

# **Collective Marketing**

## **The Case of Handicrafts in Nepal**

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**Surendra Shahi  
Chandra Prasad Kachhipati**

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**International Centre for Integrated  
Mountain Development  
Kathmandu, Nepal  
1999**

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**Surendra Shahi  
Chandra Prasad Kachhipati**

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# Preface

Development experiences in most of the mountain areas of the Hindu Kush-Himalayan Region, over the past decades, have shown that the prevailing predominant mode of their economies – subsistence agriculture – is becoming increasingly unsustainable both economically and ecologically. Diversification of economic activities into products and services, for which these areas offer a comparative advantage, through enterprise-based production for the market, is considered necessary for sustaining livelihoods and alleviating the poverty of the rapidly increasing population. It is in this context that ICIMOD established a programme on Development of Micro-enterprises in Mountain Areas with the objectives of identifying constraints and opportunities and developing policy, programme, and training guidelines for enterprise development in hill and mountain areas of the HKH region. As part of this programme, the Centre has commissioned a number of studies in different countries and areas of the HKH region with a view to documenting experiences of development and functioning of enterprises covering different aspects such as comparative advantage of products, processes, and factors in enterprise development, technology, credit, marketing, and development of entrepreneurial skills as well as policies and programmes by government and non-government agencies for promotion of enterprises.

The present paper '**Collective Marketing: The Case of Handicrafts in Nepal**', by Surendra Shahi and Chandra Prasad Kachhipati, is one in this series of studies. It is being published with the hope that it will be found useful by those engaged in research and development, policy-making, programme formulation, and implementation for the promotion of enterprises, as well as by present and potential entrepreneurs in their respective activities.

T. S. Papola  
Head  
Mountain Enterprises and Infrastructure Division

## **Abstract**

The present study describes and assesses the collective marketing efforts initiated in the case of Nepalese handicraft products over the last decade. Detailed analyses of the functioning of various producers and marketing organizations reveal that these efforts have helped large numbers of small producers scattered throughout different parts of the country by ensuring markets and fair prices and, as a result, resulting in increasing their production and income. Introduction of the principle of fair trade, with the formation of the Fair Trade Group, Nepal, has given additional protection and benefits to small producers.

The study also reveals that there are some basic problems, relating to raw materials, technology, and competition, in the case of several handicraft products, and that the collective marketing organizations can help to resolve them only to a limited extent. Within the collective marketing set-up, there are problems that are both organizational and which relate to the commitment of producers to their organizations. The study concludes that the collective marketing organizations and the fair trade movement need to be strengthened to ensure fair returns to the producers and bigger markets for handicraft products.

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We would like to thank Fair Trade Group Nepal member organizations and their producer groups for making information available. We would also like to thank BCP, VLTS, Himalayan Leather Handicrafts, WEAN Cooperative, WSDC, Wood Carvers' Cooperative Society, Silk Association of Nepal, Handicraft Association of Nepal, and the Women's Development Centre, Ilam, for providing us with information for the case studies of their respective organizations and producers.

# Acronyms

<b>ACP</b>	Association for Craft Producers
<b>ADB</b>	Agricultural Development Bank
<b>AEA</b>	Alternative Trading Organization
<b>ATO</b>	Alternative Trading Organization
<b>AWON</b>	American Women's Organization in Nepal
<b>BCP</b>	Bhaktapur Craft Printers
<b>CAA</b>	Community Aid Abroad
<b>CARITAS</b>	Catholic Relief Service
<b>CDO</b>	Chief District Officer
<b>CIE</b>	Cottage Industries' Emporium
<b>CIHE</b>	Cottage Industries and Handicraft Emporium
<b>CTEVT</b>	Council for Technical Education and Vocational Training
<b>EFTA</b>	European Fair Trade Association
<b>ECOTA</b>	Effort for Craft Organization Trading Advancement
<b>EZA</b>	Alternative Trading Organization of Austria
<b>FOB</b>	Free on Board
<b>FTG</b>	Fair Trade Group Nepal
<b>GDP</b>	Gross Domestic Product
<b>GEPA</b>	Alternative Trading Organization of Germany
<b>HAN</b>	Handicraft Association of Nepal
<b>HLH</b>	Himalayan Leather Handicrafts
<b>HMG</b>	His Majesty's Government of Nepal
<b>ICOMP</b>	International Council on Management of the Population Programme
<b>IFAT</b>	International Federation for Alternative Trade
<b>INGO</b>	International Non-Government Organization
<b>JWDC</b>	Janakpur Women's Development Centre
<b>KHARDEP</b>	Koshi Hill Area Rural Development Project
<b>LC</b>	Letter of Credit
<b>MBNPCP</b>	Makalu Barun National Park and Conservation Project
<b>NCOGSM</b>	Nepal Charkha Pracharak Gandhi Smarak Mahaguthi

<b>NGO</b>	Non-government Organization
<b>NS</b>	Nepal Standards
<b>OS3</b>	Alternative Trading Organization of Switzerland
<b>OXFAM</b>	Oxford Committee on Famine Relief
<b>RNAC</b>	Royal Nepal Airlines' Cooperation
<b>RONAST</b>	Royal Nepal Academy for Science and Technology
<b>SAN</b>	Silk Association of Nepal
<b>SCF</b>	Save the Children's Fund
<b>SLC</b>	School Leaving Certificate
<b>TBDWC</b>	Tehrathum Bansghari Dhaka Weaving Centre
<b>TMMA</b>	Tulsi Mehar <i>Mahila Ashram</i>
<b>TPC</b>	Trade Promotion Centre
<b>UNICEF</b>	United Nations Children's Fund
<b>UNWO</b>	United Nations Women's Organization
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>VLTC</b>	Village Leather Training Centre
<b>WEAN</b>	Women's Entrepreneurship Association of Nepal
<b>WSDP</b>	Women's Skill Development Project
<b>WSDC</b>	Women's Skill Development Centre
<b>VDC</b>	Village Development Committee
<b>VSO</b>	Voluntary Service Overseas
<b>VLTS</b>	Village Leather Training Service

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# Chapter 1

## Introduction

### 1.1 Handicrafts in the Nepalese Economy

Having a rich tradition of craftsmanship, Nepal is quite well known for its rich art and architecture. The exemplary works of art in wood, metals, and stone that decorate the innumerable temples, palaces, shrines, and traditional houses in the three cities of the Kathmandu Valley amply reflect this heritage. The artisans, who, with their dexterous handiwork, have left behind such spectacular work for future generations were mostly from the *Newar* community from the Kathmandu Valley. Their skills in traditional arts and crafts were in demand even in far away China in 1300 A.D. Their skills were usually passed on from generation to generation and, fortunately, they have survived until now. Even in this age of advanced technology, Nepal is still producing hand-made crafts that capture the attention and admiration of people the world over. Handicrafts are an integral part of Nepal's cultural heritage.

Most traditional arts and crafts, such as metal idols, sculpture, and wood carving, are concentrated in the Kathmandu valley where the *Newar* community predominates. The *Newar* community is a Tibeto-Burman ethnic group, they are thought to be the original settlers of the Kathmandu Valley. Artists and producers are from the *Newar* community; these communities were identified according to their crafts, and they are still identified today as *Chitrakar* (painter), *Silpakar* (wood carvers), *Tamrakar* (copper craft and idolmakers), *Prajapati* (potters), and *Shakya* and *Bajracharya* (silversmiths). These products were defined as handicraft goods until 10 years ago. With recent development and growth in this trade, other contemporary products have been included in the definition of handicrafts (Source HAN). A resurgence in demand for hand-made products in foreign markets has led to a revival in the production of handicrafts. The economic returns in this business have also enabled the survival of



entrepreneurs throughout the country. Today handicrafts made by artisans living in remote villages have also become popular and are in demand among foreigners as well as among the Nepalese themselves.

Though Nepal has a rich and old history of craftsmanship<sup>1</sup>, the production of handicraft products as an economic activity began only 40 years ago. At that time the main products were traditional items such as brass and copper figures of gods and goddesses, filigree items, and *thanka* (Buddhist religious paintings). There were a few people (about 150) engaged in the commercial production of handicrafts in the Kathmandu Valley. Of course, artisans in the mountains and villages also produced handicrafts, but they were not commercially marketed and used only locally.

At present, it is estimated that the handicraft industry employs over 300 thousand people all over the country. Unofficial estimates suggest that handicrafts contribute more than 50 per cent of the family incomes of those engaged in their production. The figure varies between urban and rural areas, because in urban areas people work full time in handicraft production, whereas in rural areas it is a subsidiary occupation to farming. Currently, more than 1,200 handicraft producers (companies, firms, organizations, and individuals) are officially registered with the Handicrafts' Association of Nepal (HAN). There are many more handicraft producers who are work-

ing without formal registration, and their number is increasing year by year.

With the potential to earn foreign currency, the handicraft industry will have a very promising future if it is provided with a policy environment that is conducive to its expansion in the global market.

The handicraft industry can play a vital role in eradicating poverty and unemployment. In Nepal, the economy is extremely dependent on subsistence agriculture and the base for large- and medium-scale industries is limited. Though the contribution of handicrafts to the GDP is small, its share in exports has been steadily increasing. The contribution of handicrafts towards the GDP in 1996/97 was 0.89 per cent, whereas it was only 0.08 per cent in 1986/87 (Table 1.1).

## 1.2 Export of Handicrafts

Handicraft marketing started 40 years ago after Nepal opened to the rest of the world and after the beginning of the first five-year plan in 1956<sup>2</sup>. The marketing of handicraft products started when people from India visited Nepal to buy handicraft goods and gradually traders from Nepal began to visit Delhi and Calcutta to sell handicrafts. With the formulation of a foreign trade policy following the formation of a democratic government in 1958, Nepalese goods began to find a market internationally besides India. Finished

1 One of the most famous architects is Arniko. He travelled all the way from Nepal to Tibet to build pagodas and temples. It is believed that he introduced the pagoda style of architecture to China. The oldest temple in the valley (Changu Narayan in Bhaktapur - 1500 AD) illustrates this rich history.

2 N.B. Historically, however, at one time Nepalese currency was convertible into Tibetan currency. Nepalese trade in handicrafts and other goods was flourishing in Tibet and India. In the 19<sup>th</sup> century, following the Gorkha conquest, Nepal was sealed to the outside world and no formal records are available. Hence the emphasis on the last 40 years.

**Table 1.1: Contribution of Handicraft Exports to Nepal's GDP**

Year	GDP at Factor Cost*	Handicraft Exports**	Contribution of Handicraft Exports
1986/87	47,427	33.7	0.07
1987/88	50,761	66.8	0.13
1988/89	53,518	97.3	0.18
1989/90	56,158	159.9	0.28
1990/91	59,768	190.7	0.32
1991/92	62,531	342.3	0.55
1992/93	64,586	567.5	0.88
1993/94	69,686	526.5	0.76
1994/95	71,695	572.3	0.80
1995/96	76,095	628.6	0.83
1996/97	79,855	709.4	0.89

\* Economic Survey 1996/97, HMG, Ministry of Finance

\*\* Handicraft Association of Nepal

products and value-added items, such as carpets or garments, which dominate the export scene today, were almost non-existent. Most of the products were purchased by middlemen in India and re-exported.

Over the past decade, half-concerted efforts have been made by development-oriented, collective marketing organizations to promote overseas trade in Nepalese handicrafts in collaboration with global Alternative Trade Organizations (ATOs). Their fundamental concern is ethical marketing. Ethical marketing involves a number of factors in addition to normal business dealings. These are: concern for prompt and advance payment, fair wages and good employment conditions, environmental protection, and other fair practices in business. To capitalise on the collective strength and share relevant information through wider networks such as the International Federation for Alternative Trade (IFAT) and The European Fair Trade Association (EFTA), organizations such as the Fair Trade Group

(FTG), Nepal, have emerged to facilitate fair trade in Nepalese handicrafts and other products.

Exports of Nepalese handicrafts have been increasing steadily for the last few years. In recent years, even though the exports of major items such as carpets and ready-made garments have declined, handicraft exports have increased. Handicrafts worth Rs 36.3 million were exported in the year 1986/87, by 1996/97 the figure had increased to Rs 709.40 million. With aggregate exports in 1996/97, at Rs 17,000 million, the percentage of handicraft items in the total exports was 4.17 per cent (Table 1.2).

It is also observed that handicrafts as a category of exports have, in terms of their share of the export market, increased over the past years. Handicrafts of various kinds made up 3.64 per cent of total exports in 1989-90, in 1996-97, their share had increased to 4.17 per cent. In terms of composition of exports of handicrafts, cotton and woollen products, including ready-

**Table 1.2: Percentage Share of Handicrafts in the Overseas' Exports of Nepal**

Year	Handicrafts*	Total Overseas' Export**	Percentage of Handicrafts in Total O.S. Export
1989/90	159.9	4,388	3.64
1992/93	567.5	15,494	3.66
1993/94	526.5	16,494	3.19
1994/95	572.3	14,288	4.00
1995/96	628.6	15,526	3.69
1996/97	709.4	17,011	4.17

\* Handicraft Association of Nepal

\*\* Trade Promotion Centre

made garments, constitute the single largest item, constituting about 34 per cent, followed by silver products (22%) and metal products (17%). Paper and paper products constitute another significant item contributing about 10 per cent to the total number of handicrafts exported from Nepal (Table 1.3).

Overall handicraft exports have shown rapid increase over the past decade, having increased almost four-fold from 1989-90/1996-97. The most rapid growth has been in Nepali paper and paper products, followed by woollen garments, silverware, and jewellery. In more recent years, since 1993-94, growth has been slow; cotton

and woollen garments have, in fact, experienced a decline in demand. The demand for paper and silver products has grown steadily, while the demand for metal products, filigree products, and woollen products has fluctuated.

### 1.3 Present Study

As mentioned earlier, efforts have been made over the past decade to experiment with collective marketing of handicrafts and other products of small and micro-enterprises throughout rural and urban Nepal. To what extent these efforts have led to market expansion and better realisation of prices is the central focus of this study.

**Table 1.3 : Product-wise Export of Handicrafts**

	1993/94	1994/95	1995/96	1996/97
Metal	74.1	102.5	98.7	117.2
Filigree	16.8	24.6	30.7	22.8
Wooden & Bamboo Products	13.6	19.1	23.4	27.5
Paper Products	25.4	41.5	53.6	27.5
Thanka	5.4	6.1	7.7	11.2
Silver Products	105.1	120.0	138.4	155.4
Cotton & Woollen Products	271.7	227.3	237.1	237.9
Others	14.4	31.1	39.0	70.0
Total	526.5	572.2	628.6	709.4

Source: Handicraft Association of Nepal

The study particularly focusses on FTG, Nepal, which has emerged in recent years as a pioneer in collective marketing, with its model of organized marketing. A number of other organizations outside the orbit of FTG have, however, also been studied.

The information in this report has been gathered by means of questionnaires, interviews on site, and study of documents and written materials from the organiza-

tions involved. Most inferences have been drawn on the basis of empirical findings from field visits to the members of FTG, Nepal, its producer groups, and other organizations. Annex I presents the questionnaire used for collecting information from and views of producers and organizations. The proceedings of a one-day workshop of FTG Nepal members on the development of a collective marketing strategy have also been incorporated as Annex 5 of this report.

## **Chapter 2**

# **The History and Development of the Handicraft Market**

This chapter briefly describes the types of handicraft products and traces the development of organized marketing of Nepalese handicrafts.

### **2.1 Definition of Handicrafts**

Handicraft production is a commercial activity based on the craftsmanship of artisans. Moreover, handicrafts can be considered as an industry using manual skills and an expression of creativity. Different organizations have defined handicrafts differently.

#### **2.1.1 Generalised System of Preferences (GSP)**

For the purpose of the Generalised System of Preferences (GSP), handicrafts are defined in the following ways.

- Products made by hand
- Products made by hand tools
- Products made with the help of machines operated by hand or leg

- Products made through a combination of the above processes.

#### **2.1.2 His Majesty's Government (HMG) of Nepal**

In Nepal, there is no standard definition of handicrafts. There is also no provision for registering handicraft industries separately. The Industrial Enterprise Act has covered all the craft-producing enterprises within the cottage industry category, and this is equivalent to micro-enterprises in many countries. His Majesty's Government and the Trade Promotion Centre (TPC) include only traditional items such as metal crafts, *thanka*, and filigree in the handicraft category in compiling data on exports from Nepal.

#### **2.1.3 The Handicraft Association of Nepal (HAN)**

The Handicraft Association of Nepal (HAN) is the representative national body of



handicraft producers, exporters, and retailers. HAN classifies traditional Nepalese handicraft products into eight broad groups. Handloom woollen carpets that involve a lot of manual work and dexterity, and which are the number one foreign currency earner in Nepal, do not fall into the handicraft category in the definition given by either HMG or HAN. The eight categories into which Nepalese Handicraft products are classified by HAN are as follow.

- Woollen and cotton goods
- Silver goods
- Brass/copper goods
- Paper products
- Filigree goods
- Wood crafts
- *Thangka* paintings
- Others

HAN has classified products such as basketry, ceramics, dolls and puppets, masks, bead crafts, bone and horn products, knot crafts, batik, and other handicraft products into the 'other' category. Without following any strict definition we can identify the principal Nepalese handicraft products as follow.

