5	0-4	2-3		10	5	2+	
Power Supply	Cuts daily. Has generator.	Runs gen. 4/hrs day	2-3 cuts/ day	Cuts for 2-3 hrs/ day	Cuts for 3/hrs day	Cuts for 4/hrs day	Sched. cuts	Cuts in Dec and Jan
Tel cost pa	Own tel for local calls	3,300rs local	8,623rs	12,000rs	120,000rs	15,000rs	2,250rsc	38,000rs
Fax cost pa	6,000rs	1,000rs	1,000rs	1,050rs	60,000rs		2,400rs	6,000rs
Mobile tel cost	No	No	No	No	12,000rs	No	24,000rs	No
Post/ Courier cost pa	12,000rs	2,400rs		2,860rs	36,000rs	4,500rs	7,000rs	12,000rs
Photo cost pa	400rs two sets	3,800rs	400rs	60rs	5,000rs	3,000rs	1,000rs	7,000rs
Own TV?	B/W	B/W	Bro has col TV	Col TV	Col TV	Col TV	Yes	Yes
PC?	No	No	Friend's son	Win98 cd-rom	Win98 ME	Plans to buy P3	No	Win98 Printer Scanner
'Expert' on hand?	No. Wants to train daughter	No. Wants to train daughter	Friend's son.	Brother	Employee	Will teach himself	No	Son
Local Email/ Internet?	No	No	Yes 25rs/hr	Yes 25rs/hr	Yes	Yes 30rs/hr	Yes 25rs/hr	Yes 25rs/hr
Aware of email/ Internet?	Email last month	Not until now	Yes	Yes	Own email address	Own email address	Own email address	Own email address

Figure 29 Summary of data collected from ASHA Handicrafts producers

9.2.4 Conclusions from survey of eight producers

- While only two producers have their own direct access to the Internet and email (via their own PC), six of the eight producers could access the Internet and email via local Internet cafes (for between 25 and 30 rupees/hour). Two producers had no local access.
- Four producers had someone in their business or family whom they regarded as a 'computer expert' to help with technical support. Three were planning to train themselves or a family member in this area.
- All producers spend significant sums on fax (up to 60,000 rupees/year) and long-distance telephone charges. Appropriate use of email could bring significant reductions in overheads, as well as offering increased speed, reliability and security.
- Although photography is not a major expenditure, all producers here used photographs to promote new designs in-country (especially to ASHA Handicrafts). Use of digital photographs and email in-country could save time, processing and courier charges; as well as offering low-cost promotional opportunities internationally (ASHA already uses email for this purpose). However producers noted that physical photographs were required for reference and for use by artisans.
- Only one producer had not heard of email. Four already had their own email addresses for business activities. One reported they had made savings on fax, telephone and courier charges.

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 '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) and Novica (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 17th 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) 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) 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-consuming⁸⁵).

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.

* * *

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

⁸⁵ 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) 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.

