The South African Craft Sector

A widely quoted statistic tells us that the South African craft industry generates over R3.5 billion in revenue each year and employs over 1.2 million people[1]. This statistic is now seven years old and the truth is, no-one really knows for sure how accurate it is as there is no formal process to gather statistical data. This is perhaps the best indicator of the informal nature of the craft sector in South Africa and the road still to be traveled.

What we do know for sure is that the sector provides a key access point into the economy for thousands of marginalised people – the majority of whom are women. It has also been identified as a priority growth sector by national government and has been a beneficiary of millions of poverty alleviation fund Rands. The quality and range of products has improved markedly over the last 5 years, and happily, there is also a growing demand for craft in the local tourist market, increasingly in the local retail market and definitely in international markets.

This paper attempts to provide an overview of the sector, where we have come from and where we need to go.

1. Defining the craft sector

1.1 Why craft …

Craft as a productive activity is often seen as an effective means of creating sustainable livelihoods and nurturing small, medium and micro-enterprises. This is essentially because it has the unique potential to draw on existing **cultural and human capital.** It is also an accessible industry with low entry levels both in terms of skills and capital requirements, and because it is often home-based, allows for flexibility in terms of childcare, household and in the rural areas, agricultural production.

Internationally, it is seen as an important development sector: *"Handicraft and cottage-industry enterprises in particular foster development in rural areas, and where they have been export-oriented have been major sources of income and a spur to modernisation."*[2]

Craft also offers the opportunity for the expression and preservation of cultural heritage and has 'soft' benefits in the form of self-development, self-esteem enhancement and the building of life skills. The sector *"provides an entry-point into the economy for under-resourced groups who are then able to develop their skills through experience, apprenticeship and mentoring. Craft activity acts as a low-cost training school for skills which can be later used in the formal sector"*. [3]

Products draw on traditional skills, materials and technologies and in South Africa we have the added advantage of being an extremely culturally diverse country within and across regions – and an innovative and resourceful nation – providing ever-expanding opportunities for product innovation and the penetration of diverse markets. In fact, the Cultural

[1] Creative South Africa, November 1998. By contrast the United States generated over $10 billion in the craft sector in 1995. This accounts for almost a third of the roughly $35 billion generated globally within the sector.
[2] International Trade Centre UNCTAD/GATT
[3] Creative South Africa.

Industries Growth Strategy (CIGS) research identified a characteristic of the sector being its ability to *"play a key role in product and process innovation... which are often later manufactured on a larger scale."*[4]

The sector also cuts across many industries such as tourism, culture and heritage, manufacturing, retail and export trade and social and business development – providing many market access opportunities as well as a large support and resource base for the sector.

1.2 What is craft ...

The ACTAG report defines craft as: *"the production of a broad range of utilitarian and decorative items manufactured on a small scale with hand processes being part of the value added content. The production of goods utilises an array of synthetic and natural material"* and often draws on traditional skills. Increasingly the emphasis is being placed on the hand-manufacturing component needing to add significant value to the final product.

This 'formal' definition aside – practioners in the sector are often confronted with the question – "but what exactly is craft?" As with most things, the answer lies in the eyes of the beholder as the term conjures up vastly different images depending on the individual's exposure to products.

In its drive to increase market share and enter the mainstream retail economic activity – which locally at least requires the education of consumers of the value of local and handmade products – the sector battles against three common perceptions that hinder its marketability (and thus growth) and actually disguise the real wealth and volume of products currently entering the market.

The first is that 'arts & craft' is the mass display of masks and figurines (generally mass reproduced facsimiles of traditional and ceremonial artefacts) sold by street traders and imported from the north of the continent[5]. The second is the ethnic, culturally laden, traditional beadwork and basketry and other curios to be bought from sidewalk traders on the Durban beachfront and at the entrances to most of our national parks. Finally that 'arts & craft' is either the doilies and macramé of the hobbyist home industries or the high-value ceramics, wood, glass and textile products produced 'on the fringe' by mostly white practioners operating within a north American/western European aesthetic tradition.

While all these practioners fall into the category of craft; and they have real value and skills to offer the sector – the potential for real growth in the sector – in terms of market share and jobs and income – lies with small hand-manufacturing enterprises that are able to tap into the growing fashion and lifestyle markets. Increasingly the sector is learning to diversify its product range and access these different niche markets – from the tourism/curio market; to the lifestyle (deco & home ware) markets; to jewellery and fashion accessories.

[4] The Cultural Industries Growth Strategy research process was commissioned by the then Department of Arts, Culture, Science & Technology (DACST) in 1997/98 to research the cultural industries and to propose strategies for their growth and development. The report arising from this – **CREATIVE SOUTH AFRICA: A strategy for realising the potential of the Cultural Industries –** was used to inform policy formulation.

[5] There has been enormous growth of this trade in the last 10 years, coinciding with South Africa's reintegration into world markets. There are valuable lessons to be learnt from the entrepreneurial drive and risk-taking shown by these street traders and their continued presence is probably a good indicator of the size of the local and tourist market.

And our timing is perfect – as sophisticated consumers in the developed world are becoming tired of an homogenised contemporary look, so can we have the opportunity to satisfy the increasing international demand for unique, handmade, culturally rich products. There is emerging consensus on the need to develop a *Handmade in SA* brand that locally would be built on the Proudly South African brand – hopefully increasing local market awareness – and internationally would fit into new world trends.

To realise the potential of the sector for economic growth, we need to ensure we are producing the right products for the right markets in the right quantities and at the right time. This product: market match is probably one of our greatest challenges.