## **2.2 Categories of Handicraft Products**

### **2.2.1 Metal Crafts**

Metal craft products include metal images of popular motifs of Hinduism and Buddhism and utilitarian utensils. These products are mostly produced by household units clustered around the city of Patan and the district of Bhojpur in east Nepal. In Nepal, making metal images is a very old craft. The images are produced by the lost wax

method of casting. The following is the lost wax sequence: preparing a wax model, covering it with clay, heating it to melting point, extracting the liquid wax so that a cavity is created, pouring metal into the cavity, and cooling it. In this process, the original model is transposed into a metal image. The metal image cast is very rough. It is then smoothened by chiselling it to precision. This complicated job requires an artist's conceptualisation, proper technology, an engineer's perfection, and the skilful hands of a craftsman. The art and skill are passed down from generation to generation and artisans follow traditional designs and methods of production.

### **2.2.2 Wood Carving**

The high quality craftsmanship in wood carving can be seen in various articles such as windows, doors, chests, boxes, figures of gods and goddesses, and animals and birds. The art of woodcarving has been in existence since the middle ages, as is evident from the work found in various old temples, palaces, and houses in and around the Kathmandu Valley. This craft languished for some time, but has seen a resurgence since the 1960s with the increasing influx of tourists. Wood carvings are bought by tourists as decorative pieces. The opening of new hotels and construction of new houses have also created a demand for artistic wood carving. Most of the work is carried out in the three cities of the Kathmandu Valley. Production is spread widely among individuals and households (please refer to the case study on the Bhaktapur Wood Carving Cooperative Society). At present, the industry faces a shortage in supplies of and consequently high prices of raw materials; viz., the various kinds of soft and hard wood.

### 2.2.3 Filigree Products

Delicate brass wires are intricately wound to make filigree products, and they are given a gold or silver coating to enhance their beauty. Basic filigree work originated with the use of coral and turquoise stones along with intricate filigree wirework in jewellery. Gradually, this work was used for pillboxes or larger cases to hold different articles and other decorative items such as birds and animals. Finally, this art form has recently been adapted to make very fine and delicate Christmas tree ornaments.

### 2.2.4 Paintings

Paintings were first seen in Nepal in the 11<sup>th</sup> century A.D. when Buddhists and Hindus began to illustrate the deities and natural scenes. Historically, Tibetan and Chinese influences in Nepalese painting were evident in *paubha* (*thanka*). *Paubha* are of two types: the *pala* that illustrate paintings of the deities and the *mandala* or mystic diagram paintings of complex prescribed patterns of circles and squares, each having specific significance.

*Thanka* are Tibetan paintings depicting various aspects of belief of mystic Buddhist sects. They are painted on silk or cotton fabrics with bright colours of many hues. *Thanka* are used as wall decorations. For Buddhist *lama*(s) they are objects of religious importance.

*Thanka* were developed in the northern Himalayan regions by Buddhist monks. The Gurung and Tamang communities are also producing *thanka*, and this provides substantial employment opportunities for many people in the hills. Some of the artistic, religious, and historical paintings are

also done by the *Newar* of Kathmandu Valley.

### 2.2.5 Hand-made Paper Products

Nepalese craftsmen have been producing hand-made paper for over a thousand years. The people of Nepal use natural paper in their daily lives for writing valuable legal documents, for making sacred or popular masks, for kites, etc. The monks of Tibet have always used it for their manuscripts and for printing sacred texts. This paper is renowned for its exceptional durability and for its lively and special texture.

The Chinese technique of paper-making was brought from Tibet about one thousand years ago (Bhaktapur Craft Printers' Information). The bark from *Daphne cannabina* or *Daphne papyracea*, known as *lokta* in the local language, is the raw material used. It is gathered at high altitudes without destroying the fragile ecology of Nepalese forests. Then, it is carried to villages two or three days' walk down the mountains. The paper-makers clean and boil the bark. Beating the boiled bark with wooden mallets produces a pulp, and this is poured on to wooden frames to dry in the sun. The sun-dried sheets are transported to paper factories where they are dyed, stencilled, printed, and transformed into attractive products. Today, products such as greeting cards, stationery sets, notebooks, gift wrapping paper, bags, envelopes, photo frames, and so on are made using traditional Nepalese designs (please refer to the case study on Bhaktapur Craft Printers).

### 2.2.6 Terra-cotta/Ceramics

In Nepal, building and modelling in terra cotta goes back 2,600 years and still con-

tinues to this day. Terra-cotta temples, displaying superbly carved life-like motifs were built between the 14<sup>th</sup> and 18<sup>th</sup> centuries. Locally known as *kumhale*, one of several occupational castes, Nepalese potters use earth to produce a range of quality ceramic products. Earthenware statues, water and storage jars, and flower pots are traditional products. Today, producers have added interesting glazes, all lead free, and an expanding product line of useful and decorative terra-cotta items.

### **2.2.7 Papier Maché Masks, Puppets and Dolls**

Colourful papier maché masks, depicting various gods and mythical demons make unique decorations and are available in many sizes. Puppets made of wood and clay with papier maché masks are colourfully and ethnically dressed and are a popular export item. Some dolls made from cloth and corn husk, depicting various occupational and tribal ethnic groups, represent the culture of Nepal.

### **2.2.8 Bamboo, Cane and Straw Products**

Items for daily use are produced out of bamboo, straw, and cane all over Nepal. Such articles include furniture, mats, baskets, bags, boxes, trays, coasters, flower vases, and grain stores. Such articles are mainly produced in village households for every day use or for the local market. Commercial production of such articles has developed in the Kathmandu Valley and some areas of the *Terai*.

### **2.2.9 Handloom Weaving**

Handspun and handloom clothes worn by men, women, and children are a sig-

nificant expression of lifestyle in Nepal. Though weaving today has grown into a big business through the use of power looms, many families in Kathmandu Valley's old towns and localities still weave traditional clothes by hand. In some rural areas, village women can be seen spinning and dyeing cotton and woolen yarn and working on their handlooms.

Handloom fabrics in Nepal range from those woven in traditional patterns from cotton to cloth woven from *allo* (*Girardinia diversifolia*); the fibres of a plant belonging to the nettle family. Traditional items made from these fabrics include caps, shawls, sacks, bags, and clothing. Today new lines of ready to wear garments are also made to take advantage of the durability, versatility, and subtle colours of these fabrics.

#### **Dhaka Products.**

One of the handloom fabrics, which is becoming more and more popular, is *Dhaka*, a fabric used for making shawls and hats in particular. Weaving *Dhaka* is an intricate art that has been preserved in Nepal. It is valued for its intricate handiwork in natural fibres. The traditional pattern is woven on wood and bamboo treadle looms by *Limbu* and *Rai* women from the eastern hill areas of Nepal. Stripes of mercerised sewing cotton with intricate and colourful cotton patterns are used in weaving. Each design is unique in shading. The weaver decides without a chart and without counting threads into which section of the warp she is going to lay the colours that form the pattern (please refer to the case study on Tehrathum *Dhaka* Weaving and Ujolta *Dhaka* Cloth Production Centre).



## Pashmina Shawls

Nepal is also known for its finely woven *pashmina* shawls. The *pashmina* shawl is an indigenous and unique product of Nepal. It is hand-made from the wool of goats from the mountainous regions of Nepal. Most of the wool comes from altitudes of from 2,743 to 3,353 metres above sea level. The wool is usually in one of four colours: grey, white, black, or cream. Once the skin comes to the factory<sup>3</sup>, the wool next to the skin is cut out. This wool is carded to separate the rough, outer part. The soft wool is then hand-spun into thin *Pashmina* yarn. This yarn is then hand-woven into the loom, with cotton, silk, and *Pashmina* wrap.

Hand-spun *Pashmina* wool is currently being replaced by imported, fine machine-spun yarn. This has discouraged local production, thus reducing opportunities for rural employment and income.

## The Natural Fibres of Hemp and Allo

In recent years, traditional weaving of hemp and *allo* (nettle) cloth has been on the increase. Several products, ranging from bags, wallets, place mats, and clothing, are being produced and are quite popular.

*Allo* (*Girardinia diversifolia*) is grown above 2,438m and is found in the hills from west to east. The villagers harvest the bark from September – March, spending one or two days, but sometimes a week, in the jungle collecting the bark. The bark is left to dry

for a few weeks. The dried bark is then boiled with wood ash for about four to five hours to make it soft and to extract the fibre. Then it is washed with mud to take away the unwanted substance and the fibre is ready for spinning. Traditional methods of spinning the yarn by hand spindle are still used. Since the *allo* is available in the hills throughout Nepal, there is good scope for expansion to different parts of the country.

## **2.2.10 Woollen Products**

Nepal has a wide variety of wool-bearing animals, so woollen items are traditionally an important part of every day life. Today, high quality wool from sheep and the angora rabbit and imported wool from New Zealand are used to make sweaters, jackets, hats, caps, gloves, and mittens. Designs are based on both traditional Nepalese and classic western motifs and are available in a wide range of colours.

## **2.2.11 Leather Crafts**

The Nepalese cobbler (*sarki*) has been working with leather for centuries. Leather goods produced include shoes and bags from the skins of buffaloes, goats, sheep, and even the high Himalayan cow and yak are used.

## **2.2.12 Horn and Bone**

Horn and bone products are among the recently developed Nepalese handicrafts. Products include buttons, ornaments, and figurines.

3. The *pashmina* wool is extracted from the wool on the neck and chest of a mountain goat. The value of the product reflects the scarcity of the wool, since it cannot be extracted from live animals. It has been the practice that the skin of the goat (killed for meat or dead) is brought to Kathmandu from remote mountain districts of Nepal and Tibet.

### **2.2.13 Musical Instruments**

Trumpets, drums, and various flutes and cymbals are traditional products in Nepal. So far, they have not been important as an export item, but scope for larger-scale exports exists if production can be geared to suit the demand.

## **2.3 Handicraft Products by Raw Materials Used**

Depending upon the raw materials used, Nepalese handicraft products can be classified broadly as follows.

### **2.3.1 Forest-based Products**

Hand-made paper, paper masks, wood carvings, bamboo products, cane furniture, wooden boxes, wooden and bamboo musical instruments, and *allo* (nettle) and hemp cloth.

### **2.3.2 Metal-based Products**

Metal statues, filigree products, gold and silver jewellery, *khukuri* (the Nepali knife), metal carvings, metal utensils, and brass/bronze ware.

### **2.3.3 Earthen-based Products**

Stone carvings, stone sculptures, ceramic figures, ceramic pottery, precious stones, tiles, and slate.

### **2.3.4 Cotton-based Products**

Knot-crafts, textiles, *Dhaka*, traditional fashion garments, *thanka*, batik, T-shirts, bags, and caps. These products constitute the handicraft products meant for export.

### **2.3.5 Animal-based Products**

*Pashmina* shawls, horn and bone products, leather goods, stuff dolls, woollen knitwear, socks, and blankets.

### **2.3.6 Agro- and Natural Plant-based Products**

Hemp cloth products, natural fibre-based products, and silk products.

## **2.4 Development of Organized Marketing of Handicraft Products**

### **2.4.1 Private Sector**

Nepal Traditional Crafts P. Ltd., established in 1964, was the first registered company specialising in the marketing of handicrafts. Subsequently, the Handicraft Association of Nepal was established in 1972. As an organization of producers and their groups, it was the first of its kind in the development of the handicraft market and for redressing the problems faced by handicraft industries and exporters. At present, there are about 400 firms, companies, and organizations engaged in production and export of handicrafts.

### **2.4.2 Government Sector**

#### Cottage Industries and Handicraft Emporium (CIHE)

His Majesty's Government established CIHE Ltd. as a semi-government organization in 1976 to facilitate the marketing of items produced by cottage and handicraft industries. The founding members of the emporium were the Department of Cottage Industries, Department of Indus-

try, National Trading Ltd., and the Attorney General. The main objectives of the emporium are as follow.

- To manage the sales of products of Nepalese industries
- To import and make the raw materials, machines, and tools available to the craftsmen and industries
- To open production units in different parts of the country
- To manage sales of Nepalese products in domestic and foreign markets

There are 14 showrooms and nine branches of CIHE throughout the country at present. The branches in rural areas used to work as marketing intermediaries in the initial period, promoting markets for both local consumption and for the Kathmandu market. Part of this programme was subsidised by the government. Though the CIHE played a catalytic role in the very beginning in promoting products of cottage industries and handicrafts in larger markets, many of its branches in various parts of Nepal were gradually closed down. Many of the individual producers who used to supply goods to CIHE began to market their products directly and no longer needed the service of the CIHE. Also, CIHE itself could not revamp its management and marketing strategies to sustain its activities in rural areas, largely due to bureaucratic malfunctioning, lack of innovative ideas in product development, failure to provide a consistent market for producers, and absence of professionalism. The Tehrathum and Dhankuta branches, which were supporting large numbers of producers, were among the important ones to be closed down. (Please refer to the cases of *Dhaka Weaving* and the *Sangtang Club* for infor-

mation on the previous marketing activities of the emporium.)

At present, CIHE is concentrating on running two major Cottage and Handicraft Industry Emporia in Kathmandu. These stores look neglected and lack commercial or aesthetic interest, there being no spacious display, presentation, or salesmanship. There is a general absence of promotional activities. Yet, the outlets are located in prime commercial areas and have good prospects for growth.

### The Trade Promotion Centre (TPC)

The Trade Promotion Centre (TPC) was established by His Majesty's Government in 1971 with the primary objective of promoting Nepal's export trade. The centre has undertaken relevant trade studies and research and offers trade counselling to exporters; it also provides services for the diversification of Nepal's trade. This centre is also providing GSP forms for exporters and coordinates GSP applications with importing countries. TPC also gathers information on international events such as trade fairs and exhibitions and passes this information on through relevant organizations such as HAN and the Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

### Products of Nepal

HMG established 'Products of Nepal' in 1984 in New York, USA, to help generate interest in Nepalese handicraft products.

### Cooperatives

Though the concept of cooperatives is new to Nepal, a few craft cooperatives emerged

in the late seventies. The Wood Carvers' Cooperative Society of Bhaktapur is one of the notable examples.

### Non-government Organizations

Following the restoration of democracy in Nepal in 1990/91, the Nepalese government recognised that the NGO sector has clear advantages for efficient and effective execution of many development activities. Since then, the number of NGOs in Nepal has continued to proliferate, covering all aspects of development. The government and international development agencies have made increasing use of NGOs for effective project implementation. Delivery of skill training, production, and marketing has been successfully carried out through NGOs in many cases, primarily because of the concerted efforts of various dedicated producers, organizations, and their personnel.

NGOs emerged in large numbers in different sectors in the late 80s. Many organizations took micro-enterprises as an entry point for other development activities. The Nepal Charkha Pracharak Gandhi Smarak Mahaguthi (NCPGSM), Association for Craft Producers (ACP), Women's Skill Development Project (WSDP), Himalayan Leather Handicrafts (HLH), Manushi, Kumbheswor Technical School (KTS), Janakpur Women's Development Centre (JWDC), Bhaktapur Craft Printers (BCP), Sana Hastakala, and Women Entrepreneurs' Association of Nepal (WEAN) are among the notable examples of NGOs in this field.

### Handicraft Association of Nepal (HAN)

The Handicraft Association of Nepal (HAN) was established in 1971 as a non-profit making organization consisting of private sector business communities, organizations, and artisans dealing in handicrafts. Its aim is to endeavour to promote the handicraft industry and market its products, as well as to raise awareness about the role of the handicraft industry as an employment-generating sector. It is also the body authorised to certify the floor free on board (FOB) price for handicraft goods to be exported. HAN has gained the attention of a wider public and of the government while lobbying with the government about policy matters of national interest. HAN has, at present, 1,432 individuals, firms, companies, and organizations as members and has branches in different parts of the country.

### Fair Trade Group (FTG)

The Fair Trade Group, Nepal, was initially formed in 1993 as an informal body comprising of seven established NGOs operating in the field of socioeconomic development for low income and underprivileged women. The initial aims of the group focussed on collective strengths and sharing of information that enabled group members to operate more effectively. Most case studies in this document describe the development of member organizations of the FTG, Nepal, and their impact on the development of producers, producers' organizations, and their collective marketing efforts and strategies.

## **Chapter 3**

# **Present Market Situation and Problems**

This chapter attempts to portray the internal and external market situation and assess the problems associated with the current marketing system for Nepalese handicrafts. It describes the major sectors of the handicraft market and identifies the problems faced, not only in respect of market expansion and marketing, but also in respect of related aspects such as availability of raw material, technology, and product development.

### **3.1 Market Segments**

#### **3.1.1 Internal Market**

The market for Nepalese handicrafts can be divided into three main sectors: domestic, Indian, and overseas. The domestic market is concentrated in the Valley of Kathmandu and Pokhara and targets tourists. Some utility handicrafts are purchased by local people for household or ceremonial needs, but local consumption and markets in remote rural areas are too small

to induce commercially viable production. It is estimated that, of the local sales, 90 per cent are attributed to the tourist and expatriate community and foreigners working in INGOs and other institutions. There has been some increase in demand for handicraft products from Nepalese people from the upper middle classes and higher income groups. Demand from this group has, however, been for a very selected range of products such as *Pashmina* and *Dhaka* shawls, cushion covers, bed sheets and gift items such as photo frames and other products of modest value. Usually, Nepalese people do not buy handicrafts as utility items but mostly as gift items for foreign friends and relatives. Notwithstanding, in recent years, households in the upper income groups, restaurants, hotels, and offices have developed a preference for Nepalese craft products for decorative purposes. This growing segment of the market can be tapped through customer-oriented marketing approaches. Since many of the craft products are pri-

marily designed to suit the tastes of foreign buyers, there is often no effort to suit Nepalese tastes with these products.

