INCLUSIVE TOURISM

LINKING THE HANDICRAFT SECTOR TO TOURISM MARKETS
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Abstract for trade information services

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Inclusive Tourism: Linking the Handicraft Sector to Tourism Markets.
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Training module providing facilitators with the know-how to develop sustainable business linkages between handicraft producers and tourism markets – presents a detailed analysis of the tourism-related handicraft value chain; explains how to further develop a tourism-related handicraft value chain through: vertical business linkages; producer groups and associations (horizontal business linkages); increasing producer competitiveness on product design, quality, timeliness and quantity; training producers on costing and pricing; improving sales promotion; and supporting government initiatives; includes case studies, and a bibliography.

Descriptors: Tourism and Travel Services, Poverty Reduction, Artisanal products, Value Chain, Case Studies.

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English

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About the International Trade Centre and its Inclusive Tourism Programme

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations. ITC’s mission is to enable small business export success in developing and transition-economy countries, by providing, with partners, sustainable and inclusive development solutions to the private sector, trade support institutions and policymakers.

The Inclusive Tourism Programme was established to foster the tourism industry’s potential to contribute to development and poverty reduction. It aims to reduce the negative impact of tourism and instead enhance linkages between local vulnerable men and women living in and adjacent to tourism destinations and the tourism sector. The programme promotes interventions that create inclusive tourism business models, promoting stakeholder partnerships and the inclusion of local producers and service providers into tourism supply chains. It enables local producers and service providers to supply the required goods and services and provides buyers with the skills to develop sustainable partnerships with local producers. The programme assesses potential local supply capacity and facilitates access to markets, thus reducing the amount of products and services imported from external suppliers.

The Programme emerged from the Export-led Poverty Reduction Programme (EPRP) that was initiated in 2002 and has been implemented in 27 countries in three main sectors: agriculture, crafts, and tourism. EPRP assisted vulnerable producer communities in developing countries in gaining access to international and tourist markets so as to increase pro-poor income, create jobs and contribute to improving livelihoods.

The potential value chains are numerous and relate to all the products and services that an international tourist may require while enjoying holidays. By matching labour-intensive products and services in demand with the capacities of poor communities, the Programme creates new job and income opportunities, develops a basis for the accumulation of capital and technology and provides the foundations for fostering other dimensions of economic and social development in the beneficiary communities.

Adopting a local approach to economic development, it works directly with the poor to integrate them into the tourism value chains. In this context it has a focus on ‘mainstreaming’, that is, to link poor communities to major tourism destinations in contrast to community-based tourism (CBT) that tend to deal with isolated rural communities which have little or no prior tourism development. Economies of scale indicate that such ‘mainstreaming’ has a greater capacity to reduce poverty than the pro poor tourism approach of much rural CBT development.

The Inclusive Tourism Opportunity Study Guidelines are used to guide counterparts and consultants to reveal suitable inclusive tourism project opportunities, using a value chain approach to identify linkages with tourism stakeholders and to integrate key sectors such as agriculture, crafts, artistic performance and services into the tourism value chain.

The Inclusive Tourism Training Modules are used in a train-the-trainer scheme at the implementation stage of projects to capacitate project stakeholders in the areas of agriculture, hospitality services and creative industries product development and linkages to the tourism industry as well as managing environmental impact.

This Core Training Module provides an introduction to the tourism sector, and how it can contribute to poverty reduction. It provides an overview of the potential involvement of local people and ways to expand the tourism supply chains, while recognising socially and environmentally sustainable practices.
This Module on Handicraft Products indicates ways for handicraft producers in developing countries on how to become better integrated in the tourism value chain in order to increase their income, and to provide facilitators with the know-how to develop sustainable business linkages between handicraft producers and tourism markets.

The Opportunity Study, which will be undertaken in potential project areas, will determine where the training modules should be implemented, which of the modules (if not all) should be implemented, and to whom the training should be offered.

The Opportunity Study Guidelines and the training modules help facilitators in different project phases:

**Project design**

- **Opportunity study guidelines**
  
  Facilitated by:
  - National and international ITC consultants
  - Government and/or project partner

**Project implementation**

- **Training modules**
  
  Facilitated by:
  - ITC project coordinator
  - Project partner(s)
  - National and international ITC consultants
  - Resource persons

**Project expansion/replication**

  Facilitated by:
  - Government
  - Project partner(s)
  - Trade promotion organizations

The target audience includes micro, small and medium-sized enterprises (MSME’s), producer groups, association representatives, governmental bodies, community institutions and non-governmental organizations (NGOs) and the tourism industry (tour operators, Hotels, Restaurants) who will find useful information for developing their businesses.

For further information about the Inclusive Tourism Programme, please visit: [http://www.intracen.org/exporters/tourism/](http://www.intracen.org/exporters/tourism/)
Inclusive Tourism Programme Modules

The **Core Training Module** provides an introduction to the tourism sector, and how it can contribute to poverty reduction. It provides an overview of the potential involvement of local people and ways to expand the tourism supply chains, while recognising socially and environmentally sustainable practices.

The **Module on Agriculture** uses international examples to provide a realistic account of what interventions and partnerships are possible between agro products and the tourism industry, including the challenges that both producers and buyers may face. The aim of the module is to provide farmers and fishermen with the tools they need to assess the viability of accessing tourism markets, and buyers with the skills to develop sustainable partnerships with local producers.

The **Module on Environmental Management** is a tool on how to manage tourism developments optimally in terms of the environment, especially in the context of climate change and global warming, with the need for governments, businesses, communities and people to ‘act locally while thinking globally’.

The **Module on Handicraft Products** indicates ways for handicraft producers in developing countries on how to become better integrated in the tourism value chain in order to increase their income, and to provide facilitators with the know-how to develop sustainable business linkages between handicraft producers and tourism markets.

The **Module on Tourist Hospitality Management** is a tool to train employees in the hospitality sector. It describes how the hospitality and catering industry operates optimally while fulfilling guest expectations and needs.

The **Module on Artistic and Cultural Performance** shows ways to develop local artistic and cultural talents as well as trade services in developing countries through the tourism value chain.
Acknowledgements

The International Trade Centre (ITC) wishes to acknowledge with deep gratitude the dedication of all contributors to this guide.

The present guide is the work of Alfons Eiligmann. Special thanks to Fabrice Leclercq and Marie-Claude Frauenrath for their overarching guidance and comments.
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Briefly stating the goals and **objective** of the following segment. Pointing out the knowledge that should be obtained at the end of the session.

Indicating the **heading**; how will the subject be covered and the links between this subject and others.

Providing **key definitions** and **reference** of issues.

Providing the “**recipe**” of concepts or instruments. Listing the different steps to be taken in the implementation of the concept.

Giving **examples** to illustrate statements and showing experiences, or introducing **exercises** for the practical application of subject.

Formulating a **summary** of the principal statements having been covered in a session in an effort to stress the most important facts in a checklist format.
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCC</td>
<td>Cambodian Craft Cooperation</td>
</tr>
<tr>
<td>EPRP</td>
<td>Export-led Poverty Reduction Programme</td>
</tr>
<tr>
<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit</td>
</tr>
<tr>
<td>IDC</td>
<td>International Development Consultants</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>ITC</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td>KSV</td>
<td>Khmer Silk Villages</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, small and medium-sized enterprises</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
</tr>
<tr>
<td>ODI</td>
<td>Overseas Development Institute</td>
</tr>
<tr>
<td>PPI</td>
<td>Pro-poor income</td>
</tr>
<tr>
<td>PPT</td>
<td>Pro-poor tourism</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, weaknesses, opportunities, threats</td>
</tr>
<tr>
<td>TA</td>
<td>Technical assistance</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-added tax</td>
</tr>
<tr>
<td>VC</td>
<td>Value chain</td>
</tr>
<tr>
<td>WTTC</td>
<td>World Tourism and Travel Council</td>
</tr>
</tbody>
</table>
1. **Aim of the handicraft module**

**The aim of the Inclusive Tourism handicraft module is:**

- To show ways how handicraft producers in developing countries can be better integrated in the tourism value chain in order to increase their income, and
- To provide facilitators with the know-how to develop sustainable business linkages between handicraft producers and tourism markets.

Poor people in developing countries often lack resources, skills and employment, which keeps them from reaching a family income above the poverty line. They have limited access to education and mostly rely on subsistence farming in rural areas or poorly-paid occasional jobs in urban centres. Handicraft production, based on traditional skills and with low investment requirements, is one of the few possibilities which poor people have to help them increase their income.

Handicraft production is an important area of job creation in the informal sector. Subsistence farmers gain additional income from household-related handicraft production and for the urban poor, the production of handicrafts is an alternative in an environment where employment opportunities are few. In Viet Nam, craftsmen are reported to generate an income which is on average 60% higher than the average income of the rural population (Ngo Duc Anh, 2005).

In countries attracting a large number of international visitors, the tourism sector offers many opportunities for poor people to sell handicrafts, as tourists spend significant amounts of money on souvenirs and other craft products. Tourism is growing, increasing from a mere 25 million international tourists in 1950 to 925 million in 2008. Forecasts predict that this figure will reach 1.4 billion tourists by 2020. Worldwide, travel and tourism is expected to grow at a level of 4.0% per year over the next ten years, creating an opportunity for every country in the world to be part of this process and to share the benefits (WTTC, 2009).

Key stakeholders involved in tourism and handicrafts can benefit from this training module in several ways:
Government representatives in developing countries should be interested because:

- Tourism is a large and growing service sector, which generates foreign exchange;
- Tourism can be used to benefit poor handicraft producers as the number of international tourists increase;
- Strengthening the handicraft sector ensures that tourists choose to buy more locally produced handicraft items rather than imported products;
- Handicraft production can help diversify the tourism product to include home-stays, cultural experiences and facilitate the promotion of responsible tourism principles;
- Experience gained from pilot projects can be replicated by government organizations for large scale impact.

