

Handicrafts

TEN STRATEGIES FOR SUCCESS WITHIN THE CARICOM SINGLE MARKET & ECONOMY (CSME)

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Handicrafts: TEN Strategies for Success Within CSME

1. Find Yourself within the Global Marketplace

Handicraft is defined by Deichmann as “An individual product of usefulness and beauty, created by hand on a small scale, preferably by the same person from start to finish, employing primarily the raw materials of [his] own country and when possible of [his] own locality.”¹ The individual artisanship of the items is a paramount criterion; such items often have cultural and/or religious significance. Items made by mass production or machines are not handicrafts. Generally, handmade craft products may be classified in several ways, including:

- as types of product, such as “vases” or “lamps”;
- by raw materials such as “products of ceramics and glass” or “wooden products”
- by market segments such as “gifts and accessories” or “home accessories”

For market investigation purposes, crafts are commonly considered as part of a larger home/ decorative accessories market, which includes handcrafted, semi-crafted and machine-made goods. The home accessories market, which is widely used to indicate the potential demand for crafts, is strongly influenced by fashion, purchasing patterns and economic conditions in destination consumer markets.

Market Size

The global market for home accessories is estimated to be at least US\$150 billion, with the United States being the largest market, followed by the European Union (EU). In November 2005, the EU market for gifts and decorative articles was estimated at 10.8 billion Euros having increased by 4.3 percent from 2004. Germany was the largest market, representing 23.4 percent of the total EU market, followed by the United Kingdom (16.4%), France (14.2%), Italy (12.1%), Spain (7.3%), the Netherlands (4.3%) and Austria (3.5%). In the past ten years, the international market for gifts and decorative accessories has become increasingly competitive, mainly due to the pressure of competition from low-cost imports from Asia and Eastern Europe. Developing countries are increasingly important as suppliers to the European market, accounting for 45.7 percent of imports in 2004, up from 43.8 percent in 2000.

A study by the Export Import Bank titled, *Prospects for Exports of Handicrafts from North Eastern Region (NER) of India*, indicates that household glassware (\$4.2 billion), ceramic household articles (\$3.6 billion) and tufted carpets (\$3.4 billion) are among the major trade items in the global market for handicrafts exports. India is one of the leading developing country exporters of handicrafts, others being mainly developed country players from Europe. Export of handicrafts including hand knotted carpets from India amounted to over \$3.5 billion in 2004-05.²

¹ Deichmann, Erica and Kjeld, Special Study, Canadian Handicrafts, with Particular Reference to New Brunswick, page 11.

² [North-east a potential handicrafts export major: EXIM](#)

Trends & Drivers

According to the Global Market Assessment for Handicrafts, published in July 2006 by the United States Agency for International Development (USAID), major growth segments of the international gift and accessory markets include:

- Cultural goods, spurred by growth in international tourism, increased focus on interior decoration and consumer reaction to the monotony of mass-produced products;
- “Global Style” products that combine ethnic elements with contemporary designs;
- High-end home accessories, particularly in Canada, Europe and the United States, as well as the rapidly expanding, emerging markets of China and India;
- Low-end (low-priced) and high-end (high-quality) markets;
- Products which are simultaneously decorative and functional, particularly in the category of home accessories and décor and products for the garden or outdoor living spaces

2. Position Yourself within the CSME

Market segments within the Caribbean handicraft industry tend to vary with individual products. In their 1996 book, *Handmade Money*, Morris and Turok identified four basic artisan markets³:

- Functional wares: items made in a workshop or small factory that mass-produces handmade goods such as pottery, tiles, or furniture for national or export markets;
- Traditional art: ethnic crafts marketed locally by creating interest in the culture and by maintaining high quality;
- Designer goods: sometimes based on local crafts but always redesigned by foreigners to suit fashion trends in the export market; and
- Souvenirs: inexpensive, universal trinkets or simplified traditional crafts made for local retail or sold through international development agencies as tokens of good will.

Market experts interviewed agree that these are still the main market segments for handicraft products. Mass-produced functional goods fall mostly into the low-end market and are sold primarily through the big-box stores. Traditional art is usually higher in quality and sold in mid- to high-end markets, primarily in small chains and independent retail stores. Designer goods are typically sold in the high-end market segment by interior designers and high-end furniture and specialty stores. Souvenirs are mostly found in low-end markets at souvenir and gift shops in resort and vacation areas, and at some specialty stores and big-box chains.