1.3 Categories of craft …

In an attempt to develop an understanding of the nature of the sector, so as to develop a coherent strategy, the CIGS report identified 5 broad craft categories, from fine craftwork to utilitarian craft inspired home-ware to inexpensive trinkets.

Segment	Characteristics
Traditional Art	Culturally specific products produced for the local market. Products have a meaning and significance to a specific cultural group.
Designer Goods	Developed and adapted from traditional art and used to satisfy the tastes and needs of the high-income market. May be decorative or functional.
Craft Art[6]	This segment overlaps with traditional art; it is produced by highly skilled crafters and is made entirely by hand and is not considered 'fine art'.
Functional Wares	These products are usually mass-produced, albeit in small batches and are aimed at the home-ware market.
Souvenirs	This segment comprises simplified crafts and trinkets that serve as a reminder of a particular destination.

These categories have nearly outlived their usefulness and need to be revisited if we are to develop coherent marketing strategies. The traders and consumers of high-value Craft Art manage their retail value chain differently to traders and consumers of fashion jewellery; market intelligence on price positioning for cushion covers will not be found from the same sources as garden accessories; design and product development expertise for bags and ceramic bowls is seldom found in the same place. From all these points of view, it will help if the sector organises itself along retail lines. And a measure of our success will be when we stop talking about the 'arts & craft' sector and start talking about 'handmade fashion accessories'; 'handmade home ware" etc. The following represents work-in-progress thinking in this regard.

Segment	Characteristics
Homeware & Decor	High quality; mid-value products. Mostly contemporary in nature but drawing on African/indigenous aesthetics; needs to be strongly fashion-led and adjust to seasonal trends. Potential for high-volume production and supply to local and export retail trade.
Garden & Outdoor	Similar to above but for garden and outdoor use.
Jewellery & Fashion Accessories	Similar to above. Need to target higher value market as not competitive at low-end unless aiming at local tourist market.
Craft/Folk Art	High value, high quality and usually culturally specific products produced by highly skilled crafters and made entirely by hand. Includes heritage items and artefacts.
Souvenirs	This segment comprises simplified crafts and trinkets that serve as a reminder of a particular destination. Includes curios, novelties and memorabilia.

[6] Historically, the categories of 'Fine Art' and/or 'Visual Art' have not been included in the craft sector.

1.4 Who makes it ...

There are probably as many permutations of craft enterprises operating in this country, as there are languages spoken and religions practiced. Increasingly there is recognition that the different 'models' have their own pro's and con's and that services and support need to be developed that take these differences into account.

At one end of the spectrum you have the individual – traditional crafters and high-value craft artists – and at the other you have the hand manufacturing business employing from 70-400 people. In between you have many struggling SMEs and community based projects surviving from one sale to the next.

Traditional Crafters and Craft Artists are a very important part of the sector and need to be nurtured and supported. Most of these people are artists without any desire (or aptitude) for business. By choice, and sometimes force of circumstance, they will only ever be in the 'business' of producing low-volume high-value items and will probably never create jobs in large amounts. They do however provide a foundation for the rest of the sector. They are our research & development component; our innovators and standard setters and should be our teachers. Such people may need support to market their products; they may need copyright protection and they may need specific technical and medium-based training. They need financial support and nurturing so their skills are developed and enhanced; so they are able to pass on skills and train a new generation to preserve our national heritage. (Perhaps now is the time to launch the much talked of National Living Treasures campaign?)[7]

A number of individuals from this segment, and with formal art or design training, have see the opportunity and are running successful manufacturing businesses. Interestingly, as the profile of the sector and its 'sexiness quotient' increases, savvy entrepreneurs are identifying its potential and are diving right in.

It has also to be noted that there are many people at the survivalist level – in urban and rural contexts – who are choosing to make craft because they have no other alternative to generate an income. *"Much craft production in rural and marginalised communities arises out of desperate economic conditions. Many individuals resort to 'doing what they can do' in the hope to sell to the local market or passing trade. Without a particular skill or creative interest in the product, economic necessity is insufficient to sustain viable craft businesses*.[8] Such people don't necessarily have a skill to draw on or an aptitude for handwork. They would not necessarily choose it as a career or employment path. And certainly many of them would prefer to be in a steady job, earning a steady income and are not risk taking entrepreneurs.

The sector is actively traded by both formal and informal businesses. In the SMME segment there are a wide range of businesses – mostly micro, some small and fewer medium sized businesses that require access to finance, markets, business development support. Many of these businesses are established with a strong social development impulse – commitment to job creation, empowerment, income generation and skills transfer is a very strong driving factor for many of the entrepreneurs starting up businesses or spearheading community based projects. These businesses are often overlooked for government support because the vast majority of them are white-owned – and given the drive for BEE and the history of this sector as being exploitative there is understandable reluctance from government to support these enterprises. However one of the realities of the sector is that: *"Measured in terms of both job creation and income generation, the most successful craft initiatives in some provinces are entirely commercial operations."*[9]

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[7] The Department of Education and the HSRC are implementing a 'Living Treasures Campaign' in schools across the country in the wake of the 2004 elections.
[8] South African Craft Development Strategy, Discussion Draft, p11, October 2001
[9] South African Craft Development Strategy, p18

2. Craft development in the last 10 years

Prior to the CIGS process, government intervention in the sector was largely ad-hoc. Initiatives in the sector were largely driven by individuals with a passion for craft and who had started NGOs and businesses.