There is a sizeable expatriate population working in foreign missions, INGOs, projects, and programmes in Nepal. This group plays an important role in the Nepalese craft market. In addition, the tourist inflow is a key determinant in the growth of local sales. The estimated six per cent annual increase in tourist inflow is encouraging, but what is of concern for marketing handicrafts is the composition of tourists and organization of the tourism trade. It is said that a large number of high class tourists wanting to spend money in Nepal do not get a chance to buy what they wish because package programmes do not provide time for and access to the principal craft markets. They are often confined to the scheduled programme and have little chance and limited time to visit market places other than those included in the schedule.

In recent years, many individual visitors coming to Nepal have bought considerable amounts of handicrafts for resale purposes. They are usually one-time purchasers or in the travel trade. They seek to buy goods at cheap prices from commercial producers or cheap shops and their objective is often to recoup their travel costs by finding the cheapest suppliers. Many vendors from Freak Street<sup>4</sup>, Thamel, and Basantapur areas are fully dependent upon this type of customer.

These travel traders have often threatened the operations of ethical marketing organizations or Alternative Marketing Organizations (ATOs) in their respective countries

and, sometimes, posed a threat to organizations like the FTG in Nepal. A communication received from an Australian ATO, CAA Trading Pty. stated that the double purpose of a tourist/trader was to buy goods from developing countries during their holiday trips at very cheap prices and bring these goods back and sell them to other small retail outlets in their own countries: often these outlets would be next door to the ATO stores. Since their overheads are lower and they buy cheap, the prices they offer are markedly lower and that affects ATO sales adversely.

### 3.1.2 The Indian Market

India has been the main market for certain Nepalese handicraft products, such as idols, *thanka*, *pashmina*, and silver jewellery, for many years. However, in recent years the situation has been turned on its head. Indian producers have been clever enough to produce quick copies of Nepalese products at lower costs. Markets for some high value Nepalese crafts, such as *pashmina*, idols, and silver jewellery, are vulnerable not only in India but also in Nepal as products are copied quickly and flood back to Nepal at almost half the price. The open border with India makes import of these items easy. These copies have already begun to replace Nepalese products and many of the traditional occupational producers have been put out of business. In addition, some Nepalese exporters have begun exporting Indian crafts with Nepalese labels. This has jeopardised the Nepalese craft market not only in India but also elsewhere. To tackle these problems, Nepalese producers should constantly come up

4. *Freak Street* is the name given to a local street in Jyochhen tole, Basantpur, Kathmandu. It is here that most of the hippies first stayed and many hotels and shops were opened in and around the area during the 1970s. The focus later shifted to the Thamel area of Kathmandu for general tourists. Nowadays Freak Street is regarded as a cheap tourist area.



with innovative ideas and products. Copying need not be seen as a negative trend; instead, Nepalese producers should be prepared to analyse the costing and to enter into the free market system. There are real constraints: Nepalese products use raw materials that are imported from India and there is no way that Nepalese producers can compete. Use of indigenous raw materials should be encouraged wherever possible. Certain skills and products using indigenous raw materials are still unique to Nepal, e.g., *dhaka* cloth weaving, *tanka* art, Nepali hand-made paper, and traditional silver jewellery. India could still be the single largest market for such products, provided efforts are made to reduce costs and develop new designs and products.

### 3.1.3 The Overseas' Market

Nepalese handicrafts are mainly exported to Western Europe, the USA, Canada, Japan, and Australia.

Two countries, namely, Germany and the USA, account for over 60 per cent of the total and 51 per cent of the handicraft exports from Nepal (Table 2.1). India, another important destination for about 25 per cent of Nepal's exports, accounts for only three per cent of its handicraft exports. On the other hand, countries such as the United Kingdom, Canada, France, and Japan, which account for less than 1.5 per cent of Nepalese exports, take over five per cent of its handicraft exports. As a result, of the total exports from Nepal to Japan, 35 per cent are handicraft products. The figure for Canada is 27 per cent and for the UK and France 16 and 15 per cent, respectively.

There are two marketing channels, namely, the commercial mainstream market from wholesalers to big departmental chain stores and ethical marketing intermediaries and ATOs. The commercial market constitutes the principal export channel for

**Table 2.1: Share in Total and Handicraft Exports and of Handicrafts to Total Exports of Different Countries, 1996/97**

Country	Total Exports	Handicraft Exports	Handicrafts to Total Exports
Germany	35.22	23.89	1.60
USA	27.30	27.24	2.35
Indian	25.08	3.20	0.30
Bangladesh	2.29	0.03	0.03
Italy	1.60	4.43	6.50
Switzerland	1.59	4.05	5.98
Austria	1.42	1.04	2.31
U.K.	1.37	9.30	15.97
France	1.11	7.20	15.23
Belgium	1.06	2.19	4.85
Japan	0.46	6.94	35.37
Canada	0.74	8.59	27.33
Spain	0.72	1.49	4.88
Others	0.04	0.41	-
Total	100	100	2.36

Nepalese handicrafts. It is estimated that about 70 per cent of Nepal's handicraft products are traded through commercial marketing channels. The products marketed in this sector are mainly high-value elite products such as *thanka*, idols, silver jewellery, and *pashmina* shawls. In addition, some products such as Nepalese hand-made paper products, traditional cotton garments, knitwear, and accessories, are also traded through conventional commercial channels. Access to the international, commercial mainstream market has been supported by the international traders who visit Nepal from time to time. This provides feedback on market trends and information to Nepalese entrepreneurs. Nepalese traders have also successfully obtained business opportunities by participating in international trade fairs and exhibitions such as the Frankfurt Trade Fair and New York International Gift Show. These markets are fairly large and require well-established business establishments with substantial resources. There are many constraints to the entry of rural handicraft producers to the commercial market. Among the constraints are the low volume of products, uncertainty in delivery times, indifferent quality, and limited resources.

### **3.2 Principal Problems in and Constraints to Marketing Handicrafts**

Some of the principal problems faced by Nepalese handicraft producers in marketing their products competitively are as follows.

#### **3.2.1 Fluctuation in Supplies of Raw Materials**

Dependency on imported materials (mainly from India and China), resulting

in uncertain supplies, price fluctuations, and lack of control over quality are the principal problems faced by handicraft producers in Nepal, particularly in the case of the product lines in cotton items.

Almost 90 per cent of the cotton yarn used for handloom weaving, knitwear, and knot crafts are imported from India. The yarn market is controlled by a few suppliers. These suppliers often create artificial shortages and unwarranted price increases. Other accessories and raw materials, such as buttons, thread, and zips are also imported from India. Though products such as wooden, horn, and bone buttons are produced in Nepal, Nepalese producers find it difficult to compete with Indian producers because of price differentiation, often in the order of 200 per cent in favour of the latter.

#### **3.2.2 Limitations in Technology**

Many industries and producers still use or depend upon out of date techniques resulting in a slow but steady decline in the market potential of Nepalese products. Products based on natural fibre plants, such as wild nettles and hemp, processed completely by hand, including twisting and spinning, that appeared to have a growing market in the recent past are being slowly replaced by fine machine-spun products imported from China and Thailand. These countries are not only flooding the world market with machine-made cloth of this type, but also yarn produced in these countries is imported into Nepal to weave cloth. This has adversely affected rural people who previously made their living from natural fibre products.

Similarly, due to the absence of improved mechanised spinning, twisting, and



processing techniques in Nepal, Nepalese manufacturers are losing value-added income in the silk industry. Raw silk produced in Nepal is exported to India for twisting and the processed yarn is re-imported into Nepal. In this way much of the profit margin is lost. Though the technology is available in India, to date, no entrepreneur/organization has invested in twisting machines. A twisting machine costs about 2.5 million rupees. One explanation given by a Nepalese entrepreneur for its not being imported into Nepal was that, even though entrepreneurs in Nepal had the money to buy such machines, Nepal did not produce sufficient cocoons to merit undertaking such a purchase. So, developing a prototype or miniature of this machine suitable for micro-scale industry could be an alternative. In addition, once a prototype fibre processing and twisting machine is developed, there would be multiplier effects on many other natural fibre-based and animal fibre products, such as *allo* (nettle), hemp, angora rabbit wool, and *pashmina*; all of which are facing similar problems (please refer to the case study on the *Allo* Cloth Production Club and the Women's Development Centre, Ilam, for perceived technological constraints).

In fact, every sector of the Nepalese handicraft industry faces technological problems of one kind or another. For example, in ceramics, lack of quality glazing and firing have been found to be substantial problems. Similarly, the complexity involved in fast dyeing of cotton has not yet been fully resolved.

### **3.2.3 Lack of Facilities for Testing, Standards and Certification**

Little concern for infrastructural development and lack of budgetary allocation as

well as funds from other sources, together with general absence of attention and long-term planning on the part of the government as well as the private sector are key factors that have led to the paucity of equipment and management in testing facilities in Nepal. The services of The Nepal Standards (NS), Royal Nepal Academy for Science and Technology (RONAST), and the Central Food Research Department from the government sector have not been very efficient and effective. Importing countries such as Germany and others have enacted several laws that necessitate providing certificates for various tests. Such certificates indicate freedom from Azo dyes for textiles and from lead chromium for ceramics, and from non-toxic chemicals for children's toys.

Manufacturers and traders have been helpless to meet with these stipulations. Until now, no laboratory or government body has been established in Nepal to certify these products. There are some private laboratories in Nepal and also in India, but the cost of certification is not standardised and is sometimes out of the reach of small and micro-scale producers.

### **3.2.4 Lack of Market Information**

There are no official data available about market size nor any market forecasting tools that can be used to determine the market size in the handicraft business. Successful marketing is mostly dependent upon the capability to collect and process the current overseas' market trend. Many producers and traders are lagging behind in accessing the rapidly changing trends of market information. There is no organized sector channel disseminating market information in either the government or non-government sectors in Nepal. The TPC, HAN, and

other similar organizations have tried to play this role to a certain extent, but they are often overloaded and are not able to play the role of forecaster and market information disseminator effectively. Producer groups are heavily dependent upon the information provided by their buyers only.

Research, and documentation on market trends and forecasts are available in many countries from commercial organizations and trade authorities. Obtaining such information is often too costly for the small and micro-level organizations.

### **3.2.5 Cumbersome Government Procedures for Export**

Nepalese exporters are faced with numerous obstacles in processing their exports.

Though the lengthy documentation procedures were intended initially as control mechanisms, it is now essential that the relevant authorities review and simplify them. There have been instances in which buyers have been so discouraged by lengthy and cumbersome export procedures that orders were cancelled (see Box 3.1).

A one-window system has not yet been implemented. Exporters have to go through various offices to get their invoices certified and obtain different forms. These offices are located in different places and visiting them consumes much time and energy. Metal crafts, wood carving, and traditional *thanka* paintings have to be certified by the archaeological department; and this department follows the outdated prac-

#### **Box 3.1: Export Procedures**

- Once an order is received from the buyer, a pro-forma invoice is sent to the buyer indicating the price, terms of payment, destination, etc.
- Terms are negotiated— including advance payment or opening of a letter of credit (LC).
- Confirmation is obtained from a commercial bank of an advance payment certificate or LC.
- The floor or FOB price is certified by the HAN and is authorised by HMG to certify the export floor price; 0.5 per cent of the export invoice value is paid to HAN as a service charge.
- A certificate of origin is obtained from the relevant district chamber of commerce; 0.2 per cent of the invoice value is paid as a service charge for issuing the certificate.
- The GSP form issued by the TPC is prepared.
- A packing list and invoices are prepared.
- Approval and special certificates from the appropriate departments of HMG for export of certain restricted items, e.g., metal and archaeological goods are to be certified by the Department of Archaeology of HMG.
- Once all necessary documents are completed and the consignment packed, it is to be cleared by the Customs' Office. On submission of the Customs' declaration form and other export documents, the goods are examined, documents verified and endorsed, and consignment cleared for shipping. Export duty is levied normally at 0.5 per cent.
- Once the customs' are cleared, it is handed over to the shipper/forwarding agent to deliver to the destination. If goods are consigned by air, booking has to be done with an air carrier or agent who will issue an airway bill. If the consignment is intended to be shipped by sea, goods are transported by transit route to a port in India or Bangladesh. Procedures on transit agreement have to be observed.

tice of stamping each and every item. The department even does not allow vehicles to enter its compound and exporters have to carry the entire quantity of heavy goods so that each piece can be stamped.

In addition, there is no long-term policy to boost exports by such measures as relaxing pre-payment requirements for exports by allowing term credits and introducing export incentives and awards. It is well known that the government regulation of compulsory receipts for advance payments imposed on exporters before export sometimes discourages the buyer. Nepal is the only country having such a system.

### **3.2.6 Centralized and Seasonal Markets**

The tourist market is concentrated in Kathmandu and Pokhara only. It is difficult and costly to provide information from these two places to producers in remote locations. Also, the costs for delivery and transportation are, as a result, high. In recent years, efforts have been made to develop tourist spots in various other places such as Chitwan National Park, Makalu Barun National Park, and Bardiya National Park; but it might take some years to develop tourism integrated handicraft markets in these places.

Seasonal variation also has its own impact on sales. In off-season periods, the slackening in demand creates problems for the producers in terms of employment and income.

### **3.2.7 Price Competition**

There is a lot of competition in prices among producers. Individual producers

are tempted to sell on their own, since Kathmandu is a small place and any importer and trader can have direct access to producers without difficulty. There is an increasing trend among visiting buyers to go directly to producers in Kathmandu, and this has created problems for organized sector marketing. Producers sell at prices at least 20 per cent cheaper than the organized sector because the organized sector pays fair wages and their overheads are also high. However, because of the middlemen, the producer is vulnerable to exploitation.

### **3.2.8 Duplicate Products**

One of the main problems in the handicraft industry is duplication of products and designs, and this is very difficult to prevent. The organized sector invests money to develop designs that are easily copied by others and sold at lower prices. Though the ultimate benefit of design assistance is to be given to producers, the competition from foot-loose producers who copy the designs adversely affects the future capacity of organized producers to develop designs and products. It would be desirable to introduce a mechanism to ensure that the adopters of designs are linked with and share the cost of development of the organization producing the original designs.

### **3.2.9 Delivery Problems**

Producers have often failed to deliver goods on time to the marketing organization and are sometimes tempted to sell to other buyers for better profits. There are, of course, natural causes, geographical difficulties, delays in supplies of raw materials, and difficulties in transportation that make delivery on schedule difficult.

### **3.2.10 High Cost of Eco-friendly Technology and Packaging**

There is increasing awareness among consumers in the west about eco-friendly products and technologies. But these also involve higher costs which producers find difficult to bear without a corresponding increase in prices. Besides, there is a general lack of knowledge and resources to develop appropriate packaging and labelling in compliance with the needs of the western market.

### **3.2.11 High Freight Costs**

The high costs of freight as a result of the dependency on air freight, because Nepal is a landlocked country, leads to steep rises in export commodity prices. It is among the biggest bottlenecks to competing in the international market.

Consolidation of shipments with exporters from India and Bangladesh could be explored. Despite low volumes of orders, FTG Nepal member organizations have been successful in consolidating their shipments with these exporters to common consignees in the past. However, once orders increase in volume to fill containers, shipment by sea will be possible, and this is cheaper than air freight.

### **3.2.12 Government Attitudes towards Marketing NGOs**

The lack of a clear-cut government policy towards NGOs doing business has created problems, especially for the export and import of raw materials. According to the government point of view, NGOs should be development oriented only and should not engage in trade and business. Many

organizations have developed and delivered support mechanisms to grass roots' rural producers in order to market their products.

## **3.3 Fair Trade : The Concept and Its Evolution**

The unfair structure of global business practices led to evolution of a fair trade concept in Europe and the USA in the 60s: the goal being to contribute to the fight against poverty in the developing world. The call for 'Trade Not Aid' was advocated for the first time during the UNCTAD conference in Geneva in 1964. During this period, however, public interest in development issues was fairly limited. A small number of groups gave birth to the idea of establishing 'UNCTAD' shops. This was to sell goods from the developing world that were denied easy access to the European market because of import duties. This idea of a 'world shop' later developed into the fair trade movement. This movement placed an emphasis on issues such as women-focussed programmes, redirection of profit to producer development programmes, compromise through flexible delivery, respect for culture, advance payments, feedback on design and market trends, and efforts to build up consistent relationships among producers, the marketing organizations, and buyers.

The fair trade movement, at present, has grown into a wide network of producers in the South and importers in the North, known as Alternative Trading Organizations (ATOs). In the Nepalese context, many individual craft-based organizations working on the principle of fair trade have existed for the last two decades. Faced with



most of the above-mentioned constraints, these organizations gave birth to the idea of the Fair Trade Group, Nepal, to heighten their collective efforts to advocate and to redress the problems faced by small producers.

### **3.3.1 Alternative Trading Organization**

In April 1969, the first 'world shop' was opened in the Dutch village of Breukelen. At that time, the *Fair Trade Organisatie* (former S.O.S. Wereldhandel, presently a member of IFAT), based in the south of The Netherlands, had been actively involved in importing handicrafts and food products from developing countries. The world shop model then became popular in Germany (GEPA), Switzerland (CARITAS and OS3), Austria (EZA), France, Sweden (Alternative Handle), Great Britain (OXFAM and Trade Craft), and Belgium (OXFAM Belgium).

In the U.K., OXFAM, with a background of support to famine victims and the operation of handicraft shops, has more than 800 retail shops at present selling goods imported from developing countries. These world shops later were reshaped as Alternative Trading Organizations and became campaign centres rather than mere points of sale.