9.4 Tables and charts

9.4.1 Export of handicrafts from India 1993/94 to 1999/00⁸⁶

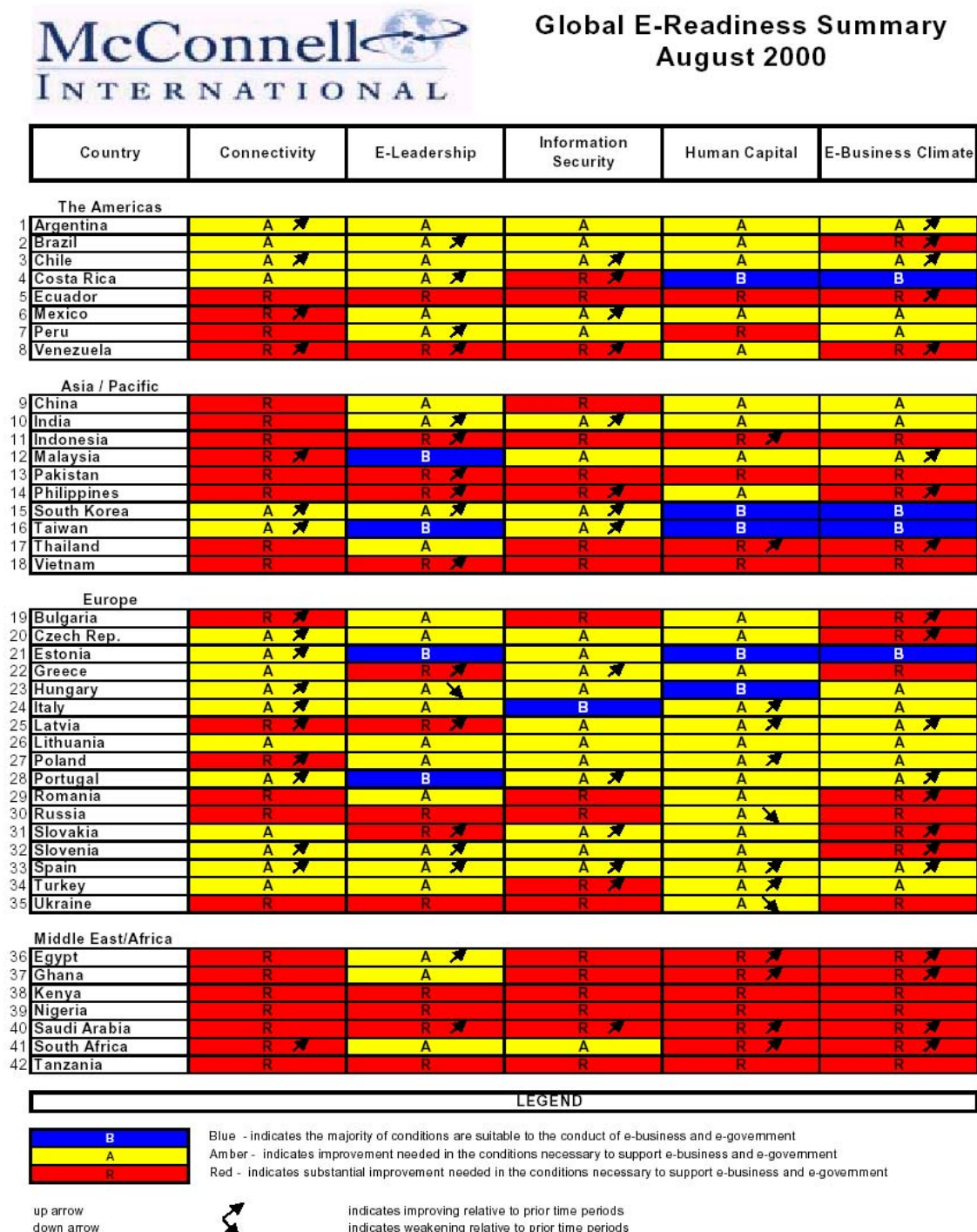
Export of Handicrafts (from 1993-94 to 1999-2000) Rupees in Crores							
Item	1993-4	1994-5	1995-6	1996-7	1997-8	1998-9	1999-00
Carpets (Woollen)	1036.85	951.00	993.22	1363.05	1526.88	1719.24	1888.45
Carpet (Silk)	44.49	40.33	56.65	68.77	120.38	155.54	153.93
Carpet (Syn.)	6.26	7.55	12.62	10.73	144.13	139.16	93.65
Cotton Durrie	335.92	359.02	351.66	337.04			
Total Carpets	1433.52	1357.90	1414.15	1779.59	1761.39	2013.94	2136.03
Art Metalware	688.50	804.68	924.94	971.46	1214.60	1324.16	1497.18
Woodware	101.17	101.36	153.46	218.70	221.822	86.04	348.95
HP Textiles	540.63	682.47	507.76	686.10	838.24	1033.98	1158.05
Embroidery and Crochet goods	571.94	895.96	785.80	1030.89	990.75	1159.42	1584.36
Shawls and Artwares	13.01	13.36	14.33	17.82	17.08	18.18	21.50
Zari and zari goods	34.15	57.19	47.73	54.57	70.34	74.95	83.52
Imitation jewellery	35.87	61.03	77.58	48.65	98.03	104.10	113.64
Misc. Handicrafts	378.27	523.57	695.94	787.02	902.32	1057.57	1116.40
Other than carpets	2363.54	3159.62	3207.54	3815.21	4353.18	5058.40	5923.60
Total exports of Handicrafts	3797.06	4517.52	4621.69	5594.80	6114.57	7072.34	8059.63
Total exports of H'crafts \$m	\$789.79	\$939.64	\$961.31	\$1,163.72	\$1,271.83	\$1,471.05	\$1,676.40

1 crore = 10m rupees = \$0.208m

Figure 30 Exports of handicrafts from India 1993/4-1999/00

⁸⁶ Ministry of Textiles *Annual Report 2000/01*, Gov. of India http://texmin.nic.in/annualrep/ar01_c09.html

9.4.2 McConnell International global e-readiness chart (August 2000)



www.mcconnellinternational.com

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Source: *Risk E-business: Seizing the opportunity of global e-readiness*, McConnell International, August 2000, available from <http://www.mcconnellinternational.com/ereadiness/report.cfm>

Figure 31 McConnell International global e-readiness chart (August 2000)

9.5 Sample market information for producers (Viatru)

Viatru (formerly world2market.com) produced a range of resources to help artisan producers export handicrafts to the USA market. Their intention was to develop their Visible Commerce Forum, with the support of other fair trade importing agencies, as a portal for suppliers and buyers.