There is no doubt that the sector has benefited enormously from government interventions and support since the launch of the Cultural Industries Growth Strategy process and the subsequent Creative South Africa report, driven by the then Department of Arts, Culture, Science & Technology in 1997.

Since the publication of this report, and the consequent recognition of the sector by national government as a growth sector, substantial effort, energy and resources have been spent.

For a large part of this period, the main driver of sector development has been the DAC. The DTI's role in this process has increased over the last two years as it recognised the potential of the sector and increased its capacity to deal with it. There are numerous other government departments – at local, provincial and national level – as well as many parastatals and non-governmental organisations, which have a finger in the craft pie. Increasingly the private sector is recognising the sector for its business and social investment and social responsibility returns. At a DTI workshop last year, participants identified in excess of 35 role-players in the sector, which included no less than 10 national government departments.[10] This possibly provides a clue to why it has been so hard to ensure that everyone dances to the same tune.

2.1 Research and strategy development

Most critically the Creative SA or CIGS report fundamentally positioned the cultural industries as sites of real economic activity that can make significant contributions to GDP and not, as is common wisdom, act as a drain on resources. As a result of this research, the South African Cabinet in 1998 recognised the sector as a priority growth area.

Spinning off from this research, in 2000 and 2001, the DAC, together with relevant provincial departments in the Western and Northern Cape commissioned research of the sector in the respective provinces. These audits provided an overview of opportunities and constraints peculiar to each province and recommended specific strategies. The implementation of these strategies has had a marked impact on the development of the sector in these provinces. Significantly, provincial studies were conducted in the Eastern Cape and KwaZulu-Natal (2003 & 2004 respectively) – and hopefully the remaining 5 provinces will follow suite.

Following on from the two provincial audits, DAC convened a National Craft Development Strategy Workshop in July 2001. The workshop was attended by approximately 50 people and included leading practitioners, development agencies and government departments (including provincial governments) active in the sector. The report that came out of this – **Craft 2001: A strategy to develop the South African Craft Industry** – proposed 5 priority programmes, each with a lead project. The five programmes were:

[10] These are: DAC, DTI (and its agencies Tisa, Ntsika & Khula), DoL, DoE, DEAT, DPLG, Social Services; provincial governments and their line-function departments; provincial tourism authorities and investment promotion agencies (e.g. Wesgro, TIKZN, ECDC); local governments through their LED programmes. Parastatals such as SABS, CSIR and the NPI as well as the IMC and PSA; CreateSA; NAC, CCSA and a wide range of provincially based NGOS (e.g. CCDI, Khumbalani, Wetlands Project etc.)

- A: Skills development strategy
- B: Product development
- C: Promotion, sales & distribution
- D: Finance to craft SMMEs
- E: Institutional capacity.

While the strategy has not been implemented in its entirety, coupled with the Craft Imbizo at the World Summit on Sustainable Development and its 'Investing in Culture' poverty alleviation programme, DAC was able to create a sufficient degree of consensus for the various parties to get on with their jobs within the framework of a common vision and purpose.

The common thread of the five programmes was the need to reduce the cultural and physical gap between producers and markets; support promotion, sales and distribution of craft products and support product development and packaging.

Developing cultural and human capital

In partnership with DACST, **CreateSA** was established in 2002 as a special project of the Media, Advertising, Publishing, Printing and Packaging Sector Education and Training Authority (Mappp-Seta). The project arose out of a desire to ensure that the creative industries be included in measures to promote skills and development.

In two years CreateSA has put itself on the training map. In the design and craft sector it has driven the writing of unit standards for 6 learnerships and it has rolled out training programmes in all nine provinces.

CreateSA had to start off with virtually a clean slate. Most of the training in the sector was fragmented, ad-hoc, and without commonly accepted standards. There are few companies paying skills levies and fewer opportunities for on-the-job training (the foundation of learnerships) in a sector that operates primarily on a home-based contract/piecework basis and/or self-employment. To its credit the institution, and the sector, has shown its adaptability and flexibility and willingness to learn and share experiences from the implementation of pilot courses.

The implementation of the **skills development programme** is on track with the establishment of CreateSA as a strategic project of the Department of Labour's National Skills Fund.

Similarly there have been great strides made within the **product development arena** and solid ground work has been laid particularly with the establishment of institutions like the CSIR's Product Development Unit and the Cape Craft & Design Institute (CCDI). In addition the piloting of learnerships at NQF2-6 levels across the country, with real focus on developing design and product development skills of producers and design practioners will impact on product quality.

Finally the increased profile of the sector has meant that productive linkages are being made between the formal retail and manufacturing sector and craft producers – in the form of joint ventures with retailers; increased agent activity and increased brokering of relationships between designers and producers and producers and retail outlets.

2.2 Supply vs demand

Unfortunately, as with many government interventions in the sector, there has been a weighting of emphasis on supply-side measures. The critical area of getting products to markets – and increasing markets has received little coherent input. The third programme of the National Strategy – **Promotion, sales & distribution** – has not had much concerted attention.