The European Fair Trade Association (EFTA) was founded in January 1990 after many years of informal consultation among an alliance of eleven fair trade organizations and importers in nine European countries. The world-wide network of fair trade organizations, the International Federation for Alternative Trade (IFAT), was founded in 1989. At present, IFAT has 120

members from 50 countries, including producers and buyers.

These fair trade world shops have become the principal markets for handicraft and food products from developing countries. In some parts of the world, alternative trade has become the principal channel of trade. In others a share of 10-20 per cent has been achieved. Nepal's experience in fair trade is just a beginning and accounts for about five per cent of total handicraft sales.

Fair Trade implies fair prices for producers and a stable relationship with overseas' purchasers. Small-scale producers in developing countries sometimes cannot cope with commercial traders who cannot always be relied upon from one year to the next, who may place big orders once and never show up again, who may refuse to pay the allotted price, or who may even refuse to pay at all because the merchandise supposedly did not reach them in good order or on time.

In contrast, through the fair trade channel, a stable relationship based on trust is perceived as the best guarantee for mutual profit. Once, usually after a trial period, such a relationship is established, both partners commit themselves through good times and bad, sometime foregoing short-term, higher profits in favour of long-term benefits. The producer-fair trader relationships usually go beyond just selling and buying and can include the joint development of new products or product lines, adaptation of products to European/Western fashion, gaining access to new marketing channels, raising investments or working capital, and strengthening or expanding the producer organizations. In-

stead of abandoning the producer when products no longer sell, the alternative trading organizations transmit information on the changes in consumer tastes and tendencies to their manufacturing counterparts who are then assisted in meeting changing consumer demands.

The goal of fair trade organizations is to fight poverty in the South. Based on the concept of Trade Not Aid, they seek to combat poverty through fair trade, political lobbying, and education. They mostly conduct trade with disadvantaged producers and with organizations or businesses that contribute to improving the position of the poor in the South. In this way, those who grow or manufacture the products get the opportunity to structurally improve their own position. Fair trade organizations also attach great importance to social development, the empowerment of women, and ecological development.

### **3.3.2 Fair Trade Ethics**

Fair trading methods are characterised by the following aspects.

- The goods are purchased as directly as possible from the producers.
- The purchase price is related to the cost of raw materials and production and to the time and energy invested and should permit the producer to achieve a reasonable standard of living.
- The producers are entitled to pre-financing.
- Regular contacts ensure that the producer partners receive feedback concerning the quality of the products, packaging, etc.
- If necessary, advice or assistance is offered in the fields of product develop-

ment, skill training, or management training.

### **3.3.3 The Fair Trade Group Nepal (FTG Nepal)**

The roots of the Fair Trade Group Nepal can be found in the international fair trade movement. For many years, the Alternative Trading Organizations (ATO), that constitute the membership base of the International Federation of Alternative Trade (IFAT), and their European arm, the European Fair Trade Association (EFTA), have been supporting southern-based grass roots' organizations in their efforts to create sustainable employment and income-generating programmes that primarily benefit low income and marginalised women. Their activities are guided by the principles and practices of fair trade. Issues that concern them are not only the conditions of trade, the nature of production, and the price of labour but the quality of employment and empowerment of the workers.

In 1993, an international ATO, OXFAM Trading, convened a group meeting of over 40 Nepalese organizations supporting low-income women's groups through craft and agro product-based income-generating activities. OXFAM had already seen the benefits of forming a producer group coalition called ECOTA (Effort for Craft Organization Trading Advancement) in Bangladesh and believed that such a body of Nepali NGOs focussed on fair trade would be beneficial to the sector as a whole, as well as to the NGOs' broader client base. For many of the participants, the idea of NGO collaboration was difficult to accept and, following the first meeting, the membership of the group

dropped to only seven from the original forty. This group continued to meet for three years on a monthly basis. The FTG development process was, therefore, measured and cautious; group members were initially suspicious and unsure of each other. At the time, an informal approach was the only suitable strategy for the development of a collective marketing concept.

However, throughout this formative period, the Fair Trade Group continued to grow in strength and confidence and enjoyed some success in identifying and act-

ing on issues affecting their respective programmes notably:

- export promotion,
- local and international networking,
- government lobbying,
- global trade policies and procedures,
- skill training,
- resource sharing,
- dissemination of market information, and
- project planning and development.

(please refer to **Annexes 2, 3, 4, and 5** for details of FTG activities, strategies, members, and producer groups.)

## Chapter 4

# Case Studies on Producers and Craft-Based Organizations

This chapter describes the development and functioning of organizations engaged in the production and marketing of handicrafts, with particular reference to their experience in marketing over the last decade. It also assesses organized marketing initiatives and the problems and constraints they faced and tackled in their evolution and functioning. An attempt is also made to identify the factors that led to the success or failure of their marketing strategies. A presentation of the account and impact of organized marketing efforts is made in the form of case studies of different producer groups and organizations and individual producers in different sectors.

In Nepal, development of the handicraft market has been closely connected with that of tourism, particularly after the country opened its doors to the outside world in 1960. Prior to this, the handicraft market was confined to certain lo-

cal communities; highly skilled work such as that required to make idols and *thanka* was the prerogative of selected communities only, whereas other handicrafts (such as bamboo baskets [*doko*], hand-woven cloth, etc) were produced for local use, either for special ceremonies or for daily use. These were often marketed by barter in local bazaars.

It took several years for producers to become aware of the importance of developing and promoting collective marketing efforts. Such efforts began with the formation of cooperatives, NGOs, and corporate organizations during the 1980s. The selected case studies presented in this document demonstrate the gradual development of individual producers who merged into groups that reflected a felt need for and the strategic importance of marketing on a collective and organized basis.



## **4.1 Sangtang Women's Club**

### **4.1.1 Background**

The Sangtang Women's Club was established in 1977 with initial technical and financial support from the Women's Training Centre, Dhankuta. It has a total of 80 producers, and its members are situated up to an hour and a half's walk away from its centre below Dhankuta Bazaar. The ethnic group, the *Rai*, the main inhabitants, own little arable land and are mostly illiterate. Sangtang Women's Club was established mainly to help the *Rai* women earn supplementary income by using their traditional embroidery motifs to produce items for sale, as well as by introducing other income-generating activities such as vegetable farming and goat raising. The unique embroidery skills the women have were previously used to make shawls for their own use prior to the establishment of the club. The club, upon successful implementation of adult literacy classes, took up embroidery work as a programme activity and as a means of supplementing the household income of poor families through providing work to women. Prior to this, many households earned supplementary income by selling firewood in Dhankuta. The Sangtang Club produces napkins, place mats, tablecloths, and shawls with traditional embroidery motifs.

### **4.1.2 Structure of the Club**

An executive board consisting of members elected from among the producers is responsible for overall management of the club's activities. The secretary, Mahangma Rai, is responsible for receiving orders, distributing work, procuring raw materials,

and collecting and delivering goods. The groups and board members meet as often as necessary, but mostly they meet when orders are received, payments are made, and deliveries are despatched. The secretary, supported by one or two other members of the board, makes most of the day to day decisions.

### **4.1.3 Marketing**

Before the formation of the club, the market for traditional, colourful embroidered shawls made by *Rai* women from Sangtang was almost non-existent. With the help of the Women's Training Centre, product development training was organized, producer groups were formed, and a linkage was established with the Cottage Industry Emporium (CIE) in Dhankuta for marketing shawls and other products. The Cottage Industry Emporium used to solicit orders from retailers in Kathmandu and pass them on to the Club. However, after some time, CIE failed to provide regular orders, and linkages with marketing agents in Kathmandu could not be maintained. At that stage, a member of FTG Nepal, *Mahaguthi*, contacted the Sangtang Club in 1985 and placed the first order directly with the club.

The procedure for making finished products was as follows; the women bought yarn and cloth from Dharan or Biratnagar and embroidered cotton or other fabrics. These items were sold to the club after adding the costs of materials, wages, and a 10 per cent overhead for the club. The FG members, Association of Craft Producers, *Mahaguthi*, and private traders such as Dhankuta Sisters and Ama Impex, have been their main customers. *Mahaguthi* and ACP purchase

most of the items produced. Their main products are embroidered shawls, napkins, place mats, table cloths, bed sheets, and embroidered borders which are used for decorating cushions, *thaili* (purses), tea cosies, etc. ACP and *Mahaguthi* also helped the group in product development, thus providing opportunities for product diversification to the Club and its members.

Presently, the club mostly works on order. There is no system for producing pre-order stock. This ensures that there is no unnecessary stock piling; but sometimes the club fails to deliver goods on time due to shortage of stock. When the club receives orders it buys thread from the local market to be distributed among its producers. Sometimes there is a problem in terms of equal distribution of orders, especially when the size of the order is small.

Once the work is finished, the items are delivered to the club. The club maintains a record of thread and materials supplied to individual producers, and wages are calculated according to the pattern, size, and length. For example, wages for a standard shawl are calculated at Rs. 150. The raw material costs Rs. 120 and the member sells it to the club at Rs. 270. The Club adds a 10 per cent overhead for itself and with another five per cent transport cost the shawl is sold at Rs. 301 to the agent in Kathmandu. Products from the Sangtang club were introduced to the Kathmandu market through various exhibitions organized by *Mahaguthi* over a period of several years and producers were invited to demonstrate their skills. These publicity measures have created a substantial market over a period of seven

or eight years. With regular orders from *Mahaguthi* and ACP, the producers began to travel to Kathmandu for delivery and to seek new outlets. Nevertheless, gradually, because of the failure to introduce new designs and products, markets began to decline sharply from 1996. Apart from the constraint of product development, there have also been problems in management and finance, resulting in a decline in the capacity to procure and meet orders. As a result, the sales, as reflected by the wages paid to producers (raw materials paid for), for example, to *Mahaguthi*, fluctuated during the three years from 1993-1996. This is illustrated below.

Year	Amount
1993/94	Rs 5,562
1994/95	Rs 38,962
1995/96	Rs 13,267

Supplies of raw materials, technology, and inputs for product development have also fluctuated. Suitable thread is scarce in the local market. Sometimes producers have to depend on the Kathmandu market, and transportation and communications add to the expenses.

One drawback is caused by having to choose between traditional and modern motifs. The embroidery motifs of the club are traditional, and modifying them would not only spoil the originality but would also mean that the modified products would have to compete with mechanised embroidery. Mechanised embroidery is common in Freak Street market in Kathmandu, and competing with it is difficult. The seamstresses have also not been able to get the colour combinations ordered without outside guidance.



The smallest change in colour or shade causes long delays in production as a response from the customer is required. There was a case in which the orders placed by Ama Impex and Mahaguthi were not met for over one year because of a failure to get the colour combination right. Though training in improved production was provided by Mahaguthi, lack of follow-up from the club led to discontinuation in some product lines. The club also showed no interest in making newly developed products known to other retail outlets.

The club, which has supported its members for a number of years, is itself now in need of outside support, especially to improve and diversify its products as well as to introduce alternative income-generating activities for its members. FTG members can collectively support it by providing training in product improvement, facilitating the supply of raw materials and undertaking bulk purchase of finished goods. Orders often need consolidating while transferring them to Kathmandu, in order to reduce delivery costs. FTG mem-

bers should discuss and coordinate before placing orders, so as to minimise raw material and delivery problems. There is also scope for facilitating the transfer of skills to other activities; the group already began Dhaka weaving and FTG members can transfer some of the new orders for Dhaka cloth to Sangtang producers. Other areas in which they need support are training in marketing and in identifying new avenues for work and income such as cocoon rearing, cotton growing, and weaving. The decline in orders for embroidered items has, in any case, forced women to choose alternative means of earning income, while a few women who have been well trained and exposed through the club's activities have commenced new and additional activities; but most of them are now out of work. The more enterprising among them, even among the highly committed workers of the club, have taken up new activities independent of the club (see Box 4.1: The Case of Mahangma Rai).

Besides the constraints related to production and marketing, the club is also faced

#### **Box 4.1: The Case of Mahangma Rai**

Mahangma Rai resides just a few minutes' walk from the Sangtang Club centre. She is married and has two sons and one daughter. She initiated the formation of Sangtang Club. When she joined the club she was about 25. She had very little education but dared to break with tradition and came to the front line in organizing the group in the early stages. She was the chairperson of the Sangtang Club for some time, and she is now acting as the secretary. She looks after and coordinates the club's activities in marketing, delivery, and account keeping. Her husband was a local school teacher but he recently lost his left leg due to cancer. She has now the sole responsibility of supporting her family. Mahangma Rai has been able to generate a regular income from the embroidery work. She mentioned that she had been able to buy a piece of land to farm, while earning to meet the family's daily needs. She also runs a tea stall. Her average income of Rs 1,500 per month supports the household needs. She has recently reinvested her savings of Rs 5,000 to establish a separate workshop for Dhaka and handspun weaving. It seems now that she is trying to move from group activities to become an entrepreneur. She has employed three women to weave the Dhaka cloth, but her attempts to sell it to Mahaguthi failed because of the quality. She was given the option of weaving handspun cloth recently, and she is now working on this.



Unique Embroidery by Rai Women of Dhankuta: Mahangma Rai of Sangtang Club

with its own management and financial problems. Registration of the club has not been renewed, and the committee is thinking of registering it in a new name instead of renewing the old club. The activities and the finances of the club have also shrunk due to the phasing out of a health and hygiene programme carried out with SCF (UK). The margin of 10 per cent that the club normally charges has not been enough and sufficient money has not been accumulated to cope with the growing inflation. The club now faces a problem of liquidity, and there is not enough money to buy thread, rather the club depends heavily upon advances from marketing organizations.

Many club members have withdrawn or have gone to other organizations. Dhankuta Sisters took eight women from Sangtang to Kathmandu to employ them in their own workshop. These women have now been sent back due to a fall in market demand. With a decline in the market for embroidery products, some members learned and tried to start *dhaka* weaving production, although they are finding it difficult to compete in quality with Tehrathum producers.

The secretary, Mahangma Rai, who is running everything, including marketing, delivery, and receiving orders, due to her own personal problems, has also started her own production unit. She could not give as much time to the club as in the past, and there is no one else to take charge of the club. The club failed to nurture a new generation to take charge of managerial work, because its members did not foresee the need.

Thus, the future of the club appears uncertain. Support from marketing organizations, such as *Mahaguthi*, could help to some extent, but a decline in the demand for its products means that it has to diversify into other products. This might give it a chance to compete in the market.

## 4.2 Tehrathum Bansghari Dhaka Weaving Centre (TBDWC)

### 4.2.1 Background

This group was formed through the initiative of K HARDEP in 1983 to experiment with its overall *dhaka* cloth weaving development plan. A British volunteer, Pam





A Dhaka Weaver, Tehrathum

Macklan, was assigned by KHARDEP to assist producers in creating new designs and products. Sita Subba was the first woman to experiment in and test the market. She organized this group with the help of Pam Macklan. Prior to this she used to weave *dhaka* cloth to make *topi* (men's caps) and *cholo* (women's blouses) to sell to the local market. She earned a small income from doing so. There was a branch of the Cottage Industry Emporium in the locality which supplied weaving yarn and collected the finished product to sell through its shop in Kathmandu and other stores. *Mahaguthi* first began to buy goods from the Cottage Industry Emporium where many producers sold goods on an individual basis.

Sita Subba has been one of the sole suppliers to *Mahaguthi* since 1984 when the Cottage Industry Emporium failed to supply yarn and sell the finished products. During a 14-year period, Sita Subba and her sisters, Ranjana and Tulsa, have trained a number of weavers in this locality; and these weavers have now become independent producers. Similarly, a group of 12 weavers from Solma, a village on the

hill adjoining Tehrathum, who used to work in this workshop, left in 1988 and established the Solma Weaving Club with the technical and financial help of *Mahaguthi*. There are several examples of this type in which individual producers, after working for some years in a workshop, have started or joined other organized weaving workshops.

The regularly increasing orders received from *Mahaguthi* for over 13 years have been the key factor in improving the condition of these three sisters and the weavers' group. Sita Subba, who started the workshop with only a few women, had once enlisted 125 producers in the group. However, due to a decline in orders, the number of weavers is now only 30. Sita Subba and her two sisters, who ran the business of the centre, are now married and Dilli Subba, their brother, who himself is a teacher, is looking after it.

#### 4.2.2 Marketing

In the beginning, a representative from *Mahaguthi* visited the workshop several times a year to collect the finished goods.

Later, the producers were encouraged to visit Kathmandu to deliver finished products and interact with other retailers and get direct market feedback. Leaving aside a small amount sold to the local market, the entire production of this group has been supplied to *Mahaguthi* since 1985. Since 1996, however, there has been a decline in orders from *Mahaguthi*. Simultaneously, the number of producers has also decreased from 125 to 30. As *Mahaguthi*'s orders declined, Dilli Subba failed to look for other sales' outlets. He does not seem willing to exert himself to promote the activities of the group as he himself is not a weaver.

The sales from the Centre to *Mahaguthi* over the last four years are given as follows:

Year	Amount
1994/95	Rs 50,000
1995/96	Rs 362,000
1996/97	Rs 92,061
1997/98	Rs 219,000

The Centre, at present, seems to suffer mainly from the lack of full time and committed management, as this was earlier provided by Sita and her sisters. Dilli Subba cannot devote much time to its affairs, as he has a job as a teacher. Not being a weaver himself, he has very little interest in running the Centre. As this group has been solely dependent upon one single FTG member organization, the sense of competition, market development, and promotional efforts could not be instilled into the organization. The current manager is neither professionally confident nor interested in diversifying the market for its products. Lack of second line management, departure of some members to start

their own units, and dependence on a single buyer seem to plague the TBDWC, even though the product, *dhaka* cloth, has good market prospects and the Centre's product is of good enough quality to compete in the market. It may be advisable for the manager to train one of the lady weavers to take charge of the workshop. Even if the Centre is closed, the remaining 30 weavers could form another group. FTG member organizations might support it, particularly in view of the demand for and availability of skills to produce the cloth.