A selection of some of the original content, which is no longer publicly accessible on the Internet (Viatru's web site closed in April 2001), is available on the cd that comes with this report. The material has been rebranded under the banner of the Sustainable Enterprise Portal – a new non-profit initiative from the original founders of world2market and Viatru.

The screenshot shows the 'Sustainable Enterprise Portal' with a navigation menu on the left containing links for Market Information, Selling Products, Products & Sales, Production, Transport & Export, Export Guidelines, Working With Us, and Partners. The main content area is titled 'Develop Products' and includes a 'Product Development Timeline' section. This section contains an introductory paragraph and a detailed '1-Year Product Development Schedule' with the following milestones:

- August 1, 2000 – September 5, 2000:** Research market and design product.
- September 5, 2000 – October 1, 2000:** Make first prototype sample and send it off to prospective buyers along with approximate cost. Remember to make and keep an identical sample so you have a prototype to work from when you get an order.
- October 1, 2000 – November 15, 2000:** Receive feedback from prospective buyers, modify product accordingly, make new sample that incorporates the suggested design changes, figure new cost if necessary, and send back to prospective buyer. Make and keep another identical sample.
- November 15, 2000 – December 15, 2000:** Time to allow for more than one product redesign and international transit.
- December 15, 2000:** Final sample should be in buyer's hands.
- February 1, 2001:** Receive orders from buyers, order raw materials, and plan production.
- February 1, 2001 – August 1, 2001:** Make and package goods following a strict production schedule.
- August 1, 2001:** Ship complete order of goods.

The pages include materials relating to:

- Product development
- Catalogues and other resources
- US market product categories
- Communicating
- Retail seasons in the US
- Recycling and sustainability

Please see the Viatru folder on the accompanying cd.

9.6 IFAT Biennial Conference, Tanzania (June 2001)

IFAT, the International Federation for Alternative Trade (www.ifat.org), represents 160 fair trade organisations in 50 countries, including many craft producers, importers, ATOs and retailers. Nearly 200 participants attended their 6th biennial conference in Arusha, Tanzania in June 2001.

Interim findings of this research were presented by Mike Webb as part of a workshop entitled *E-commerce opportunities for fair trade*, and feedback from producers and other stakeholders has been incorporated into this report. Some of the key recommendations of section 8, such as use of multimedia and using the Internet to gather market information, were demonstrated during the conference.

For further details, see IFAT's own published report.

9.7 Fair trade, ethical trade and e-commerce

Handicraft production is a part of the fair trade or ethical trade movements. This appendix considers the wider picture of ethical trade.

'Ethical trade is the trade in goods produced under conditions that are socially and/or environmentally as well as economically responsible. There is no definitive approach to ethical trade. Rather, ethical trade is a generic term applicable to a variety of initiatives which apply sets of social/environmental values to aspects of the production and marketing process. These initiatives include fair trade schemes, the in-house codes of practice of corporations, organic production, environmental codes, forest certification, and in the ethical sourcing initiatives of major Western retailers.'

Ethical trade and sustainable rural livelihoods, 1999⁸⁷

As handicrafts are a part of this larger ethical trade industry, it is worth considering how e-commerce might affect the movement as a whole. We have seen in the main report how the handicraft market started in the 1970's and encouraged consumers to pay a premium for hand made crafts (with the implicit idea of fair trade - purchasing from a micro enterprise in the Third World must put money into the hands of the poor). However over the years crafts that have been produced in Third World countries have made their way onto the shelves of high street traders, and there are few agencies that can command a premium for their goods. Sales of handicrafts through ATOs are in decline and one of the major players, Oxfam, has recently pulled out from sourcing product direct. We have noted that the gift market is sizeable, and that the handicraft market has been subsumed into the more general market (see section 4).

For many other products that might be branded fair trade or ethical, the trend is opposite to the handicraft experience. Instead of fair trade handicrafts being marginalized by competing commercial products, fair trade or ethical products in other sectors have been brought into mainstream business – to the benefit of producers, retailers and consumers.