The strategy proposed the establishment of a Craft Trading House as the lead project. It recommended *"a feasibility study into a national Craft Trading House"* based on the call by *"many role-players ... for the establishment of a South African Craft Trading House, which would warehouse and wholesale craft products."* The strategy argued the process needs to be supported by DAC & Trade & Investment South Africa (TISA) and *"the primary goal of the Trading House would be to promote exports through:*

? *Providing a one-stop opportunity for buyers to view the full range of South African products*

- *Managing the ordering process and assisting craft producers with bridging finance*
- *Ensuring timely delivery and quality control."*

The document argued that such a Trading House would need to *"be subsidised by government and thereafter it would function on a non-profit basis, ensuring producers receive the maximum possible returns from large orders*." It would also be *"well positioned to mount South African pavilions at global trade fairs, to showcase South African products and to provide feedback to producers."*[11]

National Arts Council

The National Arts Council, principally a grant-funding agency, convened a 'National Craft Development Committee' in 2001 to help kick-start and co-ordinate provincial interventions in the sector. The primary activity was Provincial Craft Fairs. A few of these were funded by the NAC with varied success. While the intention was honourable, it was not an effective strategy as it was implemented in a strategic and institutional vacuum.
The Council 's review of its strategic focus, particularly with regard to craft, was interrupted by its management crisis. It needs to look to its core mandate for direction. According to its website, the NAC's vision is to promote, through the arts, the free and creative expression of South Africa's cultures; and its Mission is to develop and promote excellence in the arts.

By March 2004 none of the above had been implemented. However, through the implementation of programmes over the last 3 years, and emerging from a Craft Sector Marketing Strategy process spearheaded by DTI in 2003, the need for such a Trade House is becoming more explicit. And a consensus is emerging that it is critical to the growth of the sector. In fact, an exciting vision is emerging – of craft emporia in the major centres of South Africa – linked with branded franchised *Handmade in South Africa* shops in London, Paris, New York, Milan, Sydney...

While there is agreement that producers need to be the main beneficiaries of such an initiative, a for-profit Public Private Partnership, and not necessarily a Section 21, might be the best vehicle to make it happen. Government departments – particularly DAC and the DTI – need to back this strategy quickly – before we miss the boat!

2.3 Access to finance

All the research and experience on the ground points to a very real problem in accessing working capital. In common with other SMMEs, craft producers have serious problems in dealing with cash flow problems arising from a combination of the seasonal nature of the craft industry; up-front input costs; and retailers who generally operate on consignment, or at best 60 days payment terms. The formal banking sector has been unable to meet their needs, even with the support of government institutions like Khula.

To deal with this problem, the National Strategy proposed the establishment of a **Craft Development Trust** that would facilitate access to micro-loans, seed and venture capital. Another still-borne idea – and the struggle continues for crafters. There is however a growing realisation in government that this is as a critical funding gap – across all sectors – and hopefully strategies to address it will be put in place. At the time of writing, the Western Cape's provincial government and its banker, Absa, announced the establishment of a financing scheme, to be run by the bank, to support small businesses in the province.[12] This is an approach worth watching.

2.4 Organising the Sector

Critically, as cited above, the institutional capacity required to implement such an ambitious strategy was not put in place.

[11] South African Craft Development Strategy, p45
[12] *"Province and banking group to match funds";* Linda Ensor, Business Day, March 16 2004 1st Edition

The National Strategy not only urged DACST to develop internal capacity but argued that *"the Minister should convene a national Craft Advisory Council as an interim measure towards establishing a Craft Development Cluster"* which would address the problem *of "a lack of a credible national organisation*". At provincial level it called for audits in each province and the establishment of Provincial Craft Partnerships – drawing on the *"effective model for co-operation between public, private and non-profit sectors"* piloted in the Western Cape.

In 2003 the DTI sector desk initiated a process to develop a Craft Sector Marketing Strategy to develop the capacity of the sector to deliver products to expanding markets. A series of national workshops were held during the year and a programme of action has been drawn up. Critically, the DTI has the sector development budget to support this programme and has established two representative forums to drive this process: A Steering Committee and Strategic Advisory Body.

At the time of the publication of the National Craft Development Strategy, the DTI was talking about establishing a Craft Export Council. The report supported this, arguing it would *"play a vital role in assisting crafters to identify markets and co-ordinate promotional activities... provide consistent access to information on international trends and buying patterns in the handicraft trade."* Moves to establish such a Council were stillborn and there is still no representative industry body.

The usual 'trajectory' of export councils is that they arise out of a need identified by the industry itself (i.e. manufacturers and exporters) and are therefore quite organic to the industry. The craft sector is a notoriously unorganised sector – particularly from the point-of-view of producers who have generally been the beneficiaries of top-down interventions. With the growing maturity of the sector and the increasing number of SMMEs there has never been better potential for the establishment of a truly representative industry body. The DTI has identified this as a necessary component of its sector development strategy and is looking to transform its Marketing Strategy Steering Committee into an Industry Council by June 2005.

Craft Council SA

In its 12 years of existence the Craft Council of South Africa (which started off as the Craft Action Body), has had an important role in positioning craft on the national agenda. It is a membership based organisation, with 2000 members, and produces a quarterly *Craft News*. It championed the *Vita Craft* exhibition that provided an important space for the expression and public profiling of high-value craft. The CCSA manages DAC's 'Beautiful Things' exhibition and shop at the Bus Factory in Newtown, Johannesburg.

The growth of the CCSA has been hampered by a number of factors including lack of funding and the 'politiking' endemic in the sector over the last decade. As such it has not been able to establish itself as the authoritative voice or representative body of craft producers. In an attempt to deal with this, in the last year the CCSA has rewritten its constitution and elected a more representative Board of Directors. It is in the process of developing a long-term strategy.

3. Issues in the value chain

The constraints and opportunities faced by the sector are clear and have not changed significantly over the last 10 years. In fact, research recently conducted by ECI Africa, in KwaZulu-Natal confirmed the issues identified in the CIGS report and the Northern & Western Cape Audits. This is not to say that no progress has been made. It rather points to the reality that the constraints are a result of decades of under-development and will not be put right in a short period of time. There is no 'quick-fix' or no miracle solution – only hard work, concerted and coordinated effort and time will make the difference.