The Caribbean Export Development Agency (Caribbean Export) in close cooperation with national trade promotion organizations in the Caribbean Region organizes the Caribbean Gift and Craft Show (CGCS). The main objective of the event is to provide companies in the handicraft sector with an opportunity and an effective platform to meet with regional and international buyers to conduct business transactions. To further aid members of the handicraft community, Caribbean Export has held a series of preparatory seminars and workshops in order to provide participating companies with additional

³ Global Market Assessment for Handicrafts, USAID 2006.

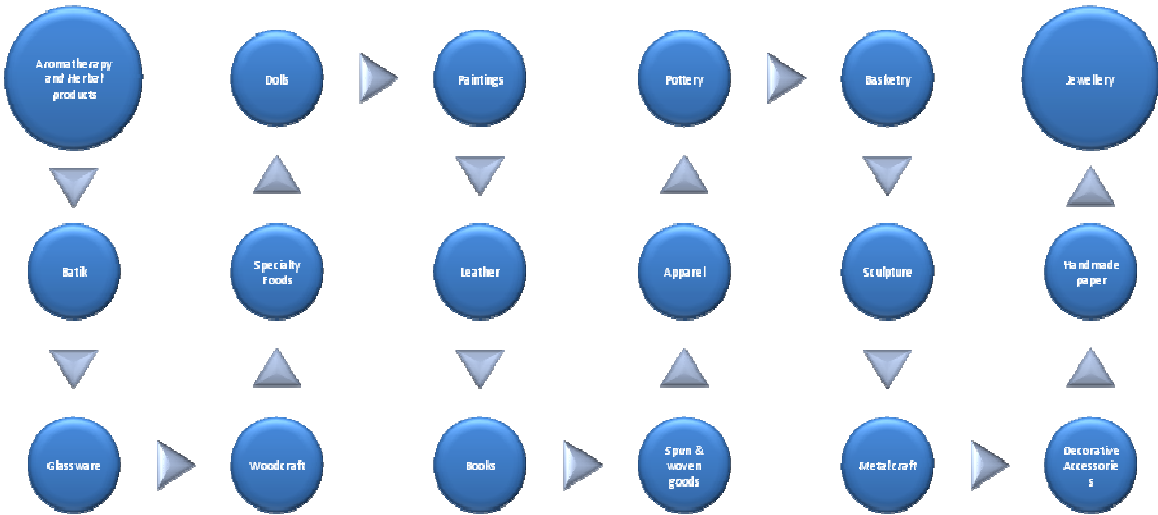
information on recent market trends in the USA and European market for handicraft items. Past seminars have addressed such issues as 'Craft, Design and the Global Marketplace', 'How to participate in trade fairs', 'Product Costing & Pricing', 'Developing Promotional Materials' and 'Market Research'.

Some of the biggest challenges that the Caribbean handicraft sector currently faces include:

- Lack of adequate financing
- Lack of design, innovation and product development
- Lack of knowledge of markets, trends and customer requirements
- Limited access to management training
- Inadequate sourcing of raw materials
- Lack of structured market research and knowledge of information sources

Market Size

The Caribbean intra-regional market for gifts, craft and fashion has not been quantified. However, given the dominance of the tourism industry in the economic activity of most islands, it is known to be significant. Some trade is conducted in the informal sector. The majority of companies that are currently exporting are mainly exporting to other Caribbean islands (with focus on the tourism segment). Some companies are also exporting to Europe and the US market. The Caribbean intra-regional market for gifts, craft and fashion reflects a variety of different products including the following:



Trends & Drivers

Recent research into the international and regional markets indicates that there is one common interest on the part of buyers: to find something NEW!

The market for gifts and decorative accessories is becoming increasingly fashion-oriented. As a result, producers need to be aware that products have a life cycle, which is becoming shorter. Product lines must be constantly revamped or new products introduced which feature new materials, colours, sizes or textures, or appeal to an entirely new market (for example children’s products).