Certification of sustainably managed forests began in the early 1990s. The boxed example of B&Q below illustrates how ethical or fair trade has been brought into the mainstream of commercial activities. Organic farming standards have existed for over 50 years. While consumers have been willing to pay more for organically produced food, organic products are now increasingly becoming mainstream. In the mid 1990s the first fair trade food product was coffee. Fair traded coffee and chocolate are both currently entering main stream trading. More recently, ethical standards for manufacturing industry have gained a higher public profile, and new initiatives concerning natural resources are still being developed such as those for horticulture and fisheries.

⁸⁷ Blowfield, M.E., Malins, A., Nelson, V., Maynard, Gallat, S. Ethical Trade and Sustainable Rural Livelihoods; Chatham, Natural Resources Institute, 1999. <http://www.nri.org/NRET/old/nracle.pdf>

The over-riding factor affecting ethical trade is the market. Both fair trade and organic agriculture have distinct markets. The fair trade market dealing exclusively in products from developing countries accounts for US\$ 300-500 million in retail sales each year in Europe and the USA. The world organic market is worth US\$ 11 billion, US\$ 500 million of which comes from developing countries⁸⁸. The early advocates of forest certification targeted commercial buyers rather than consumers, and consequently certified forest products compete in the same market as conventional products. According to some estimates, certified forest products accounted for 15% of the timber market in certain countries in 1999. However, most of this will come from developed countries.

A DIY approach to supply chain management

B&Q is the largest home improvement retailer in the UK and well known for its stance on environmental and social supply chain management issues. The sector was one of the prime targets of NGO campaigns on forest management issues in the 1980s, questioning the sustainability of UK companies' timber supplies from tropical forests.

B&Q realised that it had no idea where the wood in its products was coming from and started to develop a systematic programme on environmental supply chain management. Alan Knight, B&Q's Environmental Policy Controller, puts this proactive approach down to the early recognition by top-level management that the company should develop its own agenda on environmental supply chain management.

In 1991, the company undertook a Supplier Environmental Audit and announced its first timber targets: to have identified all its sources by the end of 1993, and then to ensure that all its timber products would come from well-managed forests by 1995. As a way of meeting its goal, the company decided to support the Forest Stewardship Council (FSC) certification scheme, which provides independent verification that products come from well-managed forests. B&Q committed itself to ensuring that all timber products would be independently certified by the end of 1999; in fact it achieved 99.1%, the bulk of which was accounted for by FSC certification.

B&Q has been through a number of changes in the way that it works on supply chain issues. Its first audit consisted of a forty-page questionnaire on purely environmental issues, which a significant number of suppliers did not even reply to. By 1991, B&Q had concluded that there was unlikely to be significant progress until the environment was made a commercial issue for suppliers. This led to the introduction of an environmental policy in 1994 that stated that *'B&Q will delist suppliers who show no commitment to improving their environmental performance'*.

In 1995, B&Q replaced its Supplier Environmental Audit with QUEST (Quality, Ethics and Safety) which it describes as *'the process through which we assess both the quality and environmental performance of our supply base'*. It is based on ten principles which include environmental policy and awareness, environmental action and achievements, working conditions in developing countries and packaging and environmental claims.

⁸⁸ Blowfield, Malins, et al, 1999.

Suppliers are rated from A-E for each of the ten principles and a league table was published in 1998. In 1995, B&Q had announced that all 619 of its suppliers would have to demonstrate a thorough understanding of their life-cycle impacts backed up with an action plan to address them. B&Q's target was that by the end of 1999 all their suppliers would have a B grade for the first three principles listed above and an A grade for timber (ie all from FSC certified forests). In the autumn of 1998, only about 20% of their suppliers had reached these grades. However, by intensifying the assessment programme B&Q achieved 84% by the end of 1999.

B&Q's policies are evidently affecting developing country producers. Interviews carried out in South Africa in 1999 clearly identified requests from buyers such as B&Q as the catalytic factor in the implementation of certification in the South African forest industry.

Wherever possible B&Q is attempting to ensure that its direct suppliers take on board environmental and social concerns and pass them back along the supply chains, thereby spreading the responsibility and reducing the cost to B&Q and the need for external verification. This has been incorporated into the QUEST system through Principle 8, which requires suppliers to know the working conditions of any factory used in developing countries and to take action to improve these conditions. B&Q stresses the importance of building trust and mutual respect with suppliers. However, it remains a hard-nosed international buyer, which makes no long-term commitment to suppliers, however good their environmental performance.