The main problem with early interventions is that they were mostly supply driven and not enough attention was paid to understanding and growing the market. Also timeframes have been unrealistic – while it is true that the craft sector has low barriers to entry, it is also true that at a certain point, training and skills development is critical if a crafter is to move from survivalist to sustainable mode.

The approach to the sector is changing as the deficiencies of this approach have become apparent. And as the industry is growing up, there is increasing realism as to the value of partnerships and the role different people play at different points in the value chain.

There are many debates that have beset the sector over the last 10-15 years but much has been learnt from the research and experience of implementation over the last 4 years. The debates are increasingly resolving themselves into shared vision and common purpose.

3.1 Poverty alleviation versus economic development

The CIGS raised the profile of the sector. It enabled funding to be leveraged for the sector, principally in the form of poverty alleviation funds. However despite warnings[13] the money came with strings attached. Support came with a strong welfare focus and could only be provided to community-based organisations (CBOs). The net result is that 100s of projects have been set up around the country (not just by DAC) that are focused on supply-side delivery. Unless market access and production capacity issues are addressed these projects will not sustain themselves without government support.

This 'paradigm crisis' was well documented in the Northern Cape Audit which summarised it as follows: *"The methodology of intervention in the craft sector has its roots in* ***two paradigms****: a welfarist paradigm and an economic development paradigm. The primary objective of the welfarist paradigm is to provide support to the most vulnerable members of society, while an economic development paradigm targets self-selected, emerging entrepreneurs. The institutional form flowing from a welfarist paradigm is likely to be a community-based organisation (CBO) while an economic development paradigm favours the SMME structure. However, the dominant discourse in government policy and programmes is one that emphasises SMME development as the means to creating jobs and livelihoods.* [14]

[13] *"Ons maak iets uit niks",* The Craft Industry in the Northern Cape, June 2001, p14
[14] South African Craft Development Strategy, p18

This 'dominant discourse' is in conflict with the terms on which funding is dispersed – only to CBOs that in general fail to transform themselves into bottom-line driven businesses.

This 'welfare' influence on funding influenced projects: "*Group formation has been a pre-condition of funding without taking into account the challenge of running collective enterprises – criteria for group formation, who's on the group and why; expecting everyone to play the same role and have the same skills, and equal pay for unequal contributions... While some community structures have survived, it is mostly because they have developed organically and haven't been imposed from external pressures and expectations.*

A naïve approach to collective enterprise that takes for granted, for example that everyone in the group will earn equally. Yet in practice when different members of the group have varying outputs, different skills levels, a different quality of work and contribute at different levels to management and administration of the project, such issues become fraught with complexity.[15]

Furthermore, building a stable, sustainable business takes a long time (common wisdom tells us from between 5-10 years) and even then survival is dependent on a myriad of internal and external factors. Expectations placed on poverty alleviation projects to become sustainable within unrealistic time periods and with inadequate support inadvertently set the projects up for failure. Especially when coupled with supply-side product development and inadequate provision of skills and mentoring.

There are examples of individuals 'graduating' from projects after a few years of secure income, training and mentoring, to start their own businesses. However the vast majority of beneficiaries want a steady income and jobs that provide security – and very few have the resources let alone the psychological make-up to take entrepreneurial risks.

Poverty alleviation projects play a significant role in providing beneficiaries – in the main single mothers – with vital income. Initiatives that play this role are not without value – however they should not be burdened with unrealistic expectations and then should be provided with adequate support over an adequate period of time to ensure development and sustainability.

In the ultimate paradox, millions have been spent on setting up new unsustainable projects while an SME base of entrepreneurs has struggled to access finance because they do not meet funding criteria of government or the retail banks.

Coupled with an approach that focuses on poverty alleviation for most marginalized people, we need to develop policies and programmes that support micro and start-up businesses. The experience and lessons learnt from the last five years of poverty alleviation implementation in the craft sector need to be critically assessed and used to refocus funding and other implementation strategies in the sector for the future.

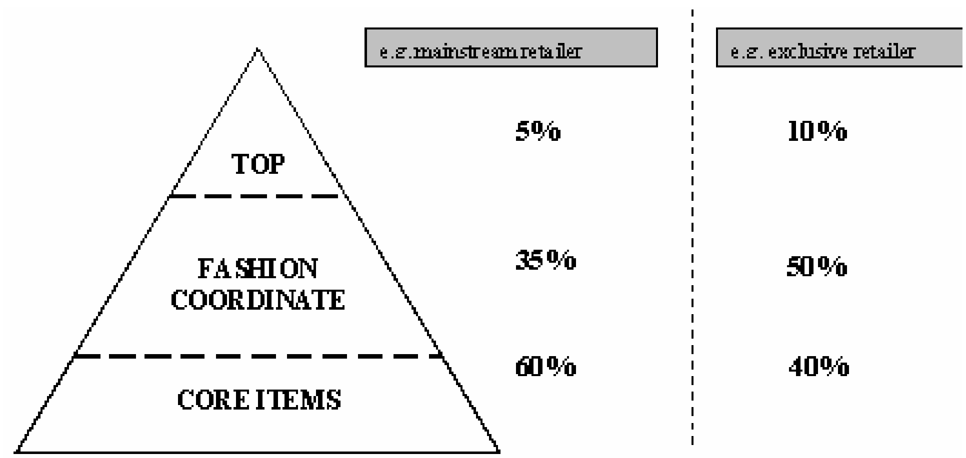
3.2 Craft art vs mass production

[15] Kate Phillip, CEO, Mineworkers Development Agency (MDA), papers from MDA's Bridging the Gap Conferences, 2001 & 2002, as circulated by the MDA.