### 4.3 Ujolta Dhaka Cloth Industry

#### 4.3.1 Background

Ujolta Subba, a middle-aged woman from Tehrathum district, is one of the producers from the FTG member, Association for Craft Producers (ACP). She has been making *dhaka* cloth since weaving *dhaka* cloth was reintroduced into the Tehrathum district during 1984-86. Her workshop is very close to that of Dilli Subba (mentioned above). As an individual weaver supplying to the Cottage Industry Emporium and other private entrepreneurs, she came in contact with ACP in 1988 while searching for a market. ACP started by placing trial orders for narrow shawls from which ACP used to make cushions, bags, etc. Because of the continuous orders received from ACP over the last eight years, Ujolta has been able to expand production and now employs 40 women in her business.

Ujolta Subba remembers the day when she had a difficult time selling her products and placed her goods on a consignment basis with the Dhankuta Sisters (a privately-owned shop in Kathmandu). In those days, she received payment only





Weaving for Export: Colourful Handloom Cloth

after her goods were sold. The clear advantage in working with the FTG member, ACP, is that she receives continuous orders and fair wages which include producer benefit packages. Ujolta Subba adds that she has trained a number of other people from Tehrathum district who then became independent entrepreneurs. Ujolta also realises that, since she is completely dependent on ACP for a market, she has little knowledge about the competitive market environment. She has not received any marketing training nor does she spend much time visiting other stores in Kathmandu when she goes there to deliver the goods. In addition to 40 producers registered with ACP, she provides occasional work to a

few outside producers who receive raw materials from her and deliver the finished products.

Because unemployment in the hilly areas is rampant and women especially have very few income-earning opportunities, *dhaka* weaving has given substantial earning opportunities to women in this region. The impact of the weaving trade, seen over the decade, is the transformation of a traditional skill into a fruitful and lucrative income-earning opportunity. A number of women weavers working with Ujolta have been able to raise their incomes substantially and bring about improvements in their families' living standards (see the Case of Padma Rai, Box 4.2).

#### **Box 4.2: Income Enhancement from *Dhaka* Weaving**

The Case of Padma Rai who is working at Ujolta's Weaving Centre. Padma Rai, aged 28, came to Tehrathum after she heard about opportunities in *Dhaka* weaving from her friends. She is from a poor economic background, with seven members in a family living on limited land in Khandbari village in Sankhuwasabha district. She is the only member of the family earning to supplement agricultural earnings. She is unmarried but has the responsibility of looking after her family of seven members. She trained as a weaver in Tehrathum in 1990 and since then she has been working at Ujolta's workshop. She earns, on average, 3,000 per month and sends Rs 2,000 to Sankhuwasabha regularly. She has been able to purchase nine *tola* of gold (worth Rs 72,000) and has savings of a few thousand rupees in the bank. There are several weavers working at Ujolta's workshop who have a similar story to tell.

### 4.3.2 Marketing

There was a gradual increase in sales until they reached Rs 1.8 million in 1996 but, during the last two years, the sales have decreased. Ujolta not only works to order, but when there are no orders she piles up stock based on past sales' experience. She also makes extra items to sell in the local market. Prior to supplying to ACP, she had a very hard time selling her products. Her firm confidence and entrepreneurial intuition led her to become a successful entrepreneur. She gets feedback from ACP on every new product she develops. Besides that, she also gets support in design and colour combinations from ACP from time to time. Once the order is completed, she sends one of the weavers to deliver the goods to Kathmandu. On return, she manages to buy yarn from Dharan, which minimises the costs of transporting yarn.

### 4.3.3 Problems

The supply of raw materials is a constant problem. Due to the fact that a single factory supplies the yarn, there is always uncertainty about timeliness in and regularity of supplies. In marketing her products Ujolta's dependence on a sole organization has made her complacent and rather incapable of exploring new markets.

It may not be possible either for Ujolta to enlist more producers for her workshop. Most of the producers around Tehrathum do not want to come to her establishment. Some newly trained producers started their own production units and tried to sell to the same organization as Ujolta; namely, ACP. Upon rejection by the ACP, discontent arose in the village

and Ujolta is often looked upon as the villain of the piece!

## 4.4 Allo Cloth Production Club

### 4.4.1 Background

Situated in the remote hilly areas of Sankhuwasabha district, reaching the Allo Cloth Production Club takes about 18 hours by bus from Kathmandu and four days on foot (or 40 minutes by air from Kathmandu to Tumlingtar and then two days on foot). Sankhuwasabha district is one of the remotest areas. The Makalu Barun National Park Conservation Project (MBNPCCP) is situated there. Although the commercial production of *allo* products had not existed prior to the establishment of the Allo Cloth Production Club, people from this region have long been engaged in the production of *allo* and its sale or exchange for other goods in the local *haat*<sup>5</sup> bazaar. Some families who were able to preserve traditional skills in *allo* processing and weaving produced *allo* cloth in small quantities occasionally. The possibility of weaving *allo* cloth on a commercial scale was first promoted in 1984, following a survey by the Koshi Hill Area Rural Development Project (KHARDEP), a British-aided project, to identify alternative income-earning opportunities for the people of this region.

The marketing of *allo* products from Sankhuwasabha to Kathmandu, targeting tourists, began in 1985 when KHARDEP introduced weavers to marketing outlets for *allo* products in Kathmandu. *Mahaguthi* was one of the outlets that started selling *allo* cloth in Kathmandu. With the initiative and efforts of Susi Dunsmore (a Briton involved in the KHARDEP project), the

<sup>5</sup> *haat* bazar: a market held regularly throughout the year on a specific day of the week.



market for these products was tested without modifying the design and quality of the products. Rather, producers were encouraged to produce in their own traditional way. These original products were *dhakro* (sacks), *jhola* (bags), *bhangra* (vests), fish net, and simple cloth woven on a bamboo back-strap loom.

In the beginning, producers from Bala and Mangtewa VDCs, were approached by KHARDEP together with *Mahaguthi* and some women showed an interest in experimenting with their skills. The viability of commercial production was yet to be explored. One year of trial marketing showed there might be a demand. So, attempts were made to organize producers into an informal group. New products were tried and these were mainly slightly modified versions of existing products to make them more suitable for the Kathmandu market which consisted mainly of tourists and expatriates. Though the group was informally set up in 1987, it was formally registered in the district office in 1990 as the *Allo Cloth Weaving Club*. The following are its objectives.

- To provide training in production of items from *allo* adapted to suit the foreign market as well as the Nepalese market
- To motivate the people of Sankhuwasabha district (especially women) to produce *allo* cloth and provide them with the necessary marketing support
- To initiate an adult literacy programme and to operate and coordinate other training programmes
- To launch a programme for women to uplift their socioeconomic conditions through empowerment and development

- To spread *allo* weaving to other areas based on the market response.
- To establish an additional *allo* weaving club and sub-clubs and promote collective and smooth operations in marketing and production

In the initial stages the group had only a few members (about 30 from the two VDCs of Bala and Mangtewa) but grew to 272 weavers in four VDCs by 1998. After a few years' experience in selling the products, it was assessed that *allo* products could be a viable means of supplementary income for the people of this region, and it was decided to expand the activities of the club in a concerted manner. With assistance from the British Ambassador's special fund and an Australian grant, premises were built to house the club in 1986. A VSO volunteer was employed to help manage the club and to develop the products for the western as well as the local market. A local lady, Pramila Rai, was employed as a counterpart to the VSO volunteer and soon the club began to promote a market for the products in an organized manner.

The VSO volunteer stayed there for two years and every effort was made to promote the market. New products, such as place mats and knitting and crochet shawls, were developed by mixing wool with *allo*. Production increased and larger orders started coming from various outlets and traders in Kathmandu. Within a couple of years, *allo* products became popular in the tourist market. With the increased demand the club was able to increase the number of producers. Training was organized for more women from the two VDCs.

It was around this time that the Makalu Barun National Park Conservation Project



*Allo Weaving*

(MBNPCP) was launched. The project adopted the club for their income generating and savings' programme. MBNPCP provided a revolving fund to the club together with the salary for one support staff member to manage the club. Efforts were also made to explore the western, mainly US, market. MCNPCP employed a consultant for this purpose. These efforts could not be pursued as the MBNPCP discontinued its support to the club. Currently the club is heading towards self-sufficiency, but still its long-term sustainability is in doubt. It still lacks managerial competence. The club recently opened its own outlet in Tumlingtar, which is the gateway to the district. MBNPCP re-extended its term support to pay the rent for the room and the salary of the shopkeeper. The viability and effectiveness of the outlet are yet to be seen.

After the adoption of the club by MBNPCP, considering the dispersed and distant location of producers, sub-clubs were created. These sub-clubs were given the responsibility for production activities, while the main club concentrated on marketing. There are at present eleven independent sub-clubs (see Figure 4.1).

There are 11 sub-clubs that take orders independently, but most orders are received through the main club in Sisuwa where an executive committee oversees all functions. The executive committee is comprised of seven producer members, including a manager and one representative from the sub-clubs.

The manager of the club is responsible for receiving orders, distribution of orders to sub-clubs, collection of finished goods, delivery of goods to marketing organizations, and management of the club in general. She is supported by the chairperson and vice-chairperson.

There is no formal agreement between the sub-clubs and the club about selling exclusively through the latter. It is found that sub-club producers have also sold directly to other traders. Sub-club leaders and executive committees meet every month.

#### **4.4.2 Distribution and Marketing**

Initially, different, traditional *allo* products were introduced through various retail outlets in Kathmandu, as well as through exhibitions. These activities were organized

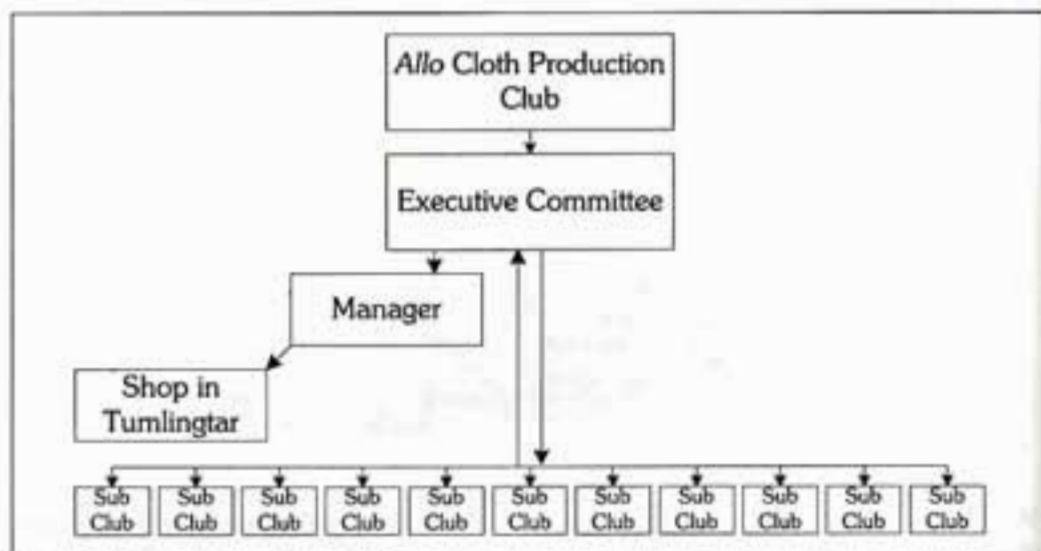


Figure 4.1: **Structure of the Club**

by the Club with the help of various supporting organizations, Mahaguthi being the first among them.

After a market has been established, the club receives orders and decides about the distribution of the orders to various sub-clubs and other non-member weavers. Orders are distributed depending upon the skill and capability of the weavers in making particular products. Sub-clubs are divided by the types of products their members make. Weavers have to manage the purchase of *allo* yarn themselves, but wool and other necessary materials brought from Kathmandu are provided through the club. Individual weavers produce as per order in their own homes and deliver the products to the club. Producers receive the payment after the delivery of the goods in Kathmandu. The payment is delayed sometimes for a month or two. Producers are paid at the rate prescribed for each product by the club. This includes their wages and profit margin. The Club adds 10 per cent profit margin

and an additional delivery cost of eight per cent to the producers' price to arrive at the sale price for outlets in Kathmandu. Fair Trade Group members, such as *Mahaguthi* and *Sana Hastakala*, are the main marketing outlets for the products of the club in Kathmandu.

The sales of the club during the past three years have been given in the Table 4.1.

#### **4.4.3 Impact of Allo Production on the People**

The club has been able to provide supplementary income through production of *allo* cloth to its members and non-members for the last 10 years where no other alternative means for cash income existed for women. Prior to the existence of the club, *allo* production used to be carried out in a haphazard way by a limited number of people who sold the item locally at very low prices. Since the introduction of modified products, a number of women have been trained in weaving



**Table 4.1: Sales**

Names of the Buyers	1998 (54/55)	1997 (53/54)	1996 (52/53)
1. Mahaguthi (FTG member)	162,935	192,163	209,280
2. Sana Hastakala (FTG member)	341,591	110,446	31,962
3. Ama Impex	31,337	-	-
4. Ang Diku Sherpa	8,870	109,175	-
5. Women Craft	28,213	18,338	32,178
6. Susan	-	192,141	-
7. Wean Coop	-	35,604	35,818
8. Him Chuli	-	25,090	-
9. Others	8,407	86,883	97,140
Total	581,353	769,840	406,378

and knitting. The average regular income has increased to Rs 1,000-1,500 per month. The production and selling of *allo* cloth have enabled them to reduce their indebtedness, as they no longer are forced to borrow money for their household needs. The accumulation of a few grams of gold, a plot of land, and some savings by each woman member, as a result of their income from *allo* products, has brought a change to their lives (see the Case of Dhansiri Rai, Box 4.3).

As a result of the operations of the *Allo* Club, women have become aware of their role in society as decision-makers and have begun to become involved in other activities, such as literacy, savings, and credit, and also in collective decision-making for the welfare of their society. Since the number of livestock is still regarded as a symbol of wealth, many women have bought goats, buffaloes, and poultry with the income from *allo* production, thus providing them with an additional source of income in kind and cash.

Despite geographical constraints, women have understood the strength of the affir-

ity and solidarity within their ranks. The impact has been positive, not only among the members of the sub-clubs, but also among non-members by example and inspiration (see the Case of Nisan Rai, Box 4.4).

#### 4.4.4 Constraints

A big problem faced by *allo* producers and the *allo* club in Sankhuwasabha is that of transport out of the production areas. Because of the remoteness and complex geographical situation, the only feasible means of transport is by air, and this is not only costly, but also uncertain. There is no guarantee of delivery of goods on time, because the Royal Nepal Airlines' cargo services are not reliable. Often it is very hard to book the cargo. Even passengers have to often wait in the queue for about 20-30 days to obtain an air ticket; one can imagine then the hardship involved in booking cargo. On the raw material front, absence of formal linkages between yarn producers and weavers and the club makes the supply of yarn uncertain. Due to the seasonality of *allo* production, prior estimates of demand for yarn and its storage





*Allo Yarn Making: Pramila Rai explains to a worker at Allo Club, Sisuwa*

to meet the rise in demand are difficult. The club has no resources to buy and store the yarn. In fact, the club is finding it in-

creasingly difficult to meet its operating expenses with the 10 per cent margin it receives from sales.

#### **Box 4.3 : Gains from *Allo* Club Membership : The Case of Mrs Dhansiri Rai**

Mrs Dhansiri Rai, 22, married, with one child, is living in Dankila Village, Sankhuwasabha, with her parent's family of seven members. Her husbands' family is not yet regarded as her own family, as, customarily, she would go to her husband's house only after some years. Dhansiri Rai had attended literacy classes but hardly learned to read and write, she could only sign her name. Before Dhansiri took training in weaving *allo* cloth, her mother used to make traditional design bags and fish nets which were sold at the local *haat* bazaar in Dingla. At that time, income from such activities was not regular, but merely provided some cash to buy certain household goods such as kerosene, salt, and clothing.

Dhansiri was informed by the club about the training programme and was attracted to receive training to equip her with a skill that could provide her with some income. At present, her mother is no longer capable of weaving, but helps her to make yarn which is collected from the jungle by male members of the family. Dhansiri's husband also farms but sometimes goes to India to earn cash. Dhansiri has sent her son to school, meeting the expenses out of her own income from *allo* production.

Dhansiri sells approximately Rs 4,000 worth of goods per year, 50 per cent of which she spends on purchasing yarn. In 1997, however, her sales reached Rs 10,000. She said since she started selling to the club she is getting good returns and does not have to spend much time selling at the local *haat* bazaar where she gets far less than the prices paid by the club.

Dhansiri has become a trainer and has earned a few thousand rupees by training others. Now Dhansiri has become the group leader of a 12-women sub-committee. The group has managed to make some collective savings, which are loaned back to the members at reasonable interest for productive work. Dhansiri herself has savings of Rs. 6,000, which she has invested at interest. She managed to buy one *tola* (11.66gm) of gold after her wedding.