Source: Robins and Roberts, 2000⁸⁹

Fair trade and organic markets are growing at 10-25% per year. Although the figures can seem impressive, growth is from a low base⁹⁰. Fair trade accounts for only 0.01% of global trade, and although, by some estimates, organic produce will account for 15% of the world food market by 2006, this estimate appears to assume an unusual adoption curve where current price premiums (sometimes more than 50% above non-organic products) will continue despite expansion in production and in the number of consumers. This is an unlikely assumption. Demand for ethically produced items currently outstrips supply, although this is partly due to difficulties in meeting market quality requirements. There are considerable price inelasticities for some ethically sourced products, but unsophisticated producers are often unable to meet quality standards.

Some commentators argue that ethical trade produce will only ever appeal to affluent consumers, but others say that if the main objective of ethical trade is to increase returns to producers, then producer price, which is a relatively small element of the total price, can be raised without significant cost to the consumer. Conjecture about the ultimate size of the ethical market may be a red herring, at least in some sectors, because of the ethical criteria that are starting to be developed by major retailers/importers.

⁸⁹ *The Reality of Sustainable Trade*, Robins, N. and S. Roberts (eds.) 2000., IIED, London. See: http://www.iied.org/pdf/Reality_complete.pdf p26.

⁹⁰ Blowfield, Malins, et al, 1999.

For some products within the next few years, it may no longer be a question of how large the ethical market is because the ethical market may have become *the* market; something already evidenced from the application of ethical criteria to sourcing of fresh produce.

The common ground on all these different initiatives are shared elements of ethical trade such as a custodian body to set ethical standards, third-party verification of compliance with standards, use of label or a logo to show compliance with standards, transparency regarding certification process and access to findings.

In *Approaches to Ethical Trade* (Burns and Blowfield, 1999)⁹¹ the authors suggest that ethical trade could be characterised by its approach. They suggest four basic models – those which intend to ‘change the climate’, ‘from the top’, ‘from the grassroots’ and ‘developing the toolkit’. Figure 32 below gives some explanation of these terms. The table includes some of the opportunities and limitations of each approach. The final column has been added by this study.

⁹¹ *Approaches to Ethical Trade: impact and lessons learned*, Maggie Burns and Mick Blowfield, NRET, 1999. See http://www.nri.org/NRET/burns_final.pdf.

Approach	Focus on	Led by	Examples	Opportunities & Limitations	Lesson learnt	ICT roles
Changing the climate	Motivation	NGOs/ Consumers/ Government/ the Media/ share-holders	Campaigns. Ethical consumerism and boycotts. Lobbying for/against regulation.	O - Give companies a financial incentive for ethical behaviour. L - Effectiveness limited to certain products, companies and markets.	NGOs, funders and government need to invest in long-term strategies to keep up pressure for ethical trade.	Ease of lobbying, organisation of dispersed group eased by cheap communication, access to Media eased (eg email BBC news!)
From the top	Innovation	Leadership companies	Socially responsible business policies. Social enterprises – eg fair trade. Ethical investment	O - Leadership companies create new markets or modify existing one by demonstrating that profits can be made ethically. L - Vulnerable to economic downturns and pressures from shareholders.	If ethical trade is not to be an add-on it needs to be embedded in the governance processes of companies.	Access to other company profiles and governance rules, transparency eased (reduced cost to publish reports on-line)
From the grassroots	Participation	Worker and community organisations/ Trade Unions	Trade union and worker activism. Codes of conduct at a local level.	O - Grassroots participation ensures that intended beneficiaries actually gain from ethical initiatives. L - There is a lack of capacity in the South to engage at a technical, strategic and governance level with initiatives being developed in the North.	It is crucial to strengthen the capacity of Southern organisations to participate in and implement ethical trading initiatives.	As Changing the Climate. Inclusion of Southern-based organisations eased, initiatives now possible from South (through email lists, website portals, etc)
Developing the toolkit	Expertise	Service providers/ new standards bodies	Social auditing. Monitoring and verification. Consultancy, research.	O - Development of tools allows more companies to take on ethical concerns. L - There is a danger that 'ethical trade' could become a self-perpetuating industry without being effective on the ground.	There is a need for standards to ensure that approaches to ethical trade are effective and trusted.	Possible development of kite marks, ease of transparency (publication of studies, verification by consumer and producer feedback, etc)

Figure 32 Four approaches to ethical trade, with ICT roles

Burns and Blowfield 1999 suggest that these initiatives share a number of key features:-

- They are voluntary
- They rely on the power of consumers or investors choice
- Many are still relatively young