Development agencies and donors should be interested because:

- Handicraft production is a labour intensive industry that can support a number of part-time and full-time employees, both skilled and unskilled;
- Supporting and mediating partnerships between tourism enterprises and handicraft producers is a valuable role for development partners;
- Employment creation in rural areas reduces migration into cities.

Non-governmental organizations are often interested because:

- NGOs can assist handicraft producers negotiate supply conditions with local shops;
- The handicraft sector is an important source of employment for both the urban and the rural poor, thus encouraging the final goals of job creation and poverty reduction;
- When poor communities obtain tangible benefits from handicraft sales in areas where people’s livelihoods are dependent on natural resources, they may be more likely to support and value protected areas.

The private sector is interested in handicraft linkages because:

- It enables tourism enterprises to source more higher quality products locally, which can in turn increase the attractiveness of their product range;
- Working with local craftsmen is a marketable asset to a souvenir shop that can improve their image. Indeed, many shops increase sales based on social responsibility as a sales argument;
- There will be less criminality as tourists are seen as a source of income for the poor.

Handicraft businesses find it attractive because:

- Existing handicraft producers may not have considered the tourism industry as a potential customer and concentrate on lower value products for the local market only;
- Craftspeople can learn how to diversify their product base and add value to their business;
- Craftspeople can learn new skills to enhance the sustainability of their business.

Community representatives realize that:

- The handicraft sector is a major contributor to employment in their areas and the development of the tourist market has the potential to increase the communities’ revenues;
- Handicraft production provides an opportunity for communities to preserve their natural and cultural heritage and exposes it to international visitors.
2. Poverty reduction through tourism-related handicraft production

Two examples taken from very different tourist destinations, Ethiopia and the Lao People’s Democratic Republic, demonstrate the significance that tourism-related handicraft production may have for poverty reduction.

Tourism-related handicraft sales in Ethiopia are estimated to be as high as US$ 12.7 million per year. 55% of these expenditures, US$ 6.9 million, are considered to be pro-poor income, i.e. income that goes to poor craftsmen, traders or raw material suppliers. Besides the income earned from providing accommodation and selling food and beverages, handicrafts are among the most important tourism sub-sectors with regard to generating pro-poor income.

In 2007, Ethiopia attracted 250,000 foreign tourists, meaning that the average tourist spent about US$ 50 on handicrafts during his stay in Ethiopia, of which US$ 25 were pro-poor income. The IFC reports similar figures for other African countries: For Mozambique, the IFC estimates the average spending per tourist, at a minimum, of US$ 20; for Kenya and Tanzania handicraft purchases per tourist are estimated at US$ 79 per tourist (IFC, 2006).

An assessment of the pro-poor-impact of tourism in the Lao People’s Democratic Republic former capital and main tourist destination Luang Prabang estimates that a total of US$ 4.4 million of curios and craft articles are sold to tourists annually. 40% of this amount, US$ 1.8 million, provides income for semi-skilled and unskilled people, who are considered to belong to the poorer parts of the population.

Out of the four main tourism sub-chains; accommodation, food and drink, handicrafts and excursions, crafts rank second with regard to pro-poor impact.

About 135,000 international tourists visit Luang Prabang annually, mostly young backpackers with limited financial means. Nevertheless, average handicraft purchases per international tourist are estimated to be as high as US$ 33 per person, even under the assumption that young backpackers only spend about one third of what the more affluent up-market tourist spends on handicrafts (Ashley, 2006).

A large part of handicraft producers and sellers, if not the majority, are women and many are from deprived ethnic minorities. An estimated 40% of the pro-poor-income generated from crafts goes to poor raw material suppliers like sericulture farmers raising silkworms or bark collectors.

Many of the local craft producers and vendors in the Lao People’s Democratic Republic are doing well from tourism, reaching an income level above the national poverty line. They are often no longer considered to belong to the poor, which means that the pro-poor tourism (PPT), which we find in Luang Prabang, was successful in raising poor peoples’ income above the poverty line.
3. Challenges facing handicraft linkages with tourism

Although linking pro-poor tourism with local handicraft production provides ample opportunities for poor people, countless examples still show that handicraft markets in developing countries are full of imported products or are disappointing for tourists due to their poor product variety, quality and innovation. Who cannot recall the experience of not being able to find a nice and useful local souvenir when visiting a foreign country?

The IFC concludes in its Mozambique programme on tourism development: “Shopping, handicraft stores, excursions and entertainment for tourists are not well developed – and the further one goes from Maputo. Suppliers face high costs and markets are small. Apart from curio purchase, other forms of tourism (e.g. cultural tourism) that can add value to the tourist experience and expand tourism expenditures to local communities are still largely unexploited in Mozambique. According to tour operators, limited exposure of local indigenous culture such as crafts diminishes the uniqueness and attractiveness of the tourism experience” (IFC, 2006).

Handicraft producers are often faced with many challenges that prevent them from making full use of the opportunities provided by the tourism sector, such as:

<table>
<thead>
<tr>
<th>Main SS&amp;US earners (with approx income per group per year)</th>
<th>Hotel workers ($290,000)</th>
<th>Meat and fish producers ($2,400,000), fresh food producers (up to $883,000)</th>
<th>Weavers ($550,000), Silver and other suppliers ($500,000), Silk suppliers ($265,000), Vendors ($200,000)</th>
<th>Tuk-tuk drivers ($300,000), Boat owners ($110,000), Guides ($150,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income to the 'poor'</td>
<td>Very little, Some poor relatives employed.</td>
<td>Farmers (rice, veg, fruit) producing $883,000 worth of fresh produce (wholesale prices)</td>
<td>Suppliers of silk, wood products, and Hmong silver, selling around $700,000 of raw material p.a.</td>
<td>Villagers – fees, shopping, baci, homestay. Possibly $100,000 p.a. or $200,000.</td>
</tr>
</tbody>
</table>

| Main opportunities for increase | More Lao fresh food supply and specialty food products. | Increases in Lao silk supply, sales in rural areas, & higher value-added, tailor-made products. | Revamped rural product offer to increase tourist spend and time in rural areas. |

Source: Ashley, 2006.
Supply-related challenges:

- Limited and/or only traditional product range due to lack of innovation and new designs;
- Poor product quality due to low skills or missing knowledge about tourist expectations;
- Local producers find it difficult to compete with imported products in terms of price;
- Raw material and other inputs are not available or only available at certain times;
- Producers are not able to invest in machinery/equipment to raise the quality of their products;
- Producers are dispersed and not well-organized leading to less continuous, slow and unsure supply.

Market-related challenges:

- Lack of suitable market outlets which are attractive for tourists;
- Handicraft traders at tourist destinations are not aware of the supply potential in other parts of the country;
- Different levels of middlemen and intermediary traders increase prices;
- Mistrust between traders and craft producers prevents from better cooperation;
- Poorly developed market linkages with retail shops in the main tourist locations;
- Low integration in holiday packages of tour operators and hotel resorts;
- Customers often look for useful gift items, rather than traditional souvenirs.

Strengthening handicraft-tourism linkages is important but is not an “easy-win”. Successful projects require a market approach that incorporates lessons learnt from past experiences and that allows stable business partnerships to be created.
Box 1: EPRP success story Tsagaan Alt Wool Shop, Cooperative Union, Mongolia

To reach two goals at the same time, that was the idea on which the Norwegian Lutheran Mission embarked in Mongolia: To increase the income of Mongolian shepherds by opening up a new market channel for wool and to generate income for unemployed deprived urban poor by producing felt articles (felt shoes, clothes, cushion covers, bags, souvenir articles etc.) based on Mongolian wool.

The main market opportunity was seen in the large number of foreign tourists visiting the capital Ulaanbaatar after the fall of the Soviet Union. In 2008, about 440,000 tourists visited Mongolia. A retail store, the Tsagaan Alt Wool Shop, was opened in the city centre by the Cooperative Union. Producers belonging to the cooperatives were trained and new product collections were developed with support from ITC’s Export-led Poverty Reduction Programme. In 2009, just a few years later, the Tsagaan Alt Wool Shop’s turnover is as high as US$ 15,000 per month on average. 300 members of the producer cooperatives benefit from stable market access.

Key success factors were the innovation on product design and strict quality management. In the beginning, the shop was just selling all kinds of individual felt products, mostly souvenir articles, produced and supplied by the craftsmen as they thought it would be interesting for tourists. But then the producers were trained to supply well-designed collections according to specified colour codes, specifications and Western taste. A superior sales outlet and a focus on useful products (such as shoes) instead of purely decorative gift articles (such as stuffed animals) helped to push sales. In fact, shoes and fashion accessories are Tsagaan Alt’s best-selling articles, whose modern designs and well-balanced mix between old and new are intriguing.

With the local production having been boosted by local sales on the tourist market, the Cooperative Union also started a successful export business with support from ITC. Felt shoes and other products are exported to Germany, Netherlands, Norway, Japan, China, etc.

Other Mongolian companies decided to replicate the Cooperative Union’s success, opened own shops and approached the well-trained craftsmen to supply to them as well. The local raw material supply of fine wool has been reported to become scarce, which already forced the Cooperative Union to invest in own livestock. In any case, the Tsagaan Alt Wool Store has become an attraction in Ulaanbaatar, which many tourists do not miss to visit.