Possibilities in local and regional markets should be thoroughly investigated, since they can serve as a springboard to export opportunities in wider markets. In the Caribbean, growth in tourism and expansion of the economies boosted by greater integration within the CARICOM Single Market and Economy can be expected to fuel increased demand for:

- cultural products
- decorative accessories for hotels and restaurants
- designer goods
- Duty-free items
- indigenous art
- souvenirs

3. Identify Your Handicraft Products

Knowing Your Handicraft SITC Codes

Artisanal products from the Caribbean are part of a significant global and regional market. Standard International Trade Classification (SITC) is a classification of goods used to classify the exports and imports of a country to enable comparing different countries and years. The classification system is maintained by the United Nations. Under the CSME, intra-regional trade of goods is classified under the SITC Codes. Table 1 provides a sampling of SITC Codes related to the Handicraft sector, as well as the requirements for most CSME member states.⁴

Table 1: Handicraft SITC Codes

SECTOR/SUB-SECTOR	SITC	REQUIREMENTS
Leather, leather manufactures, n.e.s., and dressed furskins	61	
Cork and wood manufactures (excluding furniture)	63	
Non-metallic mineral manufactures, n.e.s.	66	
Manufactures of metals, n.e.s.	69	
Miscellaneous manufactured articles, n.e.s.	89	

⁴ [Standard International Trade Classification \(SITC\) Codes](#)

4. Identify Your Target Market

The true value of identifying your company's target market is that it must clearly identify the current and prospective buyers of your company's products and/or services. Your goal in identifying the target market is to demonstrate that you clearly understand who your customers are and how your products and/or services directly meet the needs of the market place. Properly identifying your potential customer base also helps to drive your company's overall marketing and sales strategies. Business owners often under-estimate the importance of identifying their target market because their product or service may meet the needs of a large constituency of potential customers. However, the purpose of identifying the target market is to define your customer base as specifically as possible.

Each market segment has particular distribution channels, pricing structures and requirements, which may also vary between individual countries. Specifications for packaging, labelling and packing; penalties for mistakes, non-delivery or sub-standard quality and payment terms vary widely in different market situations. Artisans need to be aware of which segment(s) they are targeting, how and why consumers in each segment purchase and how to build individuality and value into their products for their customers, which may be other businesses as well as individuals.

In terms of consumer preferences, handcrafted products have come to occupy an important part of lifestyle products in international markets with consumers looking for items of personalised home décor. While price is an important decisive factor, aesthetic appeal, finishing, quality and presentation, and timely delivery are also other major decisive criteria, which may be kept in mind while marketing handicraft products.

5. Prepare to Overcome Potential Barriers

Access to Finance

There are 83 banks in the Region, including two international banks, 14 Ministries of Finance, eight Securities Commissions and three Stock Exchanges, yet the focus of all financial institutions is cooperation and partnerships instead of competition. Access to financing on appropriate terms is a major issue for small-and micro-enterprises, and more particularly for persons involved in innovative and creative activities and in provision of services such as consulting. Two solutions being evaluated throughout the region include the urgent need of equity funds and the provision of venture capital.

CARICOM Heads of Government have agreed to establish a CARICOM Development Fund (CDF) to provide financial or technical assistance to disadvantaged countries, regions and sectors as called for by Chapter 7 of the Revised Treaty of Chaguaramas. The fund was launched with an initial sum of US \$60 million towards its target of US\$250 million, an event of signal importance towards achieving the objectives of equitable distribution of the benefits of the CSME. It will provide both loans and grants to

eligible recipients, and possibly interest subsidies on loans from other institutions. Eligibility criteria for CDF assistance are set out in the Revised Treaty of Chaguaramas.⁵

Duties & Charges

The fees charged for work permits and related processes within the CSME seem to be dependent on the need for protecting sensitive sectors and in other cases a source of income. The work permit fee varies from non-existent to levies on the basis of profession or duration. The fees do not seem to be the cost of recovering the administration of the process, but a technical barrier to the ease of entry. Table 3 lists the duties & charges within the handicraft industry for CSME member states.