9.7.1 ICT and ethical trade

How then will e-commerce or general ICT opportunities affect this trend in ethical trade? Once again the distinction between the handicraft market and other markets cause considerable differences in the approach to ICT and e-commerce applications. Based on the research into handicrafts we make a number of observations in Figure 33 (we have related these to NRET's research on ethical trade (Blowfield, Malins, Maynard Nelson, 1999).⁹²

	Constraints to private sector's role in ethical trade development.	Possible ICT impact
Retailers	<p>Consumer expectations regarding quality and price.</p> <p>Insufficient quality and quantity of produce.</p> <p>Erratic supply.</p> <p>Cost of ethical auditing of producers.</p>	<p>While handicrafts are constrained by the need to touch and feel, ethical manufacture, organic produce and sustainable woods need not be so constrained.</p> <p>Direct sales may be facilitated by e-commerce but the practicalities of B2C Internet sales remain a challenge and limitation (see section 6.1)</p> <p>B2B opportunities for tracking and enhancing supply chains may greatly enhance ethical trade.</p> <p>ICT exchange of information may lead to greater transparency and ease of auditing producers.</p>
Importers	<p>Insufficient quality and quantity of produce.</p> <p>Erratic supply. Cost of ethical auditing of producers. Too many standards/codes.</p>	<p>As above. B2B opportunities for supply chain efficiencies and tracking.</p>
Exporters/Traders	<p>Limited knowledge of export markets. Overly lengthy supply chains.</p> <p>High cost of loans.</p> <p>Suspicious of public sector and development agencies. Price fluctuations. Poor infrastructure.</p>	<p>Strong enhancement by ICT as exporters are enabled to see and access markets in Europe and US.</p> <p>Possible direct marketing to retailers avoiding middle men.</p> <p>ICT will not affect key problems of finance.</p>

⁹² Blowfield, M.E., Malins, A., Nelson, V., Maynard, Gallat, S. Ethical Trade and Sustainable Rural Livelihoods; Chatham, Natural Resources Institute, 1999. <http://www.nri.org/NRET/old/nracre.pdf>

Certification bodies	High cost of certification (particularly if done by foreign consultants). Limited in-country capacity.	ICT may offer new opportunities for self certification, eg as conducted by the Uganda banana growers.
Banking	Reluctance to invest in agriculture. Poor organisation of producer and trader groups. Weak understanding of ethical objectives.	ICT may allow networking and organization of like-minded producer or trader groups. ICT discussions of ethical objectives possible (advocacy and lobbying).
In-country processing industries	Poor infrastructure (eg power, roads, storage). Low-quality standards. Limited knowledge of export markets. Unsupportive policy environment. High cost of loans. Inappropriate technology and poor skills-base.	ICT may address knowledge of export markets. New opportunities for networking resulting in advocacy and lobbying for policy changes. Expanded knowledge base on technology.
In-country service industries	High cost of loans. Unsupportive policy environment. Poor skills base.	As above.

Figure 33 Possible ICT impact on ethical trade

From Figure 33 we can see the different natures of the markets offer most opportunities in e-commerce and ICT support of supply chains.

9.7.2 The micro view

At the grass root level, ethical production of goods can be a useful livelihood strategy (see section 7 for three case histories showing handicraft production as a livelihood strategy). There are the usual complex mix of opportunities and costs surrounding each ethical livelihood strategy. For instance:

- **Natural Capital** - many ethical trade schemes require some form of long-term tenure because they use perennial crops, thereby excluding the landless.
- **Financial capital** - However, production for ethical markets does incur additional expenses, the main one being the cost of certification which is as high as US\$ 10,000 for organic, and US\$ 13,000 for a community-managed forest. For fair trade, the cost of producer assessment seems to be included in the fee paid by European buyers to use the fair trade label. In reality, few small producers appear to incur certification costs directly as they are met by buyers or development agencies.
- **Human capital** - Smallholder production systems typically depend on family labour supplemented by some hired labour. Access to labour in these systems is affected by gender, age and marital status. For instance, women are less likely to have access to family labour than men, older people are more able to access family labour than younger ones, and non-married people have less access than married ones.
- **Social capital** - inequities in an indigenous institution may be carried over; for instance, where traditional land tenure disfavours access by women or migrants.
- **Physical Capital** - lack of physical capital accounts for the failure of some producers and buyers to exploit opportunities in the ethical market place. For instance, poor quality sawmills have hampered sales of certified timber

Like the specific handicraft sector of fair trade, ICT is unlikely to directly affect the producer. The main aspects will be :-

- **Natural Capital** – opportunities for accessing national government policies – thereby giving people the possibility of forming an advocacy or lobbying group to change policies that restrict land ownership (giving indigenous people the rights to their land).
- **Financial Capital** – identification of lending organizations and communication with them may be enhanced by ICT. At the most basic level (mobile) telephones have increased communication potential.
- **Human Capital** – ICT is unlikely to affect labour inequities or lead to new opportunities for accessing labour requirements. ICT might yield increased

knowledge of global markets and the processes required for certification and offer distance learning for required new skills.