*Allo Club and Centre, Sisuwa*

#### **Box 4.4 : The Spread Effect of the Club: Case of a Non-Member *Allo* Weaver**

Nisan Rai, aged 35, female, is living just a few metres away from the club at Sisuwa. She is a widow with four children and supports her family through agriculture, a small tea and commodities' shop, and *allo* weaving. She is not a member of the *allo* weaving club, but since she lived very near the *allo* club she was tempted to learn the skill. She learned how to weave and knit from the centre and has been weaving for the last six to seven years. She sells *allo* cloth sometimes to the club but mostly to local visitors. She is producing goods worth from Rs 6,000 to 7,000 per year. She said she was compelled to learn the skill after her husband's death in order to support herself and her four children. She has taken a loan of Rs 20,000 from the Agricultural Development Bank to run a shop and for *allo* production.

There are several non-member, independent *allo* producers in this area with which the club has informal relationships [Nisan Rai does not want to join the club because she does not intend to weave *allo* regularly, but rather intends to engage in weaving to earn supplementary income]. The *allo* club also gains by maintaining relationships with them because, when demand increases and members are not able to fulfill orders on time, it can get supplies from non-members.

Looked at from the perspective of producers and sub-clubs, they do not appear satisfied with the functioning and services of the club and are often resorting to direct sales. The sub-clubs find the club procedure of delivery and collection of payment lengthy and cumbersome, and they therefore prefer to sell directly to other traders. For this reason, they are constantly on the look out for new market areas. This may be against the original collective marketing concept of the club

and, in fact, may lead to sharp competition among the sub-clubs. The situation in some cases has become serious due to the delays in payment, uncontrolled transactions of an increasing number of weavers, and internal conflict among the support staff of the club. The club monitor has not been able to visit the sub-club to oversee the filling of orders and to give guidance to weavers, and this has resulted in deterioration in the quality of products. Rejection rates have increased, putting



both the producer and the club in jeopardy. As a result of all these problems, the 11 sub-clubs, which were created to streamline the distribution and production process, are likely to split from the main centre. The formation of sub-clubs has become counter productive and compounded the problems of the club. There is a danger that these clubs will be competing in the same market and that will weaken the existing relationship of the club with producers and the marketing support organization. It would be in the interests of both the producers and marketing organizations if the latter, most of which are members of FTG and are buying about 80 per cent of the products from the area, intervene to remove the dissonance between the sub-clubs and the club.

## **4.5 Himalayan Leather Handicrafts (HLH)**

### **4.5.1 Background**

Himalayan Leather Handicrafts' enterprise (HLH) was established as one of the programmes of the Nepal Leprosy Trust to provide income-generating opportunities for the lepers who had been cured by the Leprosy Trust's care programme. It was established in the mid-1970s and soon became an income earning wing of the Trust. The unit was started on a small scale, and now it has 27 workers producing various leather goods, most of which are exported. HLH also coordinates the sale of batik and other fabric items produced by others. Some of them were trained by the Nepal Leprosy Trust itself and others are independent producers. HLH has recently applied for FTG membership.

### **4.5.2 Structure and Mode of Operation**

Mr. Kamal Shrestha, who has worked with the Trust for 14 years, is now the managing director and oversees the production workshop and other sections of the Leprosy Trust. There is one expatriate staff member who looks after overall operations. Most of the producers have been rehabilitated by the centre and are staying at the cottages built by the trust near its factory. The producers attend work daily. The HLH supplies all raw materials and the producers are paid a monthly salary of Rs 1,500 to 2,500 per month.

### **4.5.3 Marketing Strategy and Constraints**

Prior to establishing their own retail outlet in Man Bhawan, an area of Lalitpur in the sub-district of Jawalakhel in the Kathmandu Valley, HLH had marketed its products through *Mahaguthi*. In addition retailing through its own workshop and export to some ATOs made up most of their sales. HLH does involve ethical factors together with the products in selling these products abroad. The price of the products is less competitive because of the low productivity and high cost, as most of the lepers have lost fingers or are somehow handicapped. As a result, the production process is slow. The ethical concept of emotional appeal to buyers to make them feel that they are helping the disabled and the disadvantaged in buying HLH products alone can help them to market their products. With this approach, only the ATOs and not mainstream commercial traders can provide them with an avenue to the main markets.

#### 4.6 Angora Wool Producer (ILAM)

The brief interview carried out with a few angora wool producers and a producers' group (*Mahila Jagaran Samuh* of Ilam) during our study visit revealed that there are certain aspects relating to marketing needs that should be first considered before giving training and introducing micro-enterprises in a new product line. The development of angora wool farming and production of angora wool products started after the publication of a research report from Pakhribas Agricultural Research Centre in Dhankuta eight years ago. The report indicated that Nepal's environment is conducive to successful breeding of the angora rabbit. This information soon spread to various adjoining villages in Dhankuta district and many farmers were attracted to angora rabbit breeding.

The Pakhribas Research Centre made the baby angora rabbits available at subsidised prices. However, within a short period of time, the price of baby angoras and wool skyrocketed from Rs 70 to 700 for a baby rabbit and from Rs 800 to 4,000 per kg of wool. This was the result of an unrealistic perception of high prospects for business, created by an artificially propped up market.

To begin with, farmers sold the wool in the market profitably. Entrepreneurs, and often farmers themselves, engaged in producing knitwear—mainly sweaters, gloves, shawls, and caps. When these products came to the market, serious technical problems were noted, and these were mainly due to spinning defects. Some years were spent experimenting on ways to tackle the problem of yarn falling from finished products, but without suc-

cess. Soon there was a stockpile of finished products. The farmers were, as a result, not able to sell their wool. Farmers who invested without having full knowledge of the technical and market-related details became discouraged. To date, efforts made by various entrepreneurs, NGOs, and cooperatives to overcome the problems have not been solved completely. In addition, imported raw yarn has started coming in and people are losing opportunities for value-adding. Farmers are suffering from the loss of work and income. The price of angora wool has now come down to approximately Rs 1,000/kg. Some organizations have been making efforts to upgrade the spinning process by blending angora wool with other wools such as *pashmina* and sheep's wool. The Chautara Women's Cooperative Group has claimed some success in blending angora with other wools and from their efforts to cross breed the rabbits to produce coloured yarn.

#### 4.7. Women's Development Centre, Ilam, and Silk Farming Producers of Ilam

In an effort to alleviate the poverty of the rural people of Ilam district by introducing new income-generating activities, the Women's Development Centre (an NGO) launched a sericultural development programme in four VDCs, with technical and financial support from the Lutheran World Service, in 1984. The project emphasises collective efforts in the production and marketing of cocoons for silk yarn production.

Since Nepal has no tradition in producing silk, the pilot project was initiated in 1984 to establish sericulture as a viable agro-





Cocoon Production: Women's Development Centre, Ilam

based industry for the economic and social development of rural women. Throughout the project period to date, much has been achieved in the institutionalisation of sericulture. However, marketing problems persist because of the lack of proper technologies and an insufficient volume of production.

A recent study of their set up has identified some of the major marketing hurdles: and these call for increasing the volume of production and improvement in the processing of yarn. Besides sericultural activities, the centre runs non-formal education, child literacy, women's savings, leadership training, and reproductive health programmes.

#### **4.7.1 Sericulture in Ilam**

According to the Silk Association of Nepal (SAN), an experiment with and execution of cocoon production that took place in Ilam and Bharatpur districts of Nepal in 1984 demonstrated that the silk industry has a lot of potential and is suitable for Nepal. Nepal has an economy based on agriculture and silk production which is labour intensive, does not require a high level of investment, yet provides good profit margins and is also

a way of earning foreign currency. The experiment indicated that one hectare of irrigated mulberry (plant) provides year-round employment for 13 persons in such activities as mulberry cultivation, silkworm rearing, reeling, and weaving.

#### **4.7.2 Marketing**

Under the Women's Development Project, nine independent groups of cocoon farmers have been formed in Ilam district. Cocoons are purchased by the government-owned project at Khopasi, Kabhre district, where yarn is reeled and sold by auction. The Women's Development Project liaises and provides back-up support to the farmers through training, giving information, and providing subsidies in the form of free egg distribution. It was learned that, due to the lack of twisting machines in Nepal, the yarn is taken to India by commercial traders and then brought back to Nepal after being processed and made into yarn of the necessary count.

#### **4.7.3 Constraints**

At present, cocoon production activity seems to take place mainly on the basis of



subsidies from the government. Its commercial viability and sustainability appear in doubt. Some private entrepreneurs have, in the meantime, entered the market to purchase cocoons, paying slightly higher rates than the government. Nevertheless, due to insufficient production, they stopped operating and now farmers have to go back to the government. But the government continues to pay lower prices than private industry. The SAN is at present subsidising the differences in price at the rate of Rs 15 per kg to farmers on their sales.

Value-adding opportunities are not being exploited as twisting machines need substantial investment and no private party is willing to invest such an amount. Nor is the government coming forward to procure such machines. In any case, the volume of cocoon production at the moment may not be large enough to feed a twisting machine. Twisting and yarn processing technologies are absent not only in this sector but also in all natural fibre production sectors. Once the prototype technology is developed, substantial job opportunities could be creating and giving a needed boost to the rural economy.

#### **4.8 Bhaktapur Wood Carvers' Cooperative Society Ltd.**

##### **4.8.1 Background**

Bhaktapur Wood Carvers' Cooperative Society, established in 1975, with 50 shareholders, is regarded as one of the pioneers of the wood-carving industry in the organized sector. Its objectives are to establish a market for wood carving, to preserve high quality, to raise employment opportunities for craftsmen and women, to develop

suitable products by incorporating artistic wood-carving motifs and designs from temples and monuments, to promote marketing efforts through a collective marketing strategy using the cooperative concept, and to produce quality wood carvings at fair prices.

It received initial technical support from the Bhaktapur Development Project (a German Aid Project). In addition to production of wooden decorative and utility items, the Society has been providing services to several local institutions working for the preservation of cultural heritage. The society has a share capital of Rs 200,000. The single largest shareholder is *Sajha Pasa Sewa* (Cooperative Marketing Society); and it is holding about 25 per cent of the shares. The remaining shares have been purchased by individual members, and they are mostly traditional wood carvers.

Goods were mostly produced in the society's workshop. There were six administrative staff in the beginning, but now they have been reduced to two. The sales' proceeds in 1996/97 were about Rs 300,000. The sales had declined in comparison to the previous year. The Society has been incurring continuous losses every year since 1989/90.

In the beginning, the society had a workshop at Dattatreya square in Bhaktapur district, where about 50 wood carvers used to work, and it had two sales' outlets in Dattatreya and Durbar squares. The workshop has been closed, since most of the producers have established their own workshops and shops and left the cooperative. The cooperative failed to train new people and retain the old ones. A few producers working in their

own houses have been supplying goods to the only remaining store in Durbar Square, as the other in Durbar Square has been closed.

#### **4.8.2 Problem of Organizational Failure**

The Society was able to establish a market for wood carving initially, but failed to maintain the tempo and producers began to open their own workshops and shops and left the co-operative. Most of the skilful woodcarvers were employed on a salary basis by the society but, at the same time, wood carvers were also given the opportunity to produce at home, and their products were purchased by the society on a piece rate basis. This system resulted in excess production and wood carvers were tempted to pay more attention to production at home rather than to production at the society's workshop. In addition, all wood carvers started to train other family members and their home production exceeded that of the Society's workshop. The Society failed to increase markets correspondingly to respond to the excess supply and had to stop purchasing. This created uncertainty, and most of the good wood carvers/ shareholders started to sell on their own. Concomitantly, the Society faced several other problems with regard to product range and quality and the inability to make payments promptly to the suppliers and employees. The consequent losses forced it to curtail its production and staff.

At present, the society is running on a small scale with two staff and one outlet. It faces the imminent risk of closure. A recent general meeting formed a committee to prevent its collapse.

## **4.9 Wean Cooperative**

### **4.9.1 Background**

Wean Cooperative was established in 1993 with the aim of bringing housewives and a large force of literate, unemployed women into the mainstream of economic activities through training, marketing, and entrepreneurship development. It was established as an affiliated marketing organization by the Women Entrepreneurs' Association of Nepal (WEAN). WEAN conducts training programmes in various aspects of business such as marketing, entrepreneurship, credit, accounting, and technical skills. The focus of the organization is on institutional development of the cooperative to enable it to serve its members and other interested women producers in a professional manner.

### **4.9.2 Structure and Mode of Operation**

Only women shareholders can sell their goods through the cooperative. Each entrepreneur must buy minimum shares of Rs 1,000 and pay Rs 1,000 per annum as a membership fee. Goods are kept on a consignment basis, and payment is made to producers only after sales. The WEAN Cooperative carries out retail sales from its own showroom in Kopundol and from one outlet at the National Zoo in Lalitpur. WEAN sells goods wholesale to most departmental stores. The cooperative has begun exporting to Europe and the USA.

There is an elected working committee which formulates policy. A general manager is responsible for running the cooperative's programme. Besides marketing, the cooperative also provides other serv-

ices such as counselling to entrepreneurs costing, pricing, quality control and technical aspects, and skill development training. It provides loans to women through WEAN's affiliation with Women's World Banking, New York. The cooperative is currently marketing food products (pickles, honey, and lentils) and handicraft products such as knitwear, crochet items, paper products, paper mats, kitchen linen, bedroom accessories, cane products, and wooden items.

#### **4.9.2 Marketing Strategy**

The product composition of the WEAN Coop depends upon production and supply from its members. Currently, 60 per cent of its sales are in food products and 40 per cent in handicrafts. Agro-products are targetted mainly at local markets, while craft products are directed to both local and export markets. The Cooperative retails products through their own show room, which stocks a wide selection of products in a spacious display area.

In an attempt to increase its share of the pickle market nationally, WEAN has begun to sell pickles wholesale to major departmental stores. WEAN hopes to displace Indian imports in similar product ranges within the next three years by offering competitive prices, quality, and better service. To accomplish this, WEAN strives to make its agro-products distinctive from those of other competitors, for example, by using glass lids and bottles (food grade) for pickles to protect them from reactions to synthetic packaging materials. WEAN also avoids using preservative substances in all its food products. In order to ensure quality, new members are placed on probation for six

months and, during this period, their products are tested for the market.

#### **4.9.3 Lessons and Problems**

The WEAN Cooperative has been successful for the most part in its endeavour to market the products of its members. Even for export, conditions, such as those of the government requiring advance payment, have not been a constraint. Their experience in wholesale marketing has also been satisfactory, as it has enabled them to provide products in bulk to stores, thus enabling WEAN to accommodate all the products of its members at the same time, consequently maintaining stable relations with them. The WEAN Cooperative has also been flexible in regard to the question of producers' loyalty and priority so far, as they also allow producers to sell wherever they want.

WEAN, however, feels that their collective efforts are needed in order to acquire information about international markets. Joint efforts are perceived as crucial for exploration of technologies to develop and improve products; for example, *allo* and hemp processing techniques.

#### **4.10 Women's Skill Development Centre**

The Women's Skill Development Centre was established in 1973 under the then Nepal Women's Organization: at that time it was known as the Nepal Women's Skill Development Project. Its main objective was to train destitute, physically handicapped, and economically backward women in various crafts. The Centre has undergone many changes in its organizational structure. Established as a skill-training centre, it started



a production unit in 1975. In 1982, a fully fledged workshop was added with financial support from national and international agencies. With the dissolution of the Nepal Women's Organization following the establishment of a multi-party system in 1991, the status of the Centre was unsettled until 1995 when the government decided to run the project under the Development Committee Act. Now the Centre is placed within the Ministry of Women and Social Development. HMG/Nepal has formed a board under the chairmanship of the ministry to look after the Centre.

The objectives of the Centre are given below.

- To introduce income generation programmes for handicapped and poor Nepalese women by providing skill development training and employment opportunities in various crafts
- To produce and market goods to suit the needs of both local and international markets
- To create awareness about the traditional and cultural heritage of Nepal in foreign markets through the goods produced by the Centre
- To create linkages between producers and buyers

The Centre produces block-printed household items such as duvet covers, cushion covers, tablecloths, bed sheets, kitchen sets, and ready to wear garments. Dolls and Nepalese paper items are its secondary products.

#### **4.10.1 Marketing and Sales**

The Centre at present employs 66 staff and producers in its workshop and three sales'

outlets. It sells its products wholesale to local NGOs and commercial buyers. Its retail sales are carried out from three sales' outlets (at the centre [Kathmandu], in Kopundole, and in Bhaktapur), and it exports to some ATOs and commercial buyers. The principal buyers are *Sana Hastakala* in the domestic market and ATOs such as CAA of Australia, Alternative Handle of Sweden, Temperion Kehity of Finland, and commercial buyers from the USA. The export market of the Centre is at present confined to three or four ATOs, whereas it once used to export to more than 10 ATOs. The main reason is instability and inefficient management and frequent changes in its Executive Directors. These problems are reflected in the changes in the sales' volume of the centre during the last five years. The highest sales were in 1992/93, and these amounted to Rs 4.80 million. In the following years, the sales decreased rapidly. Sales did improve during 1997/98. The comparative sales' figures over the last six years are given in Table 4.2.

There is a substantial increase in domestic sales from the year 1996/97 onwards because of an increase in sales from the Centre's outlets in Bhaktapur and Kopundole. The export sales have also increased slightly, but they have not reached the level attained in the year 1992/93.