An undercurrent debate in the sector has positioned *craft art* and *mass production* as opposing and contradictory strategic choices to be made. In general the debate is a red herring and has obfuscated the real issues – developing the right products for the right markets and gearing up production where appropriate.

Craft art – or high value, low volume items – and mass produced products are part of the same continuum and can co-exist as important and necessary products of the sector. As argued earlier, craft artists, as the 'R&D' of the sector, need to be nurtured. Similarly at the 'mass' production end of the scale, the real opportunity for South African products is increasingly being seen at the top end of the product/pricing pyramid[16] where well designed, innovative smaller volume products attract better prices.

Product / Pricing Pyramid



So while there is growing acceptance that we can't compete with Asian countries for volume and prices – we also need to ask the question if we really want or need to. Positioning our products at the top end of the scale would bring better returns for producers; would make better use of our real competitive advantage (while taking into account our production capacity issues); and taps right into the growing international trend/demand for handmade, authentic, individual pieces that provide aesthetic and 'soul-food' relief from the minimalism of contemporary European design.

Having said this, we need to ensure that we have programmes in place to nurture and protect our diverse cultural heritage. "*Craft making is not just about job creation, it is a link to African heritage and a connection between people.*"[17] If we loose this thread, and take the *'craft'* and *'heritage'* out of the product – we risk removing our very competitive advantage from our products.

3.3 The sincerest form of flattery…

[16] Pricing pyramid concept courtesy of Vivian Thornton of Link_Africa from: **A Practical Market Access Guide for the Western Cape Crafters: Home Textiles & Soft Furnishings in the USA & UK Markets**; Prepared for CCDI By Kaiser Associates; Report 3/2003; September 19, 2003

[17] Sue Sellschop, Craft Council SA, Bridging the Gap papers

A common refrain in the sector is that there is 'a lot of copying going on' and there are continuous calls on government to put in place mechanisms to protect copyright.

There has also been a growing realisation however, that whatever mechanism is adopted it took it will take time to implement and will be difficult to enforce. A few test cases have made people aware of the problem – and the reality is that the savvy producers understand that they just have to keep ahead of the game. Rife copying is also a function of desperation and lack of training and as training and product development interventions take root – one hopes that it will become less of an issue[18].

3.4 Trend setters not followers...

Our rich cultural diversity and heritage provides a unique and vast resource for the development of craft products. There is no single dominating aesthetic in this country – such as India, Indonesia or even Greece. While this could be a negative in terms of marketing products from the country – it is a strength that needs to be turned to our advantage.

Our cultural diversity could support a wide range of products that reflect cultural and regional differences and that cross over from traditional to modern uses, increasing the market share of SA craft on the global market. Innovation, differentiation, quality and packaging, are critical to set us apart from competitors. And as South African designers continue to find their own voice and their own signatures we will increasingly innovate. *"Design in South Africa has really started to come into its own since the realisation that we don't have to emulate international trends, and that the world is hungry for something fresh. Living in a country filled with so many different textures, colours, light, cultures and energy is contributing towards the development of a South African Aesthetic."*[19]

Our challenge here is to develop a cadre of skilled black designers and product developers – in a range of media – and to ensure that they have access to accurate, up-to-date market intelligence.

3.5 The pot of gold at the end of the rainbow...

Much pressure has been placed on the sector to expand into international trade and exploit the potential of our 'flavour-of-the-decade' status.

Expectations from government– particularly trade & industry — that through their incentive schemes particularly previously disadvantaged individuals (PDI) businesses could exploit the potential of this market were not realistic and did not take into account the real constraints and capacity of the sector: *"Few SA craft producers are geared to supply export markets and can supply volumes and quality demanded by international retailers. Cash strapped producers don't have cash flow to fund exploration of export opportunities; cannot research markets and identify opportunities and funds to prepare marketing material and sample ranges..."*[20]

Similarly there is a huge expectation from craft producers themselves, that the export market represents a pot of gold at the end of the rainbow. Some crafters have an expectation that they can move seamlessly from selling to tourists who

[18] See www.hsrc.ac.za for further discussion and useful tips regarding Intellectual Property.
[19] Exhibition designer, Nicholas de Klerk, Design & Display, Decorex e-newsletter, March 2004
[20] South African Craft Development Strategy, p114

pass their way to supplying Liberties in London. While this may be desirable, it is generally not possible without either business development inputs or the support of an intermediary. Often this expectation reflects a lack of understanding of different markets – while tourists may be happy to buy a wood giraffe, Zulu beer pot or Ndebele beaded doll on their travels through South Africa, they will almost definitely not make the same purchase at home.

Over the last 10 years large sums of money and quantities of goodwill have been spent on sending inadequately prepared crafters to international trade shows where they were not able to compete on product and price, and most importantly meet orders generated. *"There is just such a gap between the opportunities and the capacity. We have had this experience several times where craft people are supported to attend international trade fairs. They get large volume orders, which they have no capacity to deliver. Even if they have the production capacity, they don't have the interface.... They need support to go through all the export bureaucracy. We need institutional support for this...*[21]

Chiefly the lesson is export is risky, costly and complex. You need access to reliable market intelligence; you need to be able to deliver on orders and you need some financial cushion against the vagaries of the Rand. The sector is waking up to the fact that not every crafter needs to become an exporter – and that there is a role for intermediaries. And furthermore, while some businesses can leap-frog from local to export markets, generally it helps if a business has cut their teeth in the local market.