- **Social capital** - ICT offers the opportunity for building social capital beyond the immediate community. Friends in distant places can sometimes open doorways.
- **Physical capital** – apart from perhaps affecting the financial constraints of the livelihood outcomes, ICT is unlikely to affect physical constraints. Lobbying for the provision of basic infrastructure might be affected by ICT.

- The conclusion then is that fair trade ATOs will increasingly work with fair trade consumables such as food products. This shift will include working closer with commercial retailers, and that this tactic will assist the developing world.
- Handicrafts is often undertaken by landless people, and this shift to food products is unlikely to help those specific clients.
- However, there are considerable opportunities with e-commerce within this shift. Once a consumer accepts a particular product, such as fair trade tea, then reordering over the Internet is likely to be acceptable to them. B2C opportunities for food products are likely to be much greater than for handicrafts (once the regulatory and quality-control hurdles have been addressed). Similar B2B opportunities will exist to both enhance the supply chain and to increase market share.
- The general difficulties of e-commerce eg trust, security of data, etc, will remain a challenge for this sector, as will access of the poor to ICT.

9.8 Selected literature survey on ethical tourism, e-commerce and community development

1. Tribes Travel

<http://www.tribes.co.uk/fair.htm>

This is a fair trade travel company that is one of the UK's leading exponent of sustainable and responsible tourism.

2. Association of Independent Tour Operators

<http://www.aito.co.uk/home/index.html>

Produces a holiday directory of smaller, independent tour operators - some of these companies are signing up to ethical guidelines and work closely with local community tourism initiatives

3. Campaign for Environmentally Responsible Tourism

<http://www.c-e-r-t.org/>

Runs a certified kite-mark scheme for tour operators who have committed to implement environmental policies. The tourism industry has the potential not only to protect the environments in which it operates but also to damage the very attributes which tourists travel to see. Companies joining C.E.R.T. must follow stringent environmental guidelines before they are allowed to incorporate the C.E.R.T. logo in their literature and marketing activities.

Tour operator members of C.E.R.T. are recommended to use locally owned services - hotels, lodges and transport companies - to ensure that as much revenue as possible stays within, and therefore benefits, local communities. Travellers are encouraged to purchase local goods and to be selective when it comes to buying souvenirs. The money that visitors spend on transportation, food, lodgings, guides and park fees supports local economies and helps to create jobs and provide a sustainable economic infrastructure.

4. Survival International

<http://www.survival-international.org/>

An organisation supporting tribal peoples, it stands for their right to decide their own future. As many tribal peoples' livelihoods are threatened by tourism development, it is increasingly involved in helping communities fight to maintain their access to land destined for tourism development

5. Tourism Concern

<http://www.tourismconcern.org.uk/>

Tourism Concern is a UK-based charity working for constructive responses to problems about tourism's impact on communities and the environment both in the UK

and worldwide. They look at the way tourism affects the people and environments in tourism destination areas. Tourism Concern raises awareness of tourism's impact with the general public, with government decision-makers and within the tourist industry itself - and they provide an information base for campaigners and students of tourism.

5a) Tourism Concerns Fair Trade in Tourism International Network, report on international forum 21-22 November 2000

http://www.ethical-junction.org/campaigns/respon_tourism/ej_cpn_rt_download.rtf

A paper discussing the issues to do with fair trade in tourism including the problems that communities face and the role of governments and the industry's big operators.

6. Voluntary Service Overseas (VSO)

<http://www.vso.org.uk/campaign/tourism/index.htm>

VSO's WorldWise Tourism Campaign aims to put the case for fairer tourism on the public agenda and stimulate action in which everyone can take part. If travelling to the developing world the online travel advice centre gives practical advice from local people and VSO volunteers so the traveller can get more from their holiday and also benefit the communities in which they stay.

7. British Airways Tourism for Tomorrow Awards

<http://www.british-airways.com/tourism/>

The British Airways Tourism for Tomorrow Awards recognise and encourage sustainable tourism initiatives worldwide. Projects are judged on how they benefit and involve the local community and protect the cultural, built and natural environment. Winning projects are seen as role models for tourism development.