The Centre has one marketing officer who is responsible for overall marketing. However, it does not maintain profiles of its buyers. Market research is not carried out. Though the WSDC is a pioneer in block-printed products in Nepal, and it has its own designer and a foreign volunteer designer, the Centre has little design development. Many staff and workers who used to work in the Centre have started their own businesses in block-printed

**Table 4.2: WSD Sales from 1992/93 to 1997/98**

Year	Local Sales	Export Sales	Total Sales
1992/93	2.12	2.68	4.80
1993/94	2.29	0.78	3.07
1994/95	1.39	0.69	2.08
1995/96	1.64	0.25	1.89
1996/97	2.26	0.10	2.36
1997/98	2.30	0.90	3.20

products. They are also producing the same designs as those of the WSDC. Although the products of private companies are slightly cheaper, the management of WSDC considers their quality to be inferior to that of WSDC products.

WSDC is a member of the International Federation of Alternative Trading (IFAT). In addition, it did belong to the Fair Trade Group Nepal in the beginning when FTG Nepal was functioning as an informal body. One of the FTG training courses on dyeing was held at the premises of WSDC. When FTG Nepal was formally registered, WSDC had to be excluded because of its legal status as a government body. The constitution of FTG Nepal specifies that only those craft-based organizations having NGO status can become members. Being a government body, the Centre has to follow HMG rules and regulations and has not been able to develop an innovative marketing strategy. Incentives for producers and sales' staff are not given by the government.

#### **4.11 Bhaktapur Craft Printers**

Production of paper from *lokta* bark for greeting cards and other items began in 1981 as a strategy for community development. It has since been developed and

expanded by His Majesty's Government of Nepal, in collaboration with UNICEF, as a project under the name of Bhaktapur Craft Printers (BCP). At present the BCP programme covers the districts of Baglung, Parbat, Myagdi, Lamjung, and Gorkha in the mid-western region and Bhaktapur in the central region.

BCP has been working in collaboration with the Small Farmers' Development Programme/Agricultural Development Bank, Department of Forests, and Department of Cottage and Small Industries. BCP invests a substantial percentage of its profits into community development activities in the areas of water supply, sanitation, and school support.

##### **4.11.1 Lokta Management**

The bark from *Daphne cannabina* and *Daphne papyracea*, locally known as *lokta*, provides the fibre from which paper is made. Nepalese *lokta* paper is prized for its strength and durability. Due to the high length to width ratio of *lokta* fibre, the paper has a high tearing strength. In addition, paper made from *lokta* withstands attacks from insects, temperature extremes, and dampness. In Nepal and Tibet, hand-made paper was traditionally used to prepare manuscripts, land registration documents,



and loan and other legal documents: and for all of these durability is a basic requirement.

Since *lokta* is the basic raw material for producing hand-made paper, a sustainable supply is essential. However, by 1984 the harvesting of *lokta* for the project had led to its reduced availability within reasonable distances from Village Development Committees. As a solution, a management programme was initiated in 1985. This programme divided *lokta* resources into blocks assigned to groups of VDCs in the districts concerned and established a four-year block harvest quota for the period from 1985 to 1988. Within each block, a rotating harvest regime was introduced in which each VDC would be permitted to harvest a specified amount of *lokta* once during the four-year period. In 1986, further protective measures were introduced following a more comprehensive inventory of *lokta* resources. The original four-year rotation cycle was changed to a cycle of six and then eight years; the time it takes for new shoots to be mature enough to harvest.

The Department of Forests has developed a measuring device that shows whether or

not the *lokta* stems are ready for harvesting (6-7 cm in diameter or more than one metre in height) and has supplied it to *lokta* harvesters. The correct way to harvest *lokta* is to cut the slender stems at ground level without destroying the main root, so that new main shoots can grow and mature for another harvest.

#### 4.11.2 Safeguarding the Environment

A part of the paper-making process is to boil the *Daphne* bark with wood ash. Since fuelwood is needed for this process, the project has introduced two improved techniques to reduce wood consumption. The first is the use of caustic soda in the process. This reduces the quantity of wood ash required and speeds the breakdown of *lokta* fibre. The second improvement is the introduction of more efficient stoves. These stoves reduce fuelwood consumption by 10 to 25 per cent.

In addition to these improvements, nurseries and plantations have been established in the project areas. Workshops on Nepali hand-made paper, community development, and *lokta* management are fre-



Production of Nepali Paper

quently held in Baglung. In these workshops, the issues of environmental awareness are discussed with the local participants. The workshops stress that farmers should use only dry wood and branches to prepare *lokta* fibre. These workshops also advise that caustic soda effluents not be discharged directly into rivers and nearby water sources.

In the high hills, the Department of Forests works with *lokta* gatherers to conserve the supplies of *lokta* shrubs. In the valleys, forest rangers help the paper-makers protect forests and establish nurseries to supply species suitable for fuelwood.

#### **4.11.3 Organizational Development of BCP**

The unique strategy of BCP for sustainable community development begins in the high forests of central Nepal. In spring and autumn, upland villagers collect and dry the inner bark of *lokta*. With loans from the Agricultural Development Bank, paper-makers purchase the bark and transport it to the sunny lower valleys. Using traditional paper-making methods, they transform the bark into sheets of attractively textured paper.

The paper is purchased by BCP and transported to the plant in Bhaktapur where 170 employees design, dye, print, and make greeting cards, stationery, and other colourful items.

The vision for the greeting card project arose in 1980 when UNICEF began to encourage the production of UNICEF greeting cards in developing countries. Community development workers quickly recognised that Nepal possesses the natural

and human resources for greeting card production. In coordination with His Majesty's Government of Nepal, UNICEF established the 'Community Development through Paper Production and Greeting Card Project' in 1982.

One of the basic objectives of BCP is to improve the living standards of low-income families. The project initially motivated about 15 families (paper-makers) in Tarakhola, Baglung, to form a group in 1981/82. It provided Rs 50,000 as an advance to buy *lokta*. The ability to purchase paper was guaranteed for the paper-makers. The project started from 15 families now has grown to involve 1,000 families engaged part time in making paper and *lokta* cutting. Prior to involvement in paper-making many farmers were unemployed for part of the year. Today paper-making has become one of the main sources of income for farming families. In order to safeguard their interests, manage the forests, and establish better relations with BCP, farmers have formed an independent paper-makers' association and one member from this association represents them in the community development trust of the BCP.

BCP is also providing full-time employment for more than 170 persons, a large increase since its inception 16 years ago. The full-time workers include staff from the BCP central office in Bhaktapur, from the showroom in Kopundole, from the child-care centre in Bhaktapur, and from the field office in Baglung.

#### **4.11.4 Marketing**

BCP has been mostly dependent on UNICEF's marketing operations for the

majority of its sales. UNICEF buys more than 70 per cent of its total output. (See the Table 4.3). Although it is trying to diversify its sales, no substantial achievements have been made in this respect. To develop its domestic market, *Sana Hastakala* was established in 1989 as a retail outlet for BCP and two other organizations. A new showroom-cum- contact office was opened in Kopundole in 1994.

From 1989 to 1995 there was a big hike in the sales of BCP. And this reached a peak in 1995. A big purchase from UNICEF accounted for the increase in total sales that year. UNICEF reduced its orders from 1996. There was, as a result, a big setback to sales and they plummeted by 25 per cent. The situation became worse in 1997 when the total sales decreased by more than 50 per cent compared to 1995, and the project suffered a loss for the first time in nine years. (The situation is likely to be even worse in later years. This is because UNICEF already has a large stock of cards and will be compelled to decrease its orders.)

## 4.12 Village Leather Training Centre

An example of the efforts of collective marketing on the part of grass roots'

producers can be seen from the experience of producers from the Village Leather Training Centre (VLTC). The VLTC has been acting as a facilitator and skill trainer and imparting training on production of leather goods for rural people; mainly for the *sarki* community of traditional cobblers. The emphasis is on skill development as a means of directly increasing the economic condition and self-esteem of the community by providing training and facilitating support for marketing products. These products have been marketed by some of the FTG Nepal members for quite some time. The VLTA was registered as a non-government organization in 1995. As a result of the felt needs of the producers and the findings of a survey on the possibility of arresting the decline in traditional leather work in the village by trainers from Lalitpur Technical School.

### 4.12.1 The Sarki and Traditional Leather Work

The *sarki* community is one of the most backward and disadvantaged ethnic communities in Nepal. In the past, they collected raw hide and made goods out of tanned leather. These goods included shoes, bags, belts, rugs, horse saddles, knife cases, and head straps and ropes.

(in Rs)

**Table 4.3: Sales of BCP from 1989 to 1997**

Year	UNICEF	Others	Local	Total
1989	6,306,247	913,961	1,656,339	8,876,547
1990	5,486,462	1,597,164	2,904,757	9,988,383
1991	9,776,358	1,384,983	4,592,673	15,754,014
1992	16,617,536	3,789,705	7,039,228	27,446,469
1993	25,344,160	2,724,258	6,213,250	34,281,668
1994	25,146,581	2,502,846	7,011,211	34,660,638
1995	41,478,004	1,369,803	5,482,184	48,329,991
1996	28,596,481	2,998,439	5,256,649	36,851,569
1997	17,198,440	1,046,109	3,888,442	22,132,991

Until about two decades ago, the *sarki* community of the Kathmandu Valley used to make traditional shoes. However, after the establishment of Bansbari Leather and Shoe Factory and other private sector shoe factories, these skills were rapidly relinquished. In contrast, the *sarki* communities outside the Kathmandu Valley have, in general, maintained their traditional skills a little longer than communities in the valley. In the villages, they tan leather by using different local herbs. The rationale behind the formation of VLTC was to help the *Sarki* (cobbler) community because it had been victimised and marginalised by the Nepali caste system.

On the initiative of Action Aid Nepal, an INGO working in the remote hilly areas of Nepal, a group of staff from VLTC and Action Aid Nepal visited several rural areas in Sindhupalchowk, Nuwakot, and other districts in 1990. They discovered that the skills of traditional cordwainers still existed in some areas, and that they could form an excellent base for income generation if proper training in resource use and marketing could be imparted to those traditionally engaged in making leather products.

#### 4.12.2 Marketing and Training

In the beginning, a handful of cobblers from two villages received training. The purpose was to diversify and produce for the tourist market. A natural look, rustic texture, and slight improvement in stitching and finishing, it was thought, could re-

sult in products suitable for the Kathmandu tourist market. VLTC first approached ACP for help with marketing. The newly developed products were briefcases, backpacks, pencil cases, belts, shoulder bags, purses, and wallets. Goods were kept in a retail outlet and soon the demand increased. This led to extension of the training programme to other areas where there were concentrations of the *sarki* community.

In each village a group of producers was formed after they had received training. A group leader was selected in each group and he/she was given further training on marketing and management. He/she was made responsible for orders, receipts, production coordination, and delivery of goods to retailers in Kathmandu. A total of 15 groups (with a total of 175 members) has been established to produce and market the goods. Goods are sold mainly to the ACP, General Trade, and Saddle Traders.

Sales from VLTC to ACP members over the past years have been as follows.

	Per Annum
1994	Rs 600,000
1995	Rs 800,000
1996	Rs 800,000
1997	Rs 10,00,000

There appears to be no problem in marketing at the moment, since all of the products are purchased by the three organizations mentioned above.



## **Chapter 5**

# **Marketing Organizations: Case Studies of Members of the Fair Trade Group**

This Chapter presents case studies of seven marketing organizations, all members of the Fair Trade Group Nepal, recounting their origin and development and their marketing activities and strategies. Some of these organizations have evolved as marketing intermediaries stemming from the activities of other producer organizations. An attempt is also made to identify the factors in their successes and failures and assess how they have faced and tackled the problems they confronted as part of the organized marketing movement. Constraints to their functioning effectively as marketing organizations and protectors and supporters of producers' interests have also been indicated.

### **5.1 Association for Craft Producers**

#### **5.1.1 Background**

The present status of the Association for Craft Producers (ACP) as a leading craft-

based, non-profit professional organizations is the result of efforts of a dedicated team of people who visualised its present stage a decade ago. Meera Bhattarai, after resigning from the Women's Skill Development Centre (WSDC), a semi-government organization, took the initiative of establishing the ACP with a group of five people and a few producers. With strong dedication, commitment, and expertise, the ACP began to develop gradually from small beginnings to the present stage. Today, 50 staff reach out to more than 1,000 producers throughout the country, are engaged in promoting production, and are marketing Nepalese handicrafts.

Established in 1983, the ACP is a local private, professional group that provides designs, markets, management, and technical services to low income, primarily female, craft producers. It is registered with the district office as an NGO.

The ACP conceived of the sale of handicraft as a unique means of freeing the country from the grip of extreme poverty and particularly for using a large work force of women with skills and potential. It strived to change the traditional notion of crafts as a mere hobby or part-time work to a concept of meaningful, regular productive activity through training, motivation, organization, and guidance.

To date, they have supported 1,000 producers in different sectors of craft production. Some of them have traditionally been in these crafts, whereas others have been newly trained to take up craft activities. From the onset of their activities until the fourth year of operations, ACP received financial and technical support from various agencies, mainly to cover establishment costs, working capital, construction, research and development, and equipment. With a gradual increase in sales, both export and local, ACP headed towards self-reliance from its fourth year onwards. It has been able to sustain itself throughout a period of more than one decade now (Box 5.1).

### **5.1.2 Objective and Goals**

With a mission to establish a permanent system of management that provides regu-

lar designs, markets, and technical services to low income craft producers, resulting in regular wages, adequate to supplement family incomes and improve the overall standards of living, ACP set itself the following goals.

- Employment creation through regular production of Nepalese crafts reaching 1,200 producers by the end of the century
- A 200 per cent increase in funds for producers' benefit programmes (from US \$ 12,000 to US \$ 38,000) by 2000 AD

### **5.1.3 Organizational Structure**

There is an executive board consisting of seven members chaired by Mr. Dirgha Raj Koirala. Mr. Koirala has been the motivating force behind the organization at the policy level. There is a second-level senior management committee led by Meera Bhattarai, the Executive Director. Besides the ED, there is a Marketing Officer and Heads of Production and other departments. The Committee is autonomous in executing business operations. This makes it more accountable to the board, producers, staff, and its stakeholders. The ACP runs different production sections cat-

### **Box 5.1: ACP : Chronology of Major Landmarks**

- 1984 - Purchase of own land
- 1987 - Construction of different production wings
- 1986 - Opening of *Dhukuti* as a retail marketing outlet for ACP production
- 1996 - Opening of *Dhukuti* in Pokhara
- Application of phase-wise producers' benefit packages. This includes a producers' savings' programme, welfare fund, bonus, picnic programme, fair price shop, retirement fund for counselling services, workshop cafeteria, education allowance for the girl child, informal education, work incentive awards, and financial loans for group producers.
- installation of affluent treatment and recycling and re-heating technology.

egorised by product types, and the departmental supervisor is responsible for coordinating each production unit.

#### **5.1.4 Products and Target Market**

ACP began its venture with the marketing of home furnishings based on motifs derived from temples, palaces; and antiques. The techniques used included block printing and embroidery. The ACP has gradually diversified its product lines into table ware, kitchen textiles, knitwear, copperware, leather goods, floor mats, clothing, toys, paper crafts, Christmas decorations, wooden products, ceramics, and basketry. Although the local market primarily consisted of the expatriate community and tourists, there has been a gradual increase in sales to hotels, restaurants, and offices. Some products, such as cushions, bed sheets, tablecloths, kitchenware, rugs, and mats, have been adapted to foreign tastes, whereas others, such as felt shoes and copper products, are primarily based on traditional technologies. Among the most successful items using innovative ideas are copper and knitwear products. The TARA (Star) trademark of designer hand-knitted sweaters has been marketed in the USA and other foreign countries for over six years.

#### **5.1.5 Mode of Operation**

The ACP does not simply purchase what producers bring to them; it rather tries to distinguish itself by developing its own designs and products. The ACP provides raw materials to producers along with designs and colour combinations. The quality standard is set and training and orientation are provided prior to production. Most producers work at home and each pro-

duction unit is supervised by a group leader who coordinates all aspects of production, including quality control. Some producers attend the main workshop situated in Kalimati daily. In almost all sections, producers are paid on a piece rate basis. In addition to the wages, the ACP has developed a benefits' package for producers; and this includes bonuses, medical allowances, monthly savings, work incentives, and other general facilities such as household commodities at cheap rates made available through an in-house commodity shop.

#### **5.1.6 Marketing Strategy and Sales**

The ACP marketing strategy is characterised by the following elements.

- The ACP entered the market by launching hand-block printed, home furnishing items that gained wide popularity in a short period of time. In fact, ACP has been able to create a better image in the local market through its distinct products, unique designs, and colour combinations derived from various motifs found in temples and palaces and derived from many traditional arts and crafts.
- The rapid adaptation to market responses and the ability to diversify the product range with a careful and integrated production approach are the key factors behind the ACP's successful marketing programme. The ACP's in-house design and product research and development cell has strengthened its marketing programme.
- Producers are provided with designs, colours, and standard of quality expected before producing the goods. Exclusive ACP designs are preferred.

- Selling through private retailers has been discontinued due to the difficulties experienced in realising the dues. Also, private buyers are not reliable, and they buy the same product from many other suppliers. Recently, however, ACP has started to provide specific products to *Sana Hastakala* (Lazimpat).
- At present ACP's importers are Alternative Trading Organizations (ATOs) (60%) and commercial buyers (40%). Despite the lesser percentile rate, the volume of sales in the commercial market is greater than sales through ATOs.
- ACP has developed good linkages with local hotels, restaurants, and offices and has provided interior decorating services together with their products.
- *Dhukuti*, set up separately as a retail marketing outlet for ACP, is in a prime craft area where most of the handicraft shops and FTG member shops are located. Building an image through a single outlet that can provide a wide selection for buyers has been a key factor in the ACP strategy to capture the local market. Their record shows that 20 per cent of their total sales are to Nepalese consumers.
- The opening of a new branch in Pokhara has added a significant advantage in terms of promoting ACP in the second major tourist area. The *Dhukuti* in Pokhara was franchised to an individual, but, due to the lack of a well-defined franchise law in Nepal, the arrangement did not work. Currently the ACP owns and runs the shop.
- The marketing strategy is based on the following principles; unique designs, quality products, affordable prices, better communications, and speedy deliveries.
- Because of the ambiguous government policy regarding the role of NGOs in export, the ACP has set up a separate trading firm to carry out all export activities.