Summary: Tourism and handicrafts

- Handicraft production is one of the key pro-poor income earners in the tourism value chain;
- The average tourist spends US$ 20-80 on handicraft purchases in developing countries;
- For many producers, tourism-related handicraft production can be a step out of poverty and particularly offers chances for women, ethnic minorities and raw material producers;
- There are a number of supply-side and market-side constraints, which need to be overcome for enabling handicraft producers to make full use of the tourist market potential.
SECTION 1  VALUE CHAIN ANALYSIS

The aim of the value chain analysis section is to show:

- How to apply tools for value chain analysis to the tourism-related handicraft value chain;
- How to estimate pro-poor income in the value chain;
- How to assess market opportunities and value chain constraints.

Value chain analysis helps to understand how a particular business is working and how the different actors within a certain value chain are linked to each other. It is an analytical tool which is used for project planning purposes in economic development by donors and all kinds of institutions on national and regional level. It also provides valuable insight in the supply and market structure for individual companies, producer groups and associations.

A value chain is defined by a particular product or set of products. In order to be more precise, it is sometimes narrowed down to a particular target market, for instance, the value chain for fresh pineapple for export. In this training module, we will focus only on handicrafts for the tourist market, namely the tourism-related handicraft value chain, and leave out all other export-oriented wholesale business or handicraft production oriented towards the local consumer market.

Box 2: What is a value chain?

A value chain is an economic system that can be described as:

- A sequence of related business activities (functions) from the provision of specific inputs for a particular product to primary production, transformation and marketing, up to the final sale of the particular product to the consumer;
- The set of enterprises (operators) that perform these functions, i.e. the producers, processors, traders and distributors of a particular product. Enterprises are linked by a series of business transactions in which the product is passed on from primary producers to end consumers.


There are several approaches to value chain development and analysis. For the sake of having an easy-to-use approach, we will limit value chain analysis here to key instruments such as:

- Mapping;
- Economic analysis;
- Opportunities and constraints analysis.
1. **How to map the value chain**

Setting up a value chain (VC) map is a way to get a good overview and better understanding of the main business relationships within the value chain. The value chain map shows the flow of the product from input supply to consumption and how the different actors are linked to each other.

Basically, a VC map consists of:

- The main functions which are necessary to get a product to the market;
- The main actors performing these functions;
- The support institutions working with the value chain.

Tourism is quite different from other value chains, as the mapping tool is not so easy to apply. There is no real product that is handed over from one actor to another (like from a producer to a trader). In fact here, it is the tourist who is handed over from one operator in the value chain to the next one (see the tourism VC map below).

**Table 3: The Tourism value chain in Viet Nam**

![Tourism value chain diagram](image)


The general tourism value chain map above includes many actors (blue boxes) who are related to handicraft sales: night market, shops, souvenir shops, shopping centres, markets, craft villages, museums and airports. Even at the beach, railway and bus stations, water parks or other tourist attractions and in general supermarkets, one is likely to find handicraft articles.

The map shows where the tourist goes, what he does and who works with him. All the tourist’s activities and his service providers are market opportunities for producers or traders to sell handicrafts.

To take a closer look at the handicraft sub-chain in tourism, it is helpful to draw a value chain map which shows how the handicraft is produced and how they are supplied to the tourism market.
The basic steps for developing a value chain map are:

Step 1: Outline the main functions from input supply to consumption
Step 2: Identify the main actors supplying inputs or working with handicrafts
Step 3: Elaborate how the VC actors are linked to each other: who sells what kind of product to whom

The example in table 4 shows generic functions and key actors in a tourism-related handicraft value chain. Functions and actors will be different in each individual case, but the example below demonstrates how the value chain usually unfolds.

### Table 4: Tourism-related handicraft value chain map

![Value Chain Map](image)

In other cases, there may be additional functions such as further product processing, or trading functions may be aligned differently. Further on, in each individual case, other actors will be important, such as a particular kind of retail shops, intermediary traders, input suppliers or processors who are important in a particular country.

A value chain map of any type of project is usually set up at the beginning of a project and should be designed to reflect the reality which is found at that time. If the value chain changes significantly during the project period, the map will be adapted to show how the value chain has changed.
The map becomes more meaningful if a quantification of the market actors is included in a further step. The quantification can be achieved by adding:

- The estimated or known number of the different actors in terms of number of companies; or
- The product quantities sold by the different market actors in terms of number of products or turnover; or
- Quantification of a particular subject, such as for instance, the number of persons employed or gender issues such women employed at the different levels.

One can either develop one overview map of the value chain or a set of maps reflecting on different aspects.

Value chain maps are good tools to visualize the structure of an industry, which will help to get into discussion with project staff and partners.

**Table 5: Quantification**

<table>
<thead>
<tr>
<th>Actor Type</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourists</td>
<td>400,000</td>
</tr>
<tr>
<td>Town/hotel/market/airport shops</td>
<td>30</td>
</tr>
<tr>
<td>Producer/Group outlets</td>
<td>10</td>
</tr>
<tr>
<td>Middlemen</td>
<td>15</td>
</tr>
<tr>
<td>Producer Group’s Association</td>
<td></td>
</tr>
</tbody>
</table>

**Exercise 1: Mapping the tourism-related handicrafts value chain in your country**

Considering the example shown above, how does the tourism-related handicraft value chain look in your country:

- What are the main functions?
- What kind of market actors are there?
- How are they linked to each other?
- How many of the different actors are there?

You may find that it is more difficult to draw a meaningful map than it may seem at first sight. But that’s the aim of the exercise. Some hints on what makes a good map:

- A good VC map has a clear message;
- It provides a good overview but is not overloaded;
- It is easy to understand without further explanation.

**2. Economic analysis**

The economic analysis of the value chain shall answer questions such as how much economic value is created on which level of the value chain, to what extent the economic value is estimated to be pro-poor and where in the value chain one can seek change to increase pro-poor income (PPI).

The total value generated in a value chain is the final sales price of the product(s) multiplied by the quantity sold. Usually, at each level of the value chain, value is added, which either goes to actors within the value chain (producers, traders, raw material providers) or to service providers outside of the value chain. It includes wages, depreciation, other costs and profit.
Table 6: Value addition

<table>
<thead>
<tr>
<th>Distribution of value-added between different types of chain operators and input providers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Producers → Product Makers → Traders → Consumers</td>
</tr>
</tbody>
</table>

Value-added captured by the VC
Value-added captured by input providers

An assessment of value addition usually starts with assessing market prices at different levels of the value chain: how much money is spent on raw material (an intermediate product), what is the producer price and what are wholesale and retail prices?
Box 3: Calculation of value-addition for Krama scarves in Cambodia

The example below shows the value chain for Cambodian Krama scarves for the tourist market. The colourful checkered Krama scarf is almost universally worn by rural Cambodians and is also popular in the cities. Krama is truly one of the identity forming garments of the Cambodian tradition – but has become a popular tourist souvenir.

The simple standard Krama quality is sold very cheap on local markets. But there are also much more expensive finer qualities, which are mainly sold to tourists. The pro-poor income in this value chain is mainly generated at weaver level, as most of the raw material (cotton/polyester and dyes) is produced industrially and imported (and therefore not pro-poor) and as traders mostly do not belong to the poor. The value generated at weaver level mostly goes to the weavers, as there are hardly any other inputs provided or services used at this level in addition to the raw material.

In case of the Krama example in Cambodia, the finer tourist-oriented product quality generates more value/product at the different levels, including the weaver level. Between 15% (fine quality) and 36% (simple quality) of the value generated can be considered as pro-poor income.

Simple quality (polyester/cotton), Thai dyes

<table>
<thead>
<tr>
<th>Raw material</th>
<th>Weaver’s production</th>
<th>Middlemen-Marketing</th>
<th>Retail market</th>
<th>Local consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ 0.5/krama</td>
<td>US$ 0.9/krama</td>
<td>US$ 1.0/krama</td>
<td>US$ 1.1/krama</td>
<td></td>
</tr>
</tbody>
</table>

High quality (100% cotton), German dyes or natural dyes

<table>
<thead>
<tr>
<th>Raw material</th>
<th>Weaver’s production</th>
<th>Middlemen-Marketing</th>
<th>Retail market</th>
<th>Tourist</th>
</tr>
</thead>
</table>

Source: Dutta 2009, Eiligmann, 2009

Based on an assessment of market prices and equipped with the knowledge of how the production is done, one can estimate pro-poor income flows in the value chain. In case of the Krama example above, an estimation of the PPI can be made like this:
The first question is: where in the value chain do poor people participate? In case of the Krama example (see box 3), it is mainly at the weaver level where the rural poor participate in the value chain, whereas middlemen and traders mostly are not considered to belong to poor parts of the population.

In case of the high-quality, tourist-oriented product, the value addition at weaver level is US$ 0.7/Krama. As the weaver is not buying any other services or material in addition to the raw material, his own costs are just his labour and depreciation/repair of the loom. Looms are generally produced and maintained by (fairly poor) village craftsmen. This means that the total US$ 0.7/Krama value addition at weaver level, or 15% of the total value of US$ 4.5, can be considered to be pro-poor income, as both weavers and loom producers belong to (fairly) poor target groups.

If natural dyes are used or if a producer group takes over trading functions, the share of pro-poor income would grow further, as these activities would then take place at weaver level and contribute to increasing their income.

The percentage of the pro-poor income that is generated in the tourism-related handicraft value chain varies from one country to the other and depends on the kind of crafts sold and the commercialisation channels served.

In the example of Na Dang in Viet Nam (s. table 7), the pro-poor share of tourist spending on handicrafts is estimated at 54%. In general, the share of pro-poor income is high in cases where craft production heavily draws on local raw materials (silk, wood, paper, clay etc.) and where the commercialisation is largely done by the producers themselves or (poor) small traders.