The DTI's incentives are not appropriate for the nature of the sector and the department is reviewing these schemes with the view to creating industry appropriate incentives. Significantly, the department has also recognised the importance of developing the local market – given the level of maturity of the sector – and has started sponsoring local trade shows to facilitate participation[22].

3.6 It's the (local) market stupid...

Increasingly we are seeing that with design input, and the application of traditional skills and material to contemporary products, a whole world of possibilities – and new markets – opens up, including markets for home accessories, designer furniture, jewellery and fashion.

As argued above, these markets are not only overseas – they are right here at home.

The most obvious of these is the tourist market. The craft sector in South Africa is inextricably linked to the **tourism** sector. Tourists continue to demand good quality handmade African craft products and the availability of these products continues to draw tourists to our country. The needs of many tourists are met through products sourced not only from South Africa but from the rest of Africa as well. Entrepreneurs from other countries on this continent have the edge on this market – but increasingly tourist authorities are reporting a demand from tourists for local products. Crafters need to get wise and grab their market share in this niche.

But our biggest untapped market is local consumers. This market is set to increase as SA consumers mature and accept that *local is lekker* (thanks to the Proudly South African campaign) and increasing patriotism, belief in the new South Africa and acceptance that what the west has to offer (war, racial intolerance, global warming etc) is not better than what

[21] Mxolisi Nkosi, Kwazulu-Natal Tourism, Bridging the Gap papers
[22] In 2003 the DTI supported the CCDI and CSIR at Decorex Cape and Jhb (respectively); in 2004 it is supporting the participation of crafters and their products at two trade shows – Rooms on View and One of a Kind.

we have here. Already there is a tangible increase in the consumption of local products – the clothes people wear and the music they listen to. This will increase as retailers expand their local manufacturee base as part of their social responsibility programmes and as they see that locals want to buy South African.

The advantage of local markets is that local producers are more likely to understand them. They are more forgiving. They understand and can see the quality parameters, packaging expectations and price positions. And the lead-in times are much shorter, allowing producers to respond to changing needs and opportunities.

But even in SA the local market needs to be differentiated into low value and high value markets. Local crafters cannot compete with the former – at scale – as the majority of consumers are poor and buy a limited range of products, most of which are mass produced in the core economy (or imported) at a fraction of the price. Thus when we talk of exploiting the local market – we are generally referring to the local, high value, urban-based consumer market.

Thus for many producers – many of whom live in rural areas – even the local market can be foreign. *"High value markets… are generally external markets, both geographically and culturally. For example, rural producers may be physically close to the belt of private game lodges running alongside the Kruger National Park, but they are worlds apart. Nor do they have access or exposure to shifting nuances of designer trends in the urban niche markets that hold out the hope of higher returns. Rural producers often do not understand the quality requirements, design aesthetic or the business expectation of external niche markets. To enter these markets, producers are generally dependent on external facilitation, which can be disempowering and create dependency and vulnerability to exploitation."*[23]

3.7 Exploitation in the sector

There is little doubt that producers have been and continue to be exploited and this reality needs to be addressed. However the knee-jerk response of scapegoating the 'middleman' and trying to cut him/her out of the process is not productive or even realistic. The 'middleman' or intermediary is actually a critical cog in many industries. "*Without the much-maligned 'middleman' rural craft simply doesn't stand a chance of making it into wider or urban markets. The intermediary role is key, and it's costly… this role has high costs and if we expect it to be done out of solidarity alone we will never grow the potential of this sector.*[24]

Most producers do not know how to accurately cost their products, let alone understand the retail value chain and the difference between wholesale and retail prices. *"Analysis of pricing products produced by basket weavers in Northern KwaZulu Natal showed that when all … was costed in, the prices they were charging meant they were subsidising the consumer by about 25%. They were often persuaded to further reduce the price through bargaining processes. In fact, they were depleting their own resources with each basket they made or sold.*[25]

Many do not know what resources are required to get their products into a shop – and that still there is no guarantee that someone will buy them. *"The fairly consistent rate of business failure in the niche retail sector is an indicator that business survival is not only tough for producers but for retailers as well."*[26]

[23] Kate Philip, MDA, Bridging the Gap papers
[24] Tessa Graaff, Montebello, Bridging the Gap papers
[25] Keven Mansfield, Bridging the Gap papers
[26] Kate Phillip, MDA, Bridging the Gap papers

The perception of exploitation has also been skewed by a history of "*market facilitation … that has taken place in a charitable context, where the costs are masked, and where non-profit and non-business context has compounded existing problems of poor pricing, erratic commitment, dependency and a lack of sustainability*".[27]

Knowledge is power…

The underlying issue is actually one of knowledge, and: *"The more knowledge the producers have about what is a fair mark up, the less likely they are to be exploited*"[28]. "*… there are buyers who use the imbalance of power and lack of pricing skills amongst producers to buy at very low prices; but we are only going to stop that by empowering rural producers with the knowledge and confidence to place a value on their products, and by getting more organised as a sector.* [29]

This issue needs intervention at two of levels. Firstly there needs to be some form of regulation of trade activity, preferably through some form of self-regulation through an industry charter; or an accreditation system based on fair trade, which lays out best practice and possibly – without being too prescriptive or affecting the 'free market' – acceptable ranges of margins. Secondly, and as a priority, crafters need training in costing and pricing – if they are satisfied that they are recouping their costs, generating an acceptable income and making their own profit – it should not matter what the other players in the retail value chain are getting; and they also need education on the retail value chain and the vale (and associated costs) added on the way to the market.