Regulations

Temporary entry is regulated in all CARICOM countries under regimes for immigration and labour rather than the facilitation of services trade. Intra-CARICOM movement is covered mainly through the provisions of the [ENTRY PROCEDURES FOR CARICOM NATIONALS EXERCISING THE RIGHT OF ESTABLISHMENT](#). The following represents regulations associated with the top traded processed foods within CSME.

Quality Standards

Development of a Regional Quality Infrastructure (RQI) will be a key element of the CSME. The hub of the RQI is already in place in the form of the Caribbean Regional Organisation for Standards and Quality – [CROSQ](#) – established in 2002. According to CROSQ, the driving force behind industry standards is industry stakeholders. Members of the handicrafts industry should contact their local Bureau of Standards to identify standards.

6. Know What Your Competitors Are Doing

Regional Perspective

Caribbean Export Development Agency (Caribbean Export), an inter-governmental CARIFORUM institution, has made a significant contribution to the export initiatives of these SMEs and the development of markets for their products through the organisation of the [CARIBBEAN GIFT AND CRAFT SHOW](#) (CGCS) annually. Currently in its fifteenth year of existence, CGCS is primarily targeted towards trade buyers in the regional and international markets and typically attracts over 200 exhibitors from across the English, French, Dutch and Spanish speaking Caribbean. In order to maintain its reputation as the region's premier showcase of authentically Caribbean gift, craft, fashion, art and decorative accessories, the show has increased emphasis on innovation, stimulating markets for new product development as well as awareness of market trends in recent years.

⁵ Girvan, Norman, "Towards A Single Development Vision and the Role of the Single Economy", University of the West Indies, 2007, p. 54.

Global Perspective

The home accessory market, often used to estimate the demand for handcrafted goods, is strongly influenced by fashion, consumer purchasing patterns, and economic conditions in end markets. Keeping up with frequently changing market trends presents a major challenge for handicraft exporters, and many observers fear that the advance of globalization has intensified this challenge and the precarious nature of work and existence in artisan communities everywhere. However, globalization combined with growing markets for home accessories—especially in the United States, Canada, and Europe—also creates many new opportunities. In particular, the demand for “cultural goods” is projected to grow with rising international tourism and an increasing focus on interior decoration, and as a reaction (notably in upscale markets) to the homogenization of mass-produced products. Naturally, new opportunities bring new challenges: handicraft producers must be more responsive in adapting designs to buyer requirements, provide timely production and delivery, and improve quality and efficiency in view of increased price competition and consumer expectations.

China holds a dominant position as an exporter in the global home accessory market, and most industry experts agree that this trend is not likely to change in the near future. In April 2005, China produced an estimated 70 percent of all home accessory products sold in the United States. Because of China’s enormous production capacity and low labor costs, producers from other countries can rarely compete on price and volume. State-of-the-art equipment and rising productivity allow Chinese producers to deliver large product quantities quickly, on time, and at low prices.

Key factors leading to the success of the handicraft sector in China are cited by buyers as useful lessons for artisans all over the world. These include a strong work ethic, good communication with minimal language problems, consistent efforts to improve quality and service, and a willingness to work with foreign design teams and follow instructions to make product adjustments—a concession handicraft producers in other countries are sometimes unwilling or unable to make.⁶

7. Differentiate Yourself from the Competition

The establishment of the CSME provides, as one of its main objectives, the free movement of goods, services and people and will inevitably foster economic growth. Yet, each business owner must take a strategic approach to differentiating themselves from their competition.

Exemplify Service Excellence

Making service excellence the principle business strategy is a sensible approach to running your business considering the fact that it costs 13 times more to find a new customer than to retain an existing client. The problem most business owners have is in defining service excellence. Strong’s Supreme Service, a management consulting firm based in Barbados promotes the following definition:

“Each encounter must be so satisfying that the customer looks forward to repeating the experience and is inspired to recommend it to others.”

⁶ Global Market Assessment for Handicrafts, USAID 2006.

Utilise service excellence to differentiate your company from the competition.