Table 7: Pro-poor share of value addition in Na Dang, Viet Nam

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Absolute Value</th>
<th>% Pro-Poor</th>
<th>Poor Involvement</th>
<th>Total Flow to poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>$14.1m</td>
<td>19%</td>
<td>2100 non-managerial Staff</td>
<td>$2.7m</td>
</tr>
<tr>
<td>Transport</td>
<td>$7.8m</td>
<td>16%</td>
<td>750 taxi and cyclo drivers</td>
<td>$1.2m</td>
</tr>
<tr>
<td>Food</td>
<td>$7.1m</td>
<td>21%</td>
<td>1100 staff($1m) + 1400 farmers ($0.5)</td>
<td>$1.5m</td>
</tr>
<tr>
<td>Shopping</td>
<td>$6.2m</td>
<td>54%</td>
<td>2800 Craftsmen</td>
<td>$3.4</td>
</tr>
<tr>
<td>Other spending in Hotels</td>
<td>$3.3m</td>
<td>39%</td>
<td>320 Massages workers</td>
<td>$1.3m</td>
</tr>
<tr>
<td>Sightseeing</td>
<td>$2.4m</td>
<td>30%</td>
<td>260 Registered guides</td>
<td>$0.9m</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$0.9m</td>
<td>Very Limited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Mitchell & Le, 2007
3. Opportunities and constraints analysis

After the value chain map has been drawn and its economic analysis undertaken, one should answer the question of which particular market opportunities can be identified on the tourism market. Markets are changing continuously, new trends are coming, new attractions and infrastructures are being developed, new holiday resorts and hotels open up.

In order to identify **market opportunities**, one should ask questions such as:

- Is there any particular demand for a certain kind of handicrafts expressed by traders?
- What kind of higher value handicraft products are appreciated by tourists?
- Are there any particular product qualities which are in high demand?
- How will the tourism sector change in the country in the near future?
- What tourism trends are pushed by local and international stakeholders?
- What possibilities are there to substitute imported products?
- Are there any possibilities for new product development?
- What market channels can be developed further?
- What kind of raw material can be used in addition?
- Can poor people be helped to upgrade their production?
- Can poor people take over additional functions in the value chain?

In order to identify **constraints**, the following questions should be asked:

- What constraints need to be overcome in order to be able to make use of the market opportunities?
- What other constraints do not allow craftsmen to receive a higher price paid by the tourists and to increase their income?
- To what extent does the product quality need to be improved in order to increase sales?
- What kind of skills and knowledge are missing?
- Is the raw material supply sufficient?
- Are the technologies and equipment used appropriate?
- How can productivity be increased?
- Are there any particular transport problems?
- How is the relationship between traders and raw material suppliers?

The assessment of market opportunities and constraints will show possibilities to upgrade the value chain in a sense that more handicraft products can be sold to tourists and more pro-poor income can be generated.

It helps to have a look at opportunities and constraints from different perspectives in order to get a more comprehensive picture of the opportunities available. It is useful to assess opportunities and constraints according to various categories:

- Market access;
- Input supply;
- Technology/Product development;
- Management and organization;
- Policy framework;
- Finance;
- Infrastructure;
- Socio-cultural opportunities and constraints (Lusby, F. & Panlibuton, H., 2007).
Summary: Value chain analysis

- Mapping the value chain helps to understand the supply structure and business relationships;
- Calculate value addition and pro-poor income effects based on market prices at different levels of the value chain;
- Assess market opportunities and business constraints to develop possibilities for value chain upgrading.
SECTION 2  PROJECT INTERVENTIONS

The aim of this module part is:

- To show ways of promoting the tourism-related handicraft value chain
- To learn from successful examples of handicraft promotion
- To reflect on an appropriate facilitator role.

The value chain analysis will have provided a good overview on the different market actors within a value chain and on the income generated at different levels. It will have shown some market opportunities and constraints that are to be found in the value chain. The question now is: what are the project interventions that are needed to further develop the tourism-related handicraft value chain?

Generic project activities to develop a tourism-related handicraft value chain are:

- To improve vertical business linkages;
- To develop producer groups and associations (horizontal business linkages);
- To increase producer competitiveness on product design, quality, timeliness and quantity;
- To train producers on costing and pricing;
- To improve sales promotion efforts;
- To support government initiatives with special focus on replication and expansion.

1. Improve vertical business linkages

Strengthening linkages between tourism and the local economy is one of the most effective ways to promote pro-poor tourism by increasing the out-of-pocket expenditure of tourists. The best way to help the poor is simply to have a more valuable tourism industry. A linkages approach aims to actually enhance the relationship between tourism and poor people (Mitchell & Faal, 2006).

Vertical business linkages are either forward (market-related) or backward (input supply) and there are different options of how to develop them.

Option 1: Improve existing forward business linkages

The first question is: which market outlets, retailers and wholesalers are already there and to what extent are handicraft producers linked or not linked to these market outlets? One may find that the current market linkages are very limited and that there are plenty of possibilities to link producers to other retailers or wholesalers. There are many countries in which, although craftsmen have been trained by earlier initiatives, producer groups are still somehow isolated from market access and not able to sell many products.
One can start from a needs assessment of existing traders and ask them from whom they are buying and what kind of products they would be willing to sell in addition to their current product range? What kind of quality and price expectations do they have? Can local producers come up with suitable products?

Meet traders individually and ask them about their relationships with handicraft suppliers. What kind of win-win-situations can one find?

The main role of the facilitator is to mediate partnerships between tourism enterprises and traders selling handicrafts to tourists on the one hand and handicraft producers as suppliers on the other. The facilitator has to create a forum for discussion and has to facilitate exchange of information on needs, expectations and supply potential.

Very often, the craftsmen are not aware of the potential that the tourism market offers for their products. They may not have considered the tourism industry as a potential customer and may concentrate on lower value products for the local market only, as seen in the Krama example above.

A partnership with tourism enterprises may help them to develop a new, and possibly more profitable, business activity. There are also advantages for handicraft exporters, which can benefit from possibilities to sell second quality products (not suitable for the export market) for lower prices on the tourist market, or which can test international acceptance of new products in the country first.
Box 4: The facilitator role

The facilitator should not get involved in direct business transactions himself, e.g. the project should refrain from buying and selling products itself and limit its role to forging better business relationships between private sector actors.

Before conducting interviews, the facilitator should assess all publications available about the market structure in the country in order to become a knowledgeable dialogue partner for the value chain stakeholders and to be able to build on previous experience in his project planning.

The second step is individual interviews with resource persons from different kinds of companies in the value chain. At this stage, it is preferable to have individual interviews to allow all value chain stakeholders to express their opinion frankly. In a meeting with representatives from different levels and with different power and education, the probably less-educated, less wealthy and less outspoken craftsmen would hardly express their mind openly.

Individual interviews should preferably be conducted along semi-structured questionnaires, i.e. questionnaires which include both standard precise questions and some general open questions stimulating a discussion and general comments.

The main conclusions drawn from the individual interviews can be compiled by the facilitator and discussed in stakeholder meetings with representatives from the different groups of market actors. Bringing the stakeholders together will help them to agree on a joint activity programme.

The results of the opportunity study and needs assessment will lead to an action plan proposal, which will be discussed and agreed upon with key value chain stakeholders in a validation workshop before the project implementation starts.

The main facilitator activities usually are to:

- Create a forum for discussion and exchange of information;
- Create partnerships between traders, tourism companies and handicraft suppliers;
- Set up long-term tourism marketing and development boards and councils;
- Qualify handicraft producers as suppliers of higher value products;
- Help with market research and promote innovation;
- Organize a reliable and stable supply of handicrafts;
- Assist handicraft producers to negotiate supply conditions with local shops.

A facilitator should be a good mediator and communicative person. He should listen carefully to expectations and concerns of all parties involved and should make sure that the opinion of less outspoken, less educated and less powerful value chain actors gets the same attention as the opinion of other more dominant actors. He should be able to identify opportunities and to conceptualize a suitable activity package.

Working with local craftsmen is a marketable asset to a souvenir shop, hotel or any other tourism company that can improve their image and sales. If they offer local products of higher quality, the attractiveness of their product range is increased, and they can generate higher profits than if they only sell imported products.
Nevertheless, tourism companies and local shops sometimes refrain from working more closely with local handicraft producers, as the supply is often not well-organized, sporadic and of poor quality. The role of the facilitator, therefore, starts with brokering and mediation, but continues with supplier qualification and the organization of producers, which will become more and more important as partnerships develop.

The geographical diversification of sourcing or supplying handicraft products is another intervention area. Market linkages between handicraft producers in one part of the country and handicraft shops in the main tourist destinations in other parts of the country need to be strengthened.

The facilitator may also help both sides with market research assessing tourist expectations. In the Lao People’s Democratic Republic, Cambodia and Viet Nam, for instance, Asian tourists from neighbouring countries become increasingly important. They have very different taste when it comes to buying handicrafts compared to western tourists from America and Europe. It is important for handicraft producers and shops to identify the kind of handicrafts that they prefer and to adapt the product collections accordingly.

There are many possibilities to forge better market linkages with:

- **Traders at handicraft markets**: In many Asian countries, large handicraft markets with hundreds of small shops can be found, such as the night markets in Chiang Mai and in Luang Prabang or the Russian market in Phnom Penh.

- **Traders in handicraft villages**: In many African countries, handicraft villages are located in the urban centres, where handicraft workshops and sales outlets are concentrated in one place in order to attract visitors like in Mali’s capital Bamako.

- **Individual handicraft shops in town**, which are often located close to tourist attractions or entertainment areas.

- **Hotel shops**, which can be found in most larger hotels and usually sell a variety of local craft products. Hotel shops are of particular importance at destinations, where all-inclusive package holidays dominate and where many tourists hardly leave their hotel.

- **Street vendors** who mainly serve the cheaper market segments can be found at many places: In the immediate neighbourhood of hotels, restaurants and tourist attractions, at the beach etc.

- **Airport shops**, which concentrate on small items to be carried in the hand luggage and less expensive articles allowing to spend left-over foreign currency.