8. Equations

<http://www.equitabletourism.org/>

Indian non-profit ethical tourism organisation.

9. World Tourism Organisation Global Code of Ethics

http://www.world-tourism.org/frameset/frame_project_ethics.html

10. Tearfund survey ‘Putting Ethics into Practice’

<http://www.tearfund.org>

The report is focused on ethical tourism in developing countries. The general conclusions offer a challenge to operators to respond to consumer demands by becoming more ethical, to take a longer term view of their operations and to integrate charitable giving and training into their normal business practice. The report suggests 10 actions that tour operators can take now.

11. United Nations Conference on Electronic Commerce and Tourism – New Perspectives and Challenges for Developing Countries

http://www.unctad.org/ecommerce/event_docs/geneva_etourism_agenda.pdf

‘The change that the tourism industry is experiencing presents an opportunity for developing countries to improve their relative position in the international market if they embrace the business models and technology of e-commerce’.

‘Many players in the tourism market are re-inventing themselves today as ‘infomediaries’. In order to succeed they must establish themselves as a credible brand with positive consumer recognition.’

With the medium of the Internet now small or remote destinations/ businesses at these destinations with well-developed and innovative websites can now have ‘equal access’ to international markets.

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9.9.2 Key organisations and people consulted

10,000 Villages

Dwight McFadden, Jr.

Marketing Director

web: <http://www.villages.ca/>

ASHA Handicrafts

Lucas Caldeira

Director

web:

http://www.peoplink.org/scripts/web_store/web_store.cgi?page=../products/in/ah/index_frames.htm&cart_id=312309.22387

BRAC Bangladesh

S.M. Sajid

General Manager

web: www.brac-aarong.com

Centre for the Promotion of Imports from developing countries (CBI)

web: www.cbi.nl

ECOTA Forum

Nurul Islam

Director

web: www.peoplink.org/ecota

HEED Handicrafts

Elgin Saha

Director HEED Bangladesh

web: <http://www.heedbangladesh.org/>

IFAT (International Federation for Alternative Trade)

Carol Wills

Director

web: www.ifat.org

NEWS! (Network of European World Shops)

web: <http://www.worldshops.org/>

OneNest

Victor D. Morgan, Jr

web: www.onenest.com

PEOPLink

Daniel Salcedo (Director)

web: www.peoplink.org and www.catgen.org

Traidcraft Plc
Andy Redfern
International Director
web: www.traidcraft.co.uk

Viatru
Derek Long
Co-founder and Director of Supplier Relations
Viatru (closed in April 2001)

Now at:
Transparency Centre
web: <http://www.transparencycenter.org>

9.9.2.1 Acknowledgements

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9.9.3 Accompanying cd-rom

The accompanying cd-rom contains the following materials in these folders:

- Report** folder: The main report and appendices in Word (doc) and Adobe Acrobat (pdf) formats.
- Viatru** folder: Sample market information sheets published by Viatru (see section 9.1.1)
- Video** folder: Sample video sequence featuring the Bangladeshi pottery producer Nitai Mrith Shilpa (Nitai Clay Industry), showing how their pots are made (HEED Handicrafts, Bangladesh) (mpeg format)
- Archive** folder: Sample archived web pages of on-line stores selling craft products (see section 9.5)
- Powerpoint** folder: Powerpoint present to producers (January 2002) e-comm2002.ppt

9.9.4 Gamos Ltd and Big World

This research has been conducted by the community development specialists Gamos Ltd and the UK charity Big World.

Gamos Ltd (www.gamos.org) is a community development consultancy with wide-ranging experience of research and impact evaluation, specialising in the sustainable application of ICT.

Big World (www.big-world.org) is a UK charity specialising in the appropriate use of ICT (Information and Communication Technology) to meet the information needs of the poor.

Gamos and Big World are currently engaged in the following research and pilot projects:

- Piloting community telecentres in Soweto and Mexico City aimed at urban youth
- Vocational training centres in East Africa: using digital media to enhance the delivery of training materials, and piloting the exchange of training materials between centres in Kenya, Ethiopia and Uganda
- Case study of how ngos are using a broad range of ICT to benefit their target communities in sustainable ways
- Piloting and evaluation of using digital media in local languages to empower community health agents
- Piloting and evaluation of various digital tools to empower communities and community groups to create, publish and manage local content (including open source).

MJ Associates undertook research on Ethical Tourism for section 8.6.3.

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