8. Align Your Company's Goals with Strategic Opportunities

Economic Partnership Agreement (EPA)

The EPA, as a trade agreement with development components, is designed to open up and enhance trade between Europe and CARIFORUM by removing the barriers to trade between them and by improving CARIFORUM's capacity to trade competitively. Industries in which SMEs have a strong potential include agro-industry, tourism and hotel services, furniture, food services, printing and packaging, and a wide range of services including accounting, engineering consultancy, information services and information technology.⁷ Human resource development in the Caribbean is another focus of the provisions in tourism which provides for assistance and training to service suppliers and support for training institutions.

Caribbean Single Market and Economy (CSME)

The CSME is comprised of 13 member states⁸. Members of the Handicraft community can reap immediate benefits from the progression towards a single market and economy. Three elements in particular, national treatment, market access and the CARICOM skills certificate enable business owners to construct realistic strategies for regional expansion.

National Treatment

The right to full national treatment means that you are to be treated equal or better than a national of the receiving member state, in terms of administrative requirements, e.g. fees and licensing procedures.

Market Access

The right to full market access means that you are allowed to operate in all sectors of the business activity in the receiving member state.

CARICOM Skills Certificate

Under the free movement clause of the CARICOM Single Market and Economy (CSME), skilled persons are entitled to move and work freely in the throughout the region. These include university graduates, media practitioners, artistes, musicians, sportspersons, managers, technical and supervisory staff attached to a company or a self-employed person. But while university graduates only need to show their degrees to be granted a CARICOM Recognition of Skills Qualification, other professionals such as sportsmen, musicians and artistes,⁹ are required to present other documents.

Skilled CARICOM nationals who wish to exercise their right under the Free Movement clause under the CSME must obtain a CARICOM Skills Certificates from the Ministry in their home country. In Grenada, for example, the Ministry of Foreign Affairs is responsible for issuing Skills Certificates, which costs EC\$250.00.

⁷ Girvan, Norman, "Towards A Single Development Vision and the Role of the Single Economy", University of the West Indies, 2007, p. 44.

⁸ [CSME Member States](#)

⁹ [CARICOM SKILLS CERTIFICATE](#)

Industry Incentives

In order to take advantage of existing and future industry incentives, practitioners within the handicrafts industry must comply with national laws. Under the Laws of Barbados – Small Business Development Act, the Minister may grant to an approved small business one or more of the incentives specified under the provisions of the Act, if he is satisfied that the business will be of significant or substantial socio-economic benefit to Barbados.¹⁰

The CARICOM Investment Code (CIC) harmonises national incentives to investment in the industrial, agricultural and services sectors, with priority given to sustainable export industrial and service activities.¹¹

9. Pursue Opportunities to Partner

Joint Ventures

The creation of a Regional Joint Bidding Mechanism (RJBM) is a proposal suggested by concerned CARICOM Contractors, Suppliers and Consultants as solutions to the disadvantage, which they suffer in their attempts to compete against non-Regional firms. The primary contributor to the region's inability to compete with non-regional firms is the relatively small size of CARICOM firms.

The challenges facing regional firms, however, have been further exacerbated by recent international developments, such as the impending global integration of markets for goods and services and the reduction of trade preferences. The end of preferential trading arrangements within the ACP Group of Countries, the implementation of commitments made to the WTO, the formation of the CSME, and pending EPA legislation have opened the door to increased competition within CARICOM. Regional firms must actively seek opportunities such as joint ventures with non-regional firms in an effort to prepare themselves for the onslaught of non-regional competition.¹²

Clusters

A well-developed concentration of related business spurs three important activities: (1) increased productivity – through specialized inputs, access to information, synergies, and access to public goods; (2) more rapid innovation – through cooperative research and competitive striving; and (3) new business formation – filling in niches and expanding the boundaries of the cluster map.¹³ The clustering concept, popularized by Harvard University professor, Dr. Michael Porter, has been quite effectively utilised as a component of the Private Sector Development Programme (PSDP) in Jamaica. The Honourable Karl Samuda, Minister of Industry, Investment and Commerce stated that “Working together in clusters provides an opportunity for Jamaican companies in the Micro, Small & Medium-sized Enterprise (MSME) sector to build on complementary objectives that will promote competitiveness, productivity and efficiency of the wider group.” He was speaking at an event to announce the ten industry clusters that

¹⁰ [Barbados – Small Business Development Act](#)

¹¹ Girvan, Norman, “Towards A Single Development Vision and the Role of the Single Economy”, University of the West Indies, 2007, p. 31.