- **Museum shops**, which tend to put more emphasis on fine arts and original products with cultural and ethnic value.

- **Weekly markets** and all kinds of national, cultural and religious festivals attract tourists as well. Generally speaking, markets are crowded with people who are ready to spend some money.

**Tour operators and guides** often play a particular role when it comes to directing the tourists to certain areas and shops. Usually they take a commission on handicraft sales and they can bring large groups of tourists to a certain shop. Tour operators and guides tend to bring tourists to shops which are both attractive (so that their tourists appreciate the recommendation) and by which they are offered a high sales commission. Retail shops need to forge partnerships with tour operators and guides and their price calculation should allow paying a reasonable commission.

Another important aspect to be considered when promoting market linkages for handicraft producers with the tourism sector is the demand which many tourist-related businesses in the country may have themselves for handicraft products, as hotels and restaurants need to be furnished and decorated and are often important customers of local craftsmen. In addition, products, which are similar to decoration items used in the hotel or restaurant, can be sold in the hotel shop or restaurant as well.
Intermediaries or middlemen can often be found between the crafts producer in rural areas and the outlets in tourist centres. Their role is to create a link between buyers and producers. Their importance in the value chain is dependent on the services provided. For instance, if a producer is a long distance from a potential buyer and has limited access to transport, an intermediary can provide a crucial link by selling products that would otherwise not be marketable. The advantages and disadvantages of intermediaries or middlemen are explored in the following table.

### Table 8: Advantages and disadvantages of Intermediaries

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Have existing relationships with buyers</td>
<td>● Add another link in the chain that reduces the potential revenue to producers</td>
</tr>
<tr>
<td>● Reduce marketing costs of producers</td>
<td>● Offer lower prices to producers than other customers in the value chain</td>
</tr>
<tr>
<td>● Are convenient to sell to</td>
<td>● Intermediaries may use lack of market knowledge of producers to exploit them</td>
</tr>
<tr>
<td>● Provide essential services such as bulking, sorting and transporting</td>
<td>● Producers become dependent on intermediaries because they cannot access buyers directly</td>
</tr>
<tr>
<td>● Can provide additional services such as know-how and technical support</td>
<td></td>
</tr>
<tr>
<td>● Sometimes provide pre-financing or supply of raw material needed</td>
<td></td>
</tr>
</tbody>
</table>

In many cases, middlemen provide a stable and to some extent reliable market access. Often not for the best conditions, they nevertheless provide a way to sell products. Development projects should be careful not to destroy existing linkages with middlemen by replacing them with new linkages which still need to prove their stability.

A better way to involve middlemen is to include them in the development of a project strategy. Usually they also face the need to develop their product range in order to offer better products to their clients. Some of the more dynamic middlemen may have the potential to expand their activities and develop into formal companies.

In order to ensure that the market linkages created are sustainable, discussion and decision-making forums among the different value chain stakeholders should be institutionalized to create a long-term forum for exchange and innovation. One way to do so would be to establish national or regional tourism development boards and councils or to integrate representatives of tourism-related handicraft companies in existing tourism boards and councils.

**Option 2: Create new forward business linkages**

In addition to improving the market linkages with existing outlets and wholesalers, the tourist market may have enough potential to develop new market linkages. This, however, should only complement and not replace the improvement of existing linkages. By doing so, an additional sales channel can, for instance, be developed. Table 4 provides an example of a 2nd distribution channel, where products are sold through producer groups and associations acting as wholesalers.

Producers may establish their own outlets or develop joint retail or wholesale activities to be run by a producer group or association. There are also many examples of NGOs which create own retail outlets to reap the direct benefits from tourist market prices, as value addition from trading activities is usually high. In the example of the fine-quality Krama scarf for tourists, about 50% of the product value goes to the traders. Retailers often add 100%-300% margin on their purchasing price.
Box 5: Creation of new producer outlets

Producer outlets enabling direct sales to tourists can be a powerful tool to generate pro-poor income, if they are well-connected to the tourism industry. In order to choose the right location, it is important to know the places where tourists usually go and to understand how they spend their time and where and when they are interested to buy crafts.

In Paksé, Lao People’s Democratic Republic, for instance, tourists will only stay overnight in a town, in order to reach the main tourist attractions like the ruins of Wat Phu, the Boloven Plateau or the Four Thousand Islands in the Mekong river. In the daytime, there is hardly any tourist in town, but in the late afternoon, tourists return from their daytrips. Shops are located on the way back from the main destinations and the best time for selling crafts is from 5-8 pm. But tourists are tired after a long day, need a shower and their schedule is controlled by tour operators. Further on, shops are dispersed and a critical mass of shops concentrated at one point is missing, which would be attractive for buses to stop. Sales at the main roads are not as good as they are downtown in the city centre, where tourists are strolling around in the evening hours.

The EPRP project partner in Paksé opened a handicraft shop 9 km from the city centre on the way to Wat Phu upon recommendation of the local authorities and with public support. Basically, the municipality made a nice wooden house available; see photo, but the partner is now struggling to cover the operating costs. Sales were high during an annual festival, but are otherwise too low to run the shop profitably. The EPRP partner finds it difficult now to cover its costs, to attract more tourists to the shop or to correct the decision on the shop location.

Hotel owners, tour operators and the municipality want to have more craft outlets in the city centre to make Paksé more lively and interesting for tourists in the evening. The tour operators association and the municipality are thinking about opening a handicraft night market and plan to make a suitable area available for traders to open up craft shops.

A number of new handicraft outlets are also opening up in Paksé at the new airport terminal, which is currently under construction, and a large museum shop has been opened at Wat Phu. A local handicraft association has been formed to address the increasing tourism demand and the EPRP programme is providing training to local silk weaver communities for upgrading product qualities and diversification of the product range.

Another possibility to create new market linkages is to promote and operate regulated craft markets. Communities can organize craft markets which enable a large number of craft market stall holders to have more clients visiting their shops as if they were dispersed in town.

In the Gambian tourism industry, for instance, a total of 384 licensed small craft stalls were counted in 2006, which generated an average income of US$ 130/stall per month. The pro-poor impact of establishing regulated, formal craft markets and supporting traders to design and manage their stalls and products more professionally was a significant achievement of the Association of Small Scale Enterprises in Tourism (ASSET) and DfID-funded support (Mitchell & Faal, 2006).
Establishing regulated handicraft markets helps to increase the visibility of handicraft vendors, helps tourists to orientate themselves and reduces the risk of their being disappointed or feeling insecure about buying souvenirs around street corners and roadsides. To set up **centres that provide both training and selling opportunities** is a major tool to support the tourism-related handicraft value chain (IFC, 2006).

Sales outlets can also be developed directly at production workshops. This enables tourists to see how the handicrafts are produced when they buy a product. Cultural tourism, community-based tourism and eco-tourism all offer possibilities for the direct marketing of craft products.

Excursions to craft villages are interesting for both handicraft producers and tour operators or holiday resorts that can offer their guests an interesting day visit experiencing local culture, tradition and village atmosphere.

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**Box 6: Community-based tourism in the Lao People’s Democratic Republic**

Community-Based Tourism is popular in the Lao People’s Democratic Republic. There are a number of tour operators who offer overnight stays in villages in different parts of the country. Tourists usually stay a few days or a week in a village, live in traditional wooden houses, experience the tropical nature, participate in the daily life of the community or learn some handicraft techniques such as how to make ceramics or how to weave a silk scarf. Other tour operators visit handicraft producing villages during daytrips.

The local craftsmen produce handicrafts in front of their houses. If there are no visitors around, they will just concentrate on weaving or other production activities. If tourists are around, they interrupt their production and try to sell products. Prices are lower than in town, but the craft producers earn more compared to when they sell to intermediary traders.

Tourists attach a higher value to the products bought directly in the village, as they can appreciate the effort and the living conditions under which the crafts are produced and can see for themselves the extent to which their purchase will directly increase the household income in a poor community.

Handicraft tradition and skills are preserved and young people are trained in handicraft techniques which would otherwise get lost.

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Artisans d’Angkor, a private company at Cambodia’s main tourist destination Angkor Vat, runs a retail store combined with a sericulture museum. Guides inform tourists about silk production from mulberry tree plantations over silk worm raising to silk weaving. Their tours end at the retail shop where tourists can buy high-
Box 7: Batik in Jogjakarta, Indonesia

Batik is a special technique to dye patterned cloth and is considered an art in Indonesia. Batik is an artisanal product and producing it is a lengthy process. The Batik artisans in the Indonesian city of Jogjakarta decided to give tourists insight into how this art product is produced.

Interested tourists, individuals or groups, can get a tour through the plant with a guide who explains the production process. As artisans work on different stages of the production, the whole process is always visible for the tourists. They can experience how the cloth is selected and prepared, how the patterns are designed and how the cloth is waxed and dyed over and over again until the cloth is transformed into a colourful Batik. The guide explains extensively what the artisans are doing and what the next important step of the production process will be.

After the tour, the tourists have the chance to buy Batik cloths or clothing like shirts and sarongs in the shop next to the workplace.

Since Batik is not only an art, but also a clothing style in Indonesia, this contributes to the tourists’ attraction to buy the crafts. The people of Jogjakarta buy their cloths here as well. Additionally, Batik is used as a decorative article by the hospitality industry.

Source: www.expat.or.id/info/batik.html.

Exercise 2: Potential for promoting forward business linkages

Think about your individual situation and fill in the following table:

| What possibilities for stronger forward market linkages do you see? | Existing craft shops | Resorts, hotels, tour operators | Guides and middlemen | Creation of new market outlets |
| What pro-poor income effect would you expect? | | | |
| What kind of facilitation activities would be needed? | | | |
Option 3: Improve backward business linkages

Backward business linkages are related to input supply. Whether or not a product is competitive in terms of quality and price depends heavily on whether the producers have access to the right kind of raw material. Having access to quality inputs at reasonable prices enables handicraft producers to upgrade their products successfully.