"NGO structures must get over the 'exploitation' word. In the real word South African producers are competing against the Far East and India in the handmade craft industry… Producers should be taught about competitive markets and how to tackle them, rather than fearing that every purchaser is there to exploit them…. Retailers can only sell a tablemat for a certain maximum price. If they can't cover all their costs out of this prices, they will just have to look for another producer or another supplier."[30] Conversely if producers cannot make a product at wholesale prices that covers their costs and is acceptable to retailers then they shouldn't be making the product… or accept that it will be a direct-sale item.

3.8 Working with the whole value chain

The emphasis on the creative industries to establish sustainable small businesses has placed unrealistic expectations on crafters (and artists in general) to be both creator and businessperson.

Crafters are under pressure to perform in all aspects of the business from design, to product development to production management to cash flow management, marketing, sales and distribution etc. Such expectations are not placed on individuals in other sectors. And while it is important that the sector professionalise itself and that artists need to be less reliant on state funding – the reality is that many artists are not business people, have little aptitude for business and don't want to become managers of small businesses.

[27] Kate Phillip, MDA, Bridging the Gap papers
[28] Patrick Schofield, Streetwires, Bridging the Gap papers
[29] Tessa Graaff, Montebello, Bridging the Gap papers
[30] Adrienne Sparks, Bright House, Bridging the Gap papers

Increasingly the reality is hitting home that one rarely finds the skills or competencies required for these functions in one person – and crafters need to either buy those skills into their business (and therefore price their products accordingly) or enter in partnerships with people who will provide some of these services for them, e.g. agents/exporters.

As crafters need to understand that they are one cog in a bigger value chain – so do institutions and agencies providing support to the sector. Coordinating support activities in the sector has been a major challenge. As there has been "*no single authority taking responsibility for developing the craft sector and coordinating the activities and that is seen as the reference point for individuals and organisations wanting to assist or play a role in developing crafters and craft groups*."[31]

As the sector expands it is going to become increasingly important that the various parties have clearly defined roles and responsibilities so there is no duplication of effort, but more importantly so that there is a sharing of work load and development of core areas of expertise and excellence. Ultimately the role of government and other support agencies is to facilitate the creation of an enabling environment so that the private sector components of the value chain can do business effectively and efficiently.

[31] South African Craft Development Strategy, p17

4. Prognosis for the future

In spite of the numerous challenges facing the sector, there are a number of strengths and opportunities

- Strong local demand for craft products, both from local tourists and visitors to SA
- Strong on design and innovation
- Relatively weak Rand making exported craft product internationally price competitive
- A strong and diverse cultural heritage that influences and supports indigenous craft products
- Growth in provincial and community based initiatives to support the craft sector
- There are few barriers to entry to the industry, thus providing greater opportunity to a larger number of people. Likewise there are low barriers to exit.

So where to from here? In the next 5-10 years, and starting in 2004, the following needs to happen:

4.1 Getting the house in order…

The time has never been riper for the implementation of a coherent national craft development strategy. There is a 'critical mass' of knowledge, shared experience and consensus on the way forward. While there is agreement on what needs to be done, government departments need to align and coordinate their efforts[32]. Chiefly, national government needs to ensure the appropriate funding and other support mechanisms are put in place to ensure the establishment of appropriate institutions to implement programmes. This needs to be in place by the end of 2004.

4.2 Industry Council

The sector needs to get organised. It cannot continue to rely on government. There is a critical mass of stable SMEs; a growing band of traders and agents and the demographics are becoming more representative. The Industry Council proposed by DTI needs to get off the ground – but it needs to be primarily populated by organisations representing the interests of the sector itself.

4.3 Finance and incentives

Innovative – and market-related – financial products need to be developed for the sector, preferably in partnership with the retail-banking sector. Such products need to meet the needs of the range of enterprises operating in the sector – from start-up loans for emerging entrepreneurs to venture capital for established businesses. And they need to be structured so they ensure growth and not dependence. In addition DTI needs to pay serious attention to developing customised incentive packages for enterprises operating across the breadth of the value chain.

4.4 Fair Trade

Building on the foundation laid by Proudly South African and Fair Trade in Tourism, there is potential for the development of a fair trade label in the sector. The vast majority of enterprises already operate within this paradigm so it should be an idea that will take root very easily. Government needs to catalyse the formation of such a label and an accreditation system to back it up.

4.5 Brand SA

[32] Three Year Marketing Action Plan, 5 February 2004

Tying in with a fair trade label is the development of a Handmade in SA brand that would be marketed through local emporia and franchised shops in the rest of the world. The brand would become the promotional tool of the sector at exhibitions and national pavillions. Building a brand, as opposed to a single product offering, would provide for flexibility in different markets.

4.6 Information management

Statistical information on the sector is out-dated and it is urgent that baseline information is gathered on the nature of the sector. Basic information such as number of enterprises; people employed; and average income is needed to accurately assess the size of the sector and its contribution to GDP – but it is also needed to evaluate impact of development and support programmes. Similarly accurate market information – the value of local and national retail markets; export figures and major trading partners; and analysis of products and their price positioning – is also valuable information that is needed to inform product development, marketing strategies and measure impact.

4.7 Innovate, innovate, and innovate

Time and money needs to be allocated to research, development and innovation. We need to be finding new materials, new technologies and new products – and this needs to be supported by market research and access to current market intelligence so that the sector can take its place in the world economy as a trend setter.

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