¹² Taylor, Garth, “Proposals For A Regional Joint Bidding Mechanism And Joint Bonding Facility”, CRNM, 2003.

¹³ [Benefits of Clustering](#)

qualified for grant assistance under the PSDP, a joint initiative of the Government of Jamaica and the European Union.¹⁴ Of the ten clusters selected for grant assistance, (1) Authentic Jamaican Gifts and Crafts and (2) Jamaican Fashion and Apparel Cluster are directly related to the handicraft sector.

Right of Establishment

The CSME, in the wider context of globalisation, will create new opportunities for SMEs to grow through the building of regional production networks based on productivity and cultural adaptation, niche marketing and electronic commerce.¹⁵ Under the [SINGLE MARKET](#) component of the CSME, CARICOM Nationals have the right to establish companies or other legal entities such as partnerships. One organisation is already planning to source and supply technical assistance to SMEs in the Southern and Eastern Caribbean, in collaboration with agencies such as IICA and CARIRI.¹⁶

10. Employ a Promotion Strategy

Artisanal products are important because they uniquely reflect cultural heritage, traditional skills and craftsmanship. They also preserve livelihoods, income and employment for vulnerable individuals and groups, wherever they are located globally. Most Caribbean artisanal enterprises are small and medium sized enterprises (SMEs), owner-managed, with limited resources; in particular money and time. For many years, they have been exporting in relatively small volumes both formally and informally, directly and indirectly, regionally and internationally, in the face of increasing odds.

The role of promotional organisations, as alternative marketing channels, with an idealistic attitude towards craftsmen and their products that deploy commercial bridges between the craftsmen, producers’ associations and the foreign consumers, cannot be over-emphasised. Interface between such organisations and the craftsmen in the region needs to be further encouraged.

Caribbean Export publishes the Authentic Caribbean Craft, an online catalogue, which includes eight (8) countries and 50 companies.

For a list of the lead agencies involved in the promotion of the Handicrafts sector, see Table 4.

Table 4: Lead Agencies in the Handicrafts Sector

Regional	CARIBBEAN EXPORT	Antigua & Barbuda	IDB
Barbados	BIDC	Belize	BELTRAIDE
Dominica	DEXIA	Grenada	MINISTRY OF FINANCE
Guyana	GO INVEST	Jamaica	JEA

¹⁴ [Private Sector Development Programme - Jamaica](#)

¹⁵ Girvan, Norman, “Towards A Single Development Vision and the Role of the Single Economy”, University of the West Indies, 2007, p. 44.

¹⁶ Girvan, Norman, “Towards A Single Development Vision and the Role of the Single Economy”, University of the West Indies, 2007, p. 45.

Montserrat	MIN. OF AGRICULTURE	St. Kitts & Nevis	SKIPA & NIPA
St. Lucia	MIN. COMMERCE & INV.	St. Vincent	FOREIGN AFFAIRS
Suriname	MIN. TRADE & INDUSTRY	Trinidad & Tobago	HOUSE OF ASSEMBLY

ANNEX

Handicraft Reference Guide

[CARIBARTS](#) is the home of Caribbean arts and culture.

[CARIBBEAN HOTEL ASSOCIATION](#) (CHA) The Caribbean Hotel Association celebrated in 2007 its 45th anniversary as the body that brings together the members of the Caribbean hospitality industry to address a broad range of issues that are common to them. Over four decades, CHA has metamorphosed from a straight trade association to a developmental agency for the region's tourism private sector.

Business Support Organisations

[CARIBBEAN EXPORT DEVELOPMENT AGENCY](#) is a regional trade and investment development

and promotion organisation of the fifteen (15) CARIFORUM Member States

[CARIBBEAN BUSINESS SUPPORT NETWORK](#) (CARIBISNET) the mechanism for ongoing collaboration and information sharing among business support organisations.

[THE BUSINESS DEVELOPMENT COMPANY LIMITED](#) is recognised in the Caribbean as the leader in promoting business development.

[CARIBBEAN BUSINESS SERVICES LIMITED](#) (CBSL) arranges managerial and technical assistance for small and medium sized businesses.