The main issues to be considered regarding backward business linkages are:

- Is there enough raw material available throughout the year?
- To what extent is the quality of the raw material suited for the handicraft production?
- Where can craftsmen buy the raw material and at which price?
- Where can they obtain additional material for applications and finishing?
- Can raw material be bought in bulk for a better price?
- Can the processing of raw material, for instance dyeing of fabric, be organized more efficiently at a central place, by an external service provider or by each artisan individually?
- Can imports of raw material be substituted by local raw material production?

Just like the value chain can be upgraded through promoting forward market linkages, this can also be achieved through the facilitation of raw material supply. By doing so, raw material suppliers can be qualified in order to supply inputs in qualities that are required by the producers.

There are many examples of successful handicraft development projects that have generated a need for more raw material production in the country. In Mongolia, the production of felt articles requires keeping more livestock of local sheep breeds with high-quality wool. In Cambodia, increasing sales of silk articles go far beyond the supply potential of Cambodian Golden Silk yarn produced by local sericulture farmers.

Qualifying raw material suppliers helps in improving the competitiveness of the value chain and contributes towards generating pro-poor income for the suppliers of raw material.

2. Promote producer groups and associations

It may be necessary to promote a producer group, cooperative or association in order to:

- Upscale the supply potential and achieve economies of scale;
- Organize a regular supply of standardized products to buyers;
- Improve access to training and government support.

The cooperation among craftsmen can strengthen their market position and open up new market channels. In many cases, there may already exist some kind of producer group or association. Therefore, the potential of the existing groups should be assessed before considering to start new groups from scratch.

The facilitator should meet with the opinion leaders of the community, the master craftsmen, the experienced and respected producers, and see to what extent they are interested in forming a producer group. Do not force them into forming a producer group. Instead, it is important that they themselves become committed to the idea. Involve leading community members right from the initial assessment and planning stage. Tell them about the aims of the project and seek their inputs, as well as their commitment. The local leaders can then help to organize meetings and introduce the facilitator to the community members.
The role of a facilitator is to mobilize the group, to foster their motivation and action towards group formation. However, group formation cannot be achieved simply by getting people together. To be sustainable, the group must be able to function independently of the support structures. One way to achieve this goal is to ensure that the group operates in a democratic and participatory manner right from the start. All the members of the group must be involved in decision-making, planning and management and must contribute towards its creation and development.

It is important to note that any producer organization can only be sustainable if supported by local leadership. At the first few meetings, facilitators can therefore help local residents learn the tools necessary to understand the local economics, to organize themselves in order to attain greater bargaining power, and to diversify production according to demand, so as not to drive down prices of the crafts produced. Then after the initial training, the local artisans can determine how to share responsibilities, roles and obligations.

Organize local meetings for artisans to discuss ideas about producer associations, transport to local markets, and collective bargaining power to sell to different categories of customers and at various locations.

Gain the community’s confidence. Talk with people from various backgrounds. One should not try to control discussions or impose its own way of thinking. In the beginning, people may not express their true feelings and views or reveal details and problems about their community and commercial dealings. Here, inter-personal skills and knowledge of local traditions are very important.

There may be diverging experiences and opinions among members of the community or there may be sensitivity in divulging information to outsiders or even to others within the community. This is where a moderated discussion can be useful. Initially, it can be beneficial to organize separate sessions for different interest groups. Record their contributions carefully, so that it is easier to share their special concerns as a group when the different sub-groups are brought together.
Box 8: EPRP community development in Berimbau, Brazil

The north-eastern Brazilian region of Bahia was once an area totally reliant on agriculture for jobs and income. Capitalizing on its rich heritage and natural landscapes, the region developed a thriving tourism destination. When the EPRP/Berimbau project started, there was already a large tourist resort in place, the Costa do Sauípe resort. The aim was to get poor communities in the area more involved in the tourism activities around this resort for employment and income generation.

The main lesson drawn from the EPRP/Berimbau project is that local communities must be the centrepiece for any successful technical assistance programme. It is vital that the momentum for change comes from the people who are to be impacted by the project, especially in the decision making process as the results will remain with them when the programme is finished.

The Berimbau programme took the following steps:

- Identified community associations, whether functioning or not;
- Identified community leaders: who they were, what they were doing, level of representation, life history;
- Invited community associations and leaders to local events;
- Organized several meetings with small groups of community leaders to explain in very simple terms what Berimbau intended to do without creating false expectations and how Berimbau could help and check what they expected from this programme;
- Started expanding the group of leaders, from complaints about the past situation to future opportunities of common interest.

The relationship created by the EPRP/Berimbau project with the communities followed several principles:

- Transparency: not to promise more than what is feasible and to express an opinion with sincerity;
- Action: Fewer speeches and more action. To attend swiftly to solicitations when real interest was shown. And to discourage isolated requests to gain credibility and respect;
- Awareness: to make it clear that Berimbau’s raison d’être was in the interest of the whole population, the improvement of living conditions, and local development that was integrated and sustainable;
- Capacity building activities for the local population.

The benefits experienced by the over 7,000 people (of whom 3,500 were women) in eight communities were substantial. These benefits came about not only thanks to the EPRP project, but also to the wider Berimbau Programme, which included local improvements in infrastructure, education, cultural heritage, job creation and in living standards. The overall benefits included:

- Establishment of a Rural Producer Cooperative (fruits and vegetables and crafts) with direct sales to the Costa do Sauípe resort;
- Construction of a handicraft shop in Costa do Sauípe;
- Raised average monthly income of artisans from US$ 40 to US$ 250 (majority being women);
- Setting up of an organic waste recycling plant.

ITC, 2006.
Common interests of members help bind a group together. Major social and economic differences between members can lead to friction and conflict. Discuss carefully the problems and advantages that can occur if more influential or richer individuals become group members, as they may dominate the group or use it for their own benefit. However, such people can also bring relevant knowledge or contacts to the group, in which case they could be admitted as long as they are willing to participate on an equal basis.

It is essential that all the potential members are involved in the group formation process, not only a few sub-groups. Open communication will encourage teamwork and help in building strong bonds. The information displayed at meetings must be “transparent rather than hidden” – all members can contribute to it, comment on it, criticize it and revise it.

Box 9: A producer association should:

- Form an executive committee;
- Assess existing conditions and discuss possible development scenarios;
- Define the optimal structure of the organization;
- Evaluate training needs and decide about necessary capacity building;
- Assess and select forward and backward trading partners;
- Prepare an action plan and mobilize resources;
- Motivate community members to contribute to development efforts;
- Ensure financial transparency and monitoring of activities.

Develop a business plan for the producer association

The most important function of the business plan is to guide the organization in its development:

- It shows the future course: where do we want to go, what is our goal?
- It states the strategies that will be followed to reach that goal.
- It foresees potential setbacks and indicates how they can be overcome.

The business plan also serves as a document that explains the ideas of the producers to others who are not part of the organization. Therefore, the business plan can be used to attract loans or investments. The investor or financial intermediary can understand from the business plan what the organization wants to do with his money.

A business plan usually consists of:

- Introduction Description of the organization and its activities;
- Executive summary Summary of the main content of the business project;
- Vision Statement of the objectives of the organization;
- Strategic analysis Elaboration on how the goals will be reached;
- Marketing plan Planning marketing and sales promotion activities;
- Financial planning Estimation of costs, revenues, investment, profit and cash flow.
A SWOT analysis, an overview on strengths, weaknesses, opportunities and threats, can help building the strategic analysis part of the business plan.

Some additional recommendations for writing a business plan:

- Aim for a plan that is brief, but includes everything important to the business. Focus on the main ideas. Leave secondary issues and details for later discussion.

- Focus on the goals of the producer association. Use the plan to organize efforts around the objectives of raising incomes and economic growth.

- Be realistic – base projections on the results gathered from analysis.

- Be honest about positive and negative findings about markets and sales.

- Try to include as much data and market information as possible.
### Box 10: Example SWOT analysis (extract) of Khmer Silk Villages, Cambodia

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong technical know-how on sericulture and weaving</td>
<td>• No suitable information material available: website, flyers, information about services and project references, corporate statement</td>
</tr>
<tr>
<td>• Strong organization for working on the ground</td>
<td>• Poor promotion of KSV activities, local authorities do not know much about KSV</td>
</tr>
<tr>
<td>• Staff – good technical team with many years of experience in the silk sector and good language skills</td>
<td>• Lack of funds and no continuity in funding. KSV depends on obtaining income from new projects in 2010. KSV earns little income with service provision outside of TA</td>
</tr>
<tr>
<td>• Staff is very committed</td>
<td>• Little experience on proposal writing leads to limited own pro-active project acquisition</td>
</tr>
<tr>
<td>• Trust-based relationship with farmers and weavers</td>
<td>• No external auditing of financial statements leads to less credibility at donor level</td>
</tr>
<tr>
<td>• Good brand name, well known for its yellow silk and technical knowledge</td>
<td>• Producer groups are difficult to manage because of long distances</td>
</tr>
<tr>
<td>• Management team has good links with different projects and donors; projects keep coming in to keep KSV alive</td>
<td>• Breeders network in the northwest and weavers in the south are difficult to link</td>
</tr>
<tr>
<td>• A large number of strong groups, many groups have group funds</td>
<td>• Habits and technologies are difficult to change because of century-old traditions</td>
</tr>
<tr>
<td>• KSV covers largest independent weavers and breeders groups</td>
<td>• No active export marketing of final silk products; lack of export market linkages</td>
</tr>
<tr>
<td>• Membership fees (0.5 US$ per year in 2009) are paid</td>
<td>• The market situation for silk yarn only allows to take a commission of 8%</td>
</tr>
<tr>
<td>• Tourism trail in place; eco-tourism experience</td>
<td>• No certification of Cambodian silk yarn</td>
</tr>
<tr>
<td>• Number of well-designed collections available; in-house design capacity in place</td>
<td></td>
</tr>
<tr>
<td>• Initial export experience (Japan) available</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• KSV is fully set up and functional, and can increase its programmes and impact with little additional effort</td>
<td>• Lack of funds can halt the organization</td>
</tr>
<tr>
<td>• High political interest in promoting the national silk sector</td>
<td>• There are not enough larger programmes, which can provide stability</td>
</tr>
<tr>
<td>• Good relationships with different donors and stakeholders</td>
<td>• Sericulture farmers may switch to other agriculture produce offering higher income</td>
</tr>
<tr>
<td>• There is a specialty niche market for fine golden silk, with KSV as the main provider</td>
<td>• Migration of sericulture farmers to Thailand</td>
</tr>
<tr>
<td>• KSV can benefit from projects to get new knowledge and technologies for its members</td>
<td>• Weavers stop their activities and start working in garment factories</td>
</tr>
<tr>
<td>• Growing number of tourists provide market opportunities for silk products and potential for eco-tourism</td>
<td>• Production depends heavily on weather conditions</td>
</tr>
<tr>
<td></td>
<td>• Weavers may replace Cambodian silk by cheaper imported material from Viet Nam</td>
</tr>
<tr>
<td></td>
<td>• The global economic crisis reduces international demand</td>
</tr>
</tbody>
</table>


Note that the business plan is a ‘living document’. It must be reviewed and updated regularly so that it always reflects the current goals and strategies of the company. It should be written by the producer association or company itself as it helps to work through a problem and develop a way forward.
Exercise 3: SWOT analysis

Conduct a SWOT analysis according to the above example for an organization, which you know well. Keep in mind:

- Strengths and weaknesses are internal factors over which you have some control or influence;
- Opportunities and threats are external issues that you cannot control. However, you can develop a strategy to deal with them when they arise.

Consider the following:

- Do the strengths outweigh the weaknesses of the association?
- Was tourism identified as an opportunity?
- How do you think this business should move forward?

Further detailed information for drafting a business plan is available in the form of an EPRP tool kit.

To receive a copy, please contact: eprp@intracen.org

3. Increase competitiveness on product design, quality, timeliness and quantity

In order to make producers more attractive to tourists and in order to improve business linkages, the producers’ supply capacities must be strengthened and their product portfolio upgraded.
Inclusive Tourism: Linking the Handicraft Sector to Tourism Markets

Box 11: How to promote the pro-poor crafts industry further in Luang Prabang

“It is clear that crafts are already a very important economic opportunity for local households. The total amount of tourism expenditure is high, at around a fifth of all tourist expenditure, and of that a high proportion – around two-fifths – accrues to semiskilled and unskilled people. Thus any further expansion of craft sales would be valuable to semiskilled and unskilled people, but simply expanding existing supply is not necessarily the priority: if craft supply increased and diversified would tourists spend more? At the expense of shopping expenditure somewhere else on their trip? Shopping opportunities are already plentiful for the majority of tourists.

Rather than expansion of craft supply, it is probably more useful to consider diversification and upgrading opportunities for existing producers, plus ways to bring more the Lao People’s Democratic Republic producers into the chain. For example: options (…) for increasing semiskilled and unskilled income include:

- Expansion of raw silk production in the Lao People’s Democratic Republic and exploration of feasibility of the Lao People’s Democratic Republic cotton supply.
- Geographical diversification of tourist sites outside the town, and parallel support to local producers/vendors at rural tourism sites, so that weavers in other villages can sell directly to tourists.
- Assistance to producers to upgrade into new tailor-made products with higher value added: for example, textile and paper products (bags, purses, notebooks) that are tailor made for workshops by adding the name of the event and sold via the hotel as part of the package; processed food products with English labelling and travel-friendly packaging; expansion of local speciality food product ranges for Asian tourists; textiles and paper products that include explanation of product origins, with how they were made and by whom.
- Assistance to producers and shops to secure export orders which would secure their business in the event of tourism down-turn and iron out seasonality.”

Ashley 2006.

There are many tourists who are used to travel a lot and who are tired of seeing the same style of animal statues, masks or traditional cloth over and over again. There is not much to discover at many craft markets in the world, just as there is not much variety between products at one shop and the next one:

- Many tourists no longer search cheap souvenir articles, but rather prefer some innovative higher value products.
- Many tourists prefer products the design of which fits into both worlds, the country they visit as well as their home country. They prefer products to be both a nice souvenir and a useful item.
- Tourists particularly look for items which can be comfortably packed in a suitcase. Therefore, items should neither be too bulky, nor too heavy or fragile.
Box 12:  Design and marketing development of the Cambodian Craft Cooperation

The partner for the Cambodian EPRP programme is the Cambodian Craft Cooperation (CCC), an association with a number of producer groups working with silk, ceramics, silver and wicker-ware. Its most successful products are silk scarves, which are sold to local tourists in Phnom Penh and exported to Europe, Latin America, the United States and Asia.

EPRP trained CCC staff and producers to try out new designs, new colour combinations and styles. The programme draws on the knowledge of international designers and initiatives of the producers themselves, with the aim to create a mix of new styles. Creativity and design workshops were held and local designers trained. Most of CCC’s collections were developed based on a combination of inputs from local weavers and designers.

In Phnom Penh, CCC sells to a number of retail shops. “Your designs are somehow different, one does not see similar products elsewhere in town” was a frequent quote made by retail shop owners.

EPRP focused on creating own design innovation skills of CCC and its producer groups, so that they could be independent from external assistance. Today, a young Cambodian in-house designer develops new designs regularly and also weavers continue to experiment with new designs on their own. Innovation is needed, as copies of scarf designs appear on the market after some time.

All CCC products are sold with a little hang-tag with the following text:

“This product was handmade in Cambodia in the silk weaving communities of Tanorn, Kporm, Saiwa, Kdagn (Takeo province) and Prey Antak (Prey Veng province). The weavers, mostly women and at the same time small farmers, are paid fair prices for their silk products, enabling them to have a better standard of life and to send their children to school. When buying this product, you contribute to reduce poverty in rural villages having gone through a long turbulent history. 100% silk. Hand wash with appropriate soap. Environmentally-friendly dyes in accordance with the requirements of the EU directive 2006/61/EC. Produced and distributed with the support of the International Trade Centre (ITC)’s Export-led Poverty Reduction Programme of the United Nations. www.silkfromcambodia.com”.

To meet with tourists’ requirements, producers need to be creative and experiment with new designs. Tourism is not different from any other industry in so far as innovation is needed to stimulate demand. The feedback from buyers can be used to identify the products that sell well and that can be further developed. Producers should try not to imitate existing products but to create their own contemporary designs. They can develop a new product or adapt their existing products to create a new style.
Development programmes can help producer groups to build up their own design competence and can motivate them to develop new products by:

- Creating awareness for design innovation needs and market expectations;
- Training local designers working for producer groups, NGO’s and associations;
- Encouraging local craftsmen to experiment with new design developments;
- Providing access to information sources on design and colour trends;
- Arranging partnerships with universities and design schools;
- Helping municipalities to organize exhibitions and design awards.

**Exercise 4: Improve product design**

Collect ideas based on brainstorming on the following three questions:

- In your individual situation, how do you judge the quality, innovation and diversity of handicraft products sold to tourists?
- What local resources are available which you can draw on for product design improvements?
- How can you facilitate product innovation, upgrading and diversification?

In addition to introducing new designs, the improvement of the product quality can increase the market potential as well. Product quality upgrading requires a basic 3-step quality control system:

- It starts with ensuring that the right kind of raw material is supplied, which is suitable for a higher quality end product;
- Regular checks during the production are necessary to reach a more consistent product quality;
- Handicraft producers need to apply a strict final product quality control before sending the products to the shops.

Producers should also work on being able to come up with quantities, which allow a regular, continuous and reliable supply of shops and wholesalers. Products need to be available in sufficient quantity and timely, particularly during tourist peak season.

Note that not all products are allowed to be traded. It is therefore important for producers to realize that:

- Products should not be made from endangered species;
- There are quarantine restrictions for live plant and animal species, as they can introduce pests into other countries.

**4. Training producers on costing and pricing**

Producers should be aware of their production costs and know how to set prices in order to have competitive prices, which are attractive to the customer, but still allow to generate a reasonable profit.

The easiest way to set prices is to see what other producers ask for when selling similar products and set own product prices accordingly. There will be some kind of standard prices for many product types.
Producers should also identify which kinds of product are sold at a higher price than other articles and, therefore, offer them higher income potential.

Producers should also keep in mind that tourists often expect to be able to bargain with the sales person about the price of handicraft products.

The total production costs of handicrafts can usually be divided into three types of costs: raw material costs (the costs of the materials used), labour costs (the costs of the hours of work), and indirect costs (costs that are indirectly related to the production process). In addition, companies may have to pay a sales taxes like VAT (in some cases) and will want to make a profit in addition to the direct labour costs.

The producer probably knows by experience how many items he/she can make from one unit of raw material. This unit can be a kilo, a meter, etc. The price that the producer pays for the material, divided by the amount of handicraft products created with this material, gives the material costs per product. In many cases, different kinds of material are needed to come up with one handicraft product. One should not forget that some material is wasted in the production process. However, the costs of waste material must also be included in the price.

**Exercise 5: Calculate product price**

Make an estimation of direct costs per item and add mark-ups for indirect costs, sales tax (in case necessary) and calculated profit margin.

**Direct costs per piece (see example in box 13)**
- Material 1
- Material 2
- Material 3
- Material 4
- Labour 1
- Labour 2
- Other costs

Total direct costs per piece =

\[ \text{+ x\% mark-up for indirect costs (see exercise 6)} \]
\[ \text{+ x\% mark-up for taxes} \]
\[ \text{+ x \% mark-up for expected profit margin} \]

Product price

Labour is the time that the producer (and his/her employees) spends actively working on the product. To calculate the costs of labour per person, multiply the amount of hours a producer spends on production by an appropriate average hourly wage.

Indirect costs are all the fixed operating costs that are not directly related to production. They can include shop rental, depreciation for equipment, telephone, electricity, maintenance, transport, taxes and marketing costs. Product prices should include a certain percentage (mark-up) for covering such costs and
enabling the producer to have some money available if old machinery is to be replaced or if he needs to invest into marketing activities.

The costs for rent, telephone and electricity can be estimated and calculated on a monthly basis. In order to estimate the indirect costs per piece, one should then ask how many items can be produced/sold per month. As the production and sales volume can vary a lot, one may estimate the indirect costs per piece based on different quantities likely to be sold.

Tools and equipment are bought once and probably last a long time. They are relatively expensive and one must ‘save’ money over time to be able to replace the tools when they are worn out. These necessary ‘savings’ are part of the indirect costs of the product and are called ‘depreciation expenses’.

To calculate these depreciation expenses, divide the costs of the new equipment over the amount of years that it is going to be used before it is replaced by a new machine.

---

**Box 13:** 
**Example of direct costs calculation – Knitted baby slippers (felt/yarn mix) from Mongolia**

<table>
<thead>
<tr>
<th>Raw material</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 gram dyed wool, 17.7 US$/kg</td>
<td>1.77</td>
</tr>
<tr>
<td>30 cm leather, 185/10 cm</td>
<td>0.39</td>
</tr>
<tr>
<td>Yarn</td>
<td>0.07</td>
</tr>
<tr>
<td>Soap</td>
<td>0.07</td>
</tr>
<tr>
<td>Knitted yarn, 40 gram</td>
<td>0.43</td>
</tr>
</tbody>
</table>

**Labour costs**

3.8 hours, 0.5 US$/hour

**Total direct costs**

4.63

EPRP Mongolia, 2009.
Exercise 6: Calculate mark-up for indirect costs

What indirect costs do you have and how can they be covered based on different sales quantities?

**Indirect costs/month**
- Production facilities/shop rental
- Depreciation machinery
- Electricity/communication
- Labour costs of administrative or sales staff
- Transport/car
- Other costs

**Total indirect costs/year** = ___________

**Indirect costs per piece**
- Low production quantity (….. pieces/year) Indirect costs per piece =
- Medium production quantity (….. pieces/year) Indirect costs per piece =
- Large production quantity (….. pieces/year) Indirect costs per piece =

5. Improve sales promotion efforts

Hardly any product can be sold without any form of promotion and marketing. In order to sell, customers must be made aware of the product and of the possibilities to buy it.

Promotion material can be developed by a producer association and can make the product more interesting for tourists. The material should ideally describe how the product is made and provide the history of the crafts tradition in the country. In this way, tourists will learn more about the background of the handicraft products and may be motivated to visit the store.

Some artefacts are more valuable or appealing to tourists when they are related to the local cultural heritage. Products that are believed to bring luck, or that are a small replica of a well-known statue and specific to the local culture, are more interesting for tourists than products without a cultural or religious significance. Besides, if tourists value a product for its religious or cultural meaning, they are most probably willing to pay a higher price for it.

Many tourists are more easily inclined to buy a handicraft product if it is likely to contribute to pro-poor income. Handicraft producers are therefore advised to use “Fair Trade” arguments, as this helps to increase the volume of products sold and the prices obtained. Fair trade means that poor producers are paid a fair price for their product, a price which enables them to earn a decent income and enable their family to live a life above the poverty line.

There are quite a number of handicraft producer groups and associations in developing and transition countries, who are formally fair trade certified. This is an advantage, but may also be too complicated or too expensive for other groups. With regard to the tourist market, it is in many cases already sufficient to just use fair trade arguments. Producer groups and cooperatives should ideally explain in their promotion
material whether and to what extent the sale of the handicrafts offered by them will contribute to poverty reduction.

Useful promotion material for tourists can be:

- Leaflets and brochures;
- Posters, information tables and banners;
- Advertisements;
- Product hang-tags
- Video films.

**Box 14: “Nazar” the Evil Eye**

One way to add value to a product is to tell the story behind. This can be communicated to the tourist in an appropriate manner. Here is an example from Turkey.

“A woman gives birth to a healthy child with pink cheeks; all the neighbours come and see the baby. They shower the baby with compliments, commenting especially on how healthy and chubby the baby is. After getting so much attention weeks later the baby gets ill. No explanation can be found for his illness. It is described as the Evil Eye “Nazar”. To protect the baby from “Nazar”, nearly every Turkish mother fixes a small amulet onto the child’s clothes. Once this amulet is found cracked, it means it has protected the baby and immediately a new one has to replace it.”

Turkish people believe that the evil eye amulet will protect and that all the bad energy will be directed to the amulet and it will break. No bad energy will reach the person who is protected with the amulet of “Nazar”. This amulet against evil eye is very typical for Turkey. One can find it all over Turkey: women use it as a bracelet, earring or necklace; Turkish people hang it in their house, office and car, also babies have it hanged in their clothes.

If one just had a baby, bought a new car, built a new office building or if one is worried that “friends” and others are filled with envy about good fortune, the protection of “Nazar” is used for anything new or likely to attract praise.


Leaflets can be distributed at airports, hotels, restaurants, travel agencies, pubs and other places where tourists usually go. Particularly hotels and holiday resorts often have some information counters, at which all kinds of leaflets and brochures are made available to tourists.

At most tourist destinations one can find different kinds of publications informing tourists about local attractions, possible excursions, public events etc. If tourists read advertisements and articles in such magazines they may be motivated to visit craft shops. Producer groups and associations can sometimes negotiate with the publishers to insert articles describing their activities in addition to advertisements for which they pay. Another possibility is advertisements in airline on-board publications.
Exercise 7: Improve sales promotion efforts

Take the example of a producer group which you know well and note on half a page:

- Three arguments why one should buy from this producer group;
- Three product advantages;
- Three customer benefits.

Turn these arguments into a promotional text not longer than half a page.

When preparing leaflets, posters, advertisements, hang-tags and video films, give tourists background information and, most important, address emotions. Use photos, simple sentences and clear examples. Even little product hang-tags provide enough space for talking about, for instance, some social benefits arguments to the tourist (see box 12, CCC Cambodia).

Tourism information points and notice boards are further possibilities to inform tourists about handicraft outlets. Distribute promotional material at places where a lot of tourists come, like hotels, café’s and restaurants.

Notice boards can be placed at all high traffic places of villages or towns, for example on the central square, close to shops and restaurants. Information panels can be displayed at airports.

Larger producer groups and associations can further intensify their marketing tools by developing brand names, which can be recognized as trusted quality signs by the local tourism industry. For launching a brand, develop a unique, augmented product range with distinctive quality features (hard facts) and combine it with a slogan, label, logo and soft core values related to the heritage of craftsmanship, traditional roots and social commitment.

6. Support government initiatives

National, regional or local government organizations are in charge of development strategies or master plans for tourist destinations. Their main role is to provide sound legal and social framework conditions and a conducive environment for enterprise growth. Adequate infrastructure, political stability and security need to be ensured. The government usually takes high interest in tourism promotion as a main income earner for the country and aims at increasing the attractiveness of their destination, for which having a vibrant craft retail sector can be an important asset.

Important areas of government activities are to:

- Improve the legislation framework for MSME companies;
- Provide land and facilities for the crafts and tourism industry;
- Organize festivals, events and markets which support the tourism and crafts industry;
- Coordinate and promote project activities;
- Run vocational training facilities for the tourism and crafts industry.

The promotion of the tourism and handicraft sector mostly concerns different governmental organizations and requires coordination between government departments, organizations and institutions concerned with tourism and handicraft development. Important long-term decisions with high implication on craft sales are often prepared by tourism boards and councils, who are key partners of Inclusive Tourism.
Inclusive Tourism: Linking the Handicraft Sector to Tourism Markets

Inclusive Tourism projects can support government initiatives by:

- Demonstrating pro-poor income generation possibilities through pilot projects, which can be replicated by government organizations for increasing outreach;
- Facilitating a discussion forum between the tourism-related craft industry and government organizations for improved cooperation;
- Contributing to better organization and performance of handicraft producer organizations to enable them to become a valuable cooperation partner for the government;
- Assisting in the organization of festivals, events and market places to create more public awareness;
- Improving know-how and training skills of vocational training centres.

Government organizations can build on Inclusive Tourism activities and increase impact and sustainability. Lessons learned can be integrated in existing government initiatives and can be implemented at a larger scale.

Tourism officers at public institutions can support Inclusive Tourism project initiatives to promote better market linkages between handicraft producers and the tourism sector. They can facilitate an exchange of information and particularly focus on promoting handicraft-related tourism activities.

There are many possibilities for win-win situations based on a close cooperation between the government and handicraft development projects. The relevant government organizations shall be involved in the project design from the beginning and shall be a close and active cooperation partner during project implementation and lessons learnt from project activities shall be reported back to the government authorities for becoming an integral part of future sector policies.

Summary: How to develop the tourism-related handicraft value chain

- Improve business linkages between the different value chain stakeholders based on mutual interest and win-win situations;
- Help organize producer groups and associations to strengthen competitiveness;
- Promote innovation and business mentality;
- Support sector-related policies.
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