Sales by ACP over the last three years have been given in Table 5.1.

(In Rs)

**Table 5.1: Sales from the ACP from 1995 to 1998**

Year	Sales
1995/96	233,18216
1996/97	305,31471
1997/98	300,10848

In spite of its overall success, the ACP, at present, faces certain constraints to expanding its operations. First, it has grown too large for the home and limited export market but, at the same time, is not large enough to explore overseas' markets and invest in research and development. Second, it faces problems in maintaining product standards, especially in maintaining the fastness of dyes: and this is because of the lack of technical facilities to test dyes, chemicals, micron (quality and softness) of wool, and glazing. Third, it also lacks a suitable modern technology to replace the traditional processing system.

## **5.2. Janakpur Women's Development Centre (JWDC)**

### **5.2.1 Background**

The Mithila region situated in the southern Terai of Nepal (mainly in the Janakpur area) has unique cultural characteristics in that it is the home of a special method of painting images of gods and goddesses from the Hindu Ramayana and



Mahabharata. Prior to the introduction of Mithila painting on handicrafts and the Janakpur Women's Development Project, little was known about the Mithila culture and crafts by outsiders or people from other parts of Nepal. The emergence and development of the market for handicrafts painted with Mithila designs over the last eight years have contributed significantly to the upliftment of the socioeconomic status of many poor women in this region.

The Janakpur Women's Development Project began in 1989. Its aim is to help village women earn from their traditional arts. The success of this project has been due to the vision of an American artist, Claire Burkert, who was inspired by a visit to the Janaki Temple and nearby villages where she saw the rich art engraved on houses and temples. She first gave paper and painting materials to a few women and encouraged them to paint the traditional designs they had painted on the walls of their houses.

In the beginning, it was hard for these women to believe that their efforts could be worthwhile. Moreover, it was not an easy task to get them to work because of the oppressive circumstances in which they lived. They were not even allowed to talk to strangers and had to keep their veils on most of the time. With persistent efforts, Claire Burkert managed to convince a few tourist resorts and hotels in Kathmandu to

use the painting made by these women to decorate the walls. That was the turning point and catalyst in the development of Mithila-based handicrafts. Vigorous marketing efforts followed through several exhibitions in Kathmandu, and the art became popular with the expatriate community.

### 5.2.2 Organizational Structure

This organization was run by a few women under the protective umbrella of the Lions' Club. Once the business started to grow and, simultaneously, when they managed to get some funding, they registered as an independent non-government organization at the district office in Janakpur. The organization is comprised of general members who are artist producers. An executive committee responsible for formulating the policy is elected out of the general members. A management expert provides support to the day to day operations, from managing raw materials to dealing with buyers, keeping accounts, and other general administrative work. Artist members are provided with training in literacy, book keeping, marketing, entrepreneurship development, and export procedures to make them fully independent so that they can run the organization in future. During the past few years, they have managed to reduce outside staff and the members themselves have begun to take on the responsibility for handling the store and accounts.

#### Box 5.2: JWDC: Landmarks in Development

- 1990 - First exhibition of Janakpur artists held in Kathmandu
- 1992 - Establishment as an NGO
- 1993 - Purchase of its own land
- Construction of its own building, workshop
- 1996 - Establishment of an outlet in Kathmandu

### 5.2.3 Mode of Operation

Most of the raw materials (except Nepali hand-made paper) needed for the centre is procured from adjoining Indian towns. Producers have to attend the centre daily and engage in production. The different sections for painting, ceramics, stitching, mirror-making, and screen-printing are headed by the managers drawn from among the members. Members are paid on a monthly salary basis, but the amount varies according to the skill levels and the length of service with the Centre. Eight support staff (3 in ceramics, 2 helpers, 1 in child-care, and 2 in administration) help in day to day operations. At present, there are 66 women members in the group.

### 5.2.4 Products and Target Markets

The traditional art of the Mithila region is depicted and embellished through various modifications and is often adapted to suit foreign tastes. The various products of the Centre are paintings on Nepali hand-made paper (as differentiated from paintings available in India), paper maché, decorative boxes, glazed and terracotta ceramic household goods, bags, t-shirts, mirrors, dresses, home textiles, and furnishing. The market was initially targetted at tourists and the expatriate community, but over time it gained popularity among the better off Nepalese as well.

### 5.2.5 Marketing Strategy and Sales

The Centre follows the following marketing strategy and modes of sale.

- The Centre currently sells mostly through the Fair Trade Group member organizations (e.g., *Mahaguthi*, *Sana Hastakala*), but recently they have

provided a full range of products to some private shops in Patan. The Centre also runs its own small outlet inside the premises of Summit Hotel.

- The Centre provides goods on credit to most of the retail outlets on deferred payments due from 30 to 90 days.
- The Centre takes part in major exhibitions and *mela* in Kathmandu and has been successful in selling substantial quantities at these events.
- Many new customers are contacted through these exhibitions. Often orders are received directly from resident expatriates.
- The Centre prepares marketing plans indicating production targets and customer sectors and targets to various retail outlets and new customers.
- The Centre has given special attention to quality in recent years since many new competitors have jumped into this business.
- The Centre produces a booklet explaining the art, culture, and impacts of the project on society, particularly on women, for promotional purposes.
- It also produces brochures and leaflets to distribute to major hotels and also through the Fair Trade Group. Recently the Centre prepared a biography of a master artist to use as promotional literature.

To date, demand has exceeded production and the Centre has not had marketing problems. The Centre has been able to remain distinct from other groups by ensuring the quality of the products.

The sales' records show continuous growth over the past four years (Table 5.2).

A key factor in their success, despite the prevalent and stiff competition, is their abil-

**Table 5.2: Sales of Janakpur Craft Producers from 1994 to 1998**

Year	FTG Nepal Member Organizations	Others	Total
1994/95	1074875.00	1125125.00	2,200,000.00
1995/96	576031.00	1623969.00	2,200,000.00
1996/97	553381.00	1755075.00	2,308,456.00
1997/98	965469.00	2543306.00	3,508,775.00

Note: In 1994/95 sudden increase in exports accounted for the high sales

ity to diversify the product line and range in quick response to the market. Their artistic approach to product development is a key attraction for the customer. Besides, the goodwill gained over the period by the project itself has played a significant role in promotion not only of the products produced by the Centre, but also of products decorated with Mithila paintings in general.

### 5.2.6 Socioeconomic Impact

The Centre has been able to provide regular incomes to many women. They send their girl children to school regularly and general awareness and conditions of health and hygiene have improved substantially. Notwithstanding, impacts on other aspects of women's lives have been no less significant. A great sense of solidarity, empowerment, and self-confidence is quite visible now among the previously oppressed women. A significant development is seen in the new phenomenon of women riding bicycles and commuting long distances. This is a great change for the whole Mithila region where women were earlier expected to wear their veils. They have also developed the self-confidence to travel to Kathmandu independently, a feat unthinkable some years ago!

### 5.2.7 Problems and Constraints

The Centre, however, is faced with certain problems arising mainly from its location away from the main market centre and from the lack of management skills among its members.

- The Centre is far away from the main market centre, namely, Kathmandu, where it also does not have any contact point. Buyers not going to FTG member shops, which stock its products, are likely to remain unaware of them. Distance and unreliable bus services between Janakpur and Kathmandu pose problems for timely deliveries and also involve wasting time as goods in transport have to be accompanied by someone (in the absence of an internal cargo system). All the necessary raw materials have to be procured from Kathmandu, resulting in higher costs and more time wasted. It is also hard to find the identical raw materials consistently to fill repeat orders.
- JWDC is the first organization of its kind to attempt to be completely managed by the artists themselves. Yet, in spite of efforts to train the women

members in management, marketing difficulties persist because they have been deprived of basic education. Literacy classes alone are insufficient to help them interact with foreign buyers who use the English language. The new generation of educated artists has not taken an interest in the Centre's activities. Lack of education has also hindered sound decision-making and judgement, threatening sustainability in the longer term.

- Some women members also work from home, duplicating items produced at the Centre and selling them at lower prices to the same target market. This may lead to serious competition and conflicts among the producers.
- Though the Centre was initially fully subsidised, it has gradually moved towards independence; but the constant market competition threatens its position.

### 5.3 Kumbheswor Technical School (KTS)

Development activities have often been directed towards rural areas and urban areas have tended to be overlooked. Quite often it is seen that communities living on the fringe of an urban area are among the most oppressed and depressed. Kumbheswor, located on the edge of the boundary of the old city of Patan, is one

such area. Many Newari<sup>5</sup> speaking castes live there and among them the *pode* (traditionally the sweepers) community occupies the lowest rank. Its members are deprived of education and even access to religious activities. Their living conditions are characterised by poor hygiene, dirty surroundings, and poor economic conditions. In spite of the religious importance of the Kumbheswor Temple, the place was lacking sanitation and drainage facilities, thus making the overall surroundings uncongenial.

The founder president of the Kumbheswor Technical School, Former State Council member, Mr. Siddhi Bahadur Khadgi, lived and raised his family in this place and saw the immediate need for the development of the area. He took up the challenge and launched an education programme for the *pode* community. The initiative started with a day-care centre for *pode* women who used to carry their children on their backs as they swept the streets. Subsequently, the Centre was restructured and named Kumbheswor Technical School in 1983 to assist the socially and economically deprived *pode* community and other low income people. The school was registered in 1987 with HMG, Ministry of Education. It is also registered as an NGO with the District Administration Office, Lalitpur, and with the Social Welfare Council (SWC) and the Council

#### Box 5.3: Chronological Development of KTS

- In 1983, activities started from the Day-Care Centre
- In 1984, the primary school was established
- In 1995, technical training started with carpet weaving
- In 1987, training on hand knitting and carpentry started
- In 1989, commercial production of carpets and knitwear started

5 The Newar are the main inhabitants of the Kathmandu Valley (see p1)



for Technical Education and Vocational Training (CTEVT).

KTS at present is providing free education at nursery and primary school levels and skill training for poor young boys and girls, destitute women, and the disabled. Craft production and marketing are being run as an income generation programme to support school activities and provide employment to its trainees.

### 5.3.1 Organizational Structure

There is an executive committee consisting of seven elected members who formulate policy. Under the committee there is a member secretary and director, Mr. Kiran Khadgi, who is responsible for implementation of all programmes. Under the director there are different sections: income generating activities, nursery and primary schools, vocational training centre, and administration sections.

### 5.3.2 Products and Marketing Strategy

The three main products of the school are knitwear, carpets, and furniture. Knitwear and carpets are mostly exported and furniture is being sold locally. The school has a showroom within its premises. Some of the knitwear is sold locally through other FTG members such as *Sana Hastakala* and *Mahaguthi*. KTS is also producing products together with the Association for Craft

Producers (e.g., armchairs: the wooden parts are made by KTS and the fabrics by ACP), another FTG member, and marketing them from the ACP outlet. KTS also participates in local fairs and exhibitions.

Though product sales locally began in 1986, products were first exported to OXFAM in 1989. A private carpet buyer was contacted in 1992 through the Trade Promotion Centre. At present most of the overseas' buyers of KTS are ATOs such as OXFAM, AEA, TEAM, Bridge Head, Trade Craft, and Commodity World. Products are exported to the U.K., Japan, Germany, Canada, Italy, Switzerland, Australia, and Norway.

KTS seems very dependent on ATOs for marketing its products. In the case of carpets and knitwear, the share of export sales is about 90 per cent of the total turnover and the remaining 10 per cent are local sales, whereas, in the case of furniture, 100 per cent of the sales are local. Most foreign buyers are contacted personally or through correspondence. Every year KTS sends photographs of its new products to probable buyers.

The sales' figure of KTS from 1994 to 1997 are given in Table 5.3.

The figures show that the sales were increasing until 1996, but declined in 1997, mainly because of a reduction in orders for woollen knitwear. KTS has to compete

**Table 5.3: Sales of KTS from 1994 to 1997**

Year	Knitwear	Carpet	Furniture	Total
1994	1,246,227	1,289,171	369,473	2,904,871
1995	1,550,456	838,054	544,481	2,932,991
1996	1,789,581	1,499,788	440,385	3,729,754
1997	1,378,937	1,445,821	497,953	3,322,711

with other commercial enterprises producing knitwear and carpets. The main competition is in the price. Nevertheless, KTS has been able to maintain strict quality control and adopt new designs regularly to compete with others. The main problem KTS is facing at present in marketing its products is irregular orders and lack of information and exposure to the international market. Production is directed towards fulfilling the employment needs of trainees from the school and market opportunities for diverse craft products are not pursued. Sweaters from KTS are comparatively expensive because a fair price is given to the producers, quality dyes are used, and the knitting is of high quality. They find competition tough but have been able to sell mainly because of the advantage of their status as a fair trade organization.

The KTS is one of the founding members of FTG Nepal and very active in its activities. As a fair trade organization it shares common problems and achievements with co-members. Among the principal advantages for KTS in joining FTG Nepal are participation in skill development training and information sharing. However, KTS has not been able to gain more through FTG Nepal. Still, it expects to gain from events such as the IFAT South and South Asian Regional Meeting, which took place in November 1998, a good forum in which to meet new international partners.

## 5.4 Mahaguthi

### 5.4.1 Background

The late Tulsi Mehar Shrestha, the Mahatma Gandhi of Nepal, founded the Nepal Charkha Pracharak Gandhi Smarak

*Mahaguthi* (NCPGSM), literally meaning the organization for promotion of the spinning wheel, and the Gandhi Memorial Trust in 1926. The *Mahaguthi* came into existence as a pioneer non-governmental, non-political social service organization. It is the oldest social organization established with the objectives of making the poor economically self-reliant and introducing community development and social reform. The first programme it launched was for training in the production of *khadi*; coarse homespun cloth. Since then, the *Mahaguthi* has run several social development programmes in different parts of the country for the upliftment of the poor, helpless, neglected, and destitute.

Nepal Charkha Pracharak Gandhi Smarak *Mahaguthi* (NCPGSM) has introduced several programmes. Among them are the Tulsi Mehar Mahila Ashram (TMMA), founded in 1972 AD, where needy and destitute women and children are provided with food, shelter, health facilities, literacy classes, schooling for children, and vocational training in various skills such as sewing, weaving, and knitting. OXFAM (U.K.) helped the Ashram, providing funds for food supplies and daily necessities. In an effort to help the Ashram achieve self-sufficiency and independence, as well as to expand activities to support low-income craft producers, the members of OXFAM encouraged NCPGSM to open the *Mahaguthi*, Crafts. With a Conscience (CWC), which came into existence in 1984. The principles upon which *Mahaguthi*, CWC was founded are as follows.

- To help stimulate the revival and development of handicraft production as an income-generating activity for poor



Promotion of Nepali Crafts: *Mahaguthi* at AWON Craft Bazaar

and disadvantaged groups within Nepal

- To offer product development and design support to craft producers and to provide effective retail outlets, thus linking producers and markets
- To help support the programme for rehabilitation of destitute women and children of the *Tulsi Mehar Mahila Ashram*.

*Mahaguthi* Shop provides a retail outlet for the goods produced by the women in the Ashram, as well as for other craft producers from all over Nepal. *Mahaguthi* Shop was the first of its kind in retail outlets for uniquely Nepali handicrafts. In the beginning it was supplied by three producer groups in addition to the Ashram, namely, Women's Skill Development Project, Himalayan Leather Handicrafts, and the Cottage Industry Emporium.

In the shop's first year of business, OXFAM provided funds for capital investment and for one staff member. With little or no working capital, *Mahaguthi* purchased goods on a consignment basis. In the very first year of operations *Mahaguthi* was sell-

ing goods at a profit and fulfilling its basic objectives.

#### **5.4.2 Organizational Structure and Development over the Years**

Isabel Crowley, a chartered accountant with a degree in management, who had been working with the *Tulsi Mehar Ashram* as a volunteer, took charge of the shop in 1984. Isabel hired and trained three staff, Renuka Thapa, Surendra Shahi, and Ang Diku Sherpa. Educated, but with little practical experience, these three proved to be quick learners and hard working. The original organizational structure tended to be hierarchical with most decisions made at the senior level by the executive director (ED). This was the case until 1992 as the executive board had given autonomy to the ED. An *ad hoc* working committee, formed by the Central Office, had the authority to formulate rules and regulations on a day to day basis within the framework of the *Mahaguthi* constitution. This structure has been reshaped with the growing need for organizational development, for facilitating the smooth operation of marketing activities, and for providing



### **Box 5.4: Mahaguthi : Brief Chronology of Development**

After the first shop opened in Mangal Bazaar (Patan) in 1984, *Mahaguthi* opened its second shop in 1986 in Kathmandu, a third shop in 1991 in Kopundole, and a fourth shop in 1993 in Lazimpat, Kathmandu. As the *Mahaguthi* shop grew from one shop to four and from a handful of producer groups to over a hundred and fifty groups, the objective of providing an effective retail outlet for craft producers was realised in the case of more than seven hundred producers. In addition to its original concept of providing a retail outlet for the needy producers, *Mahaguthi* felt it necessary to establish its own production unit in order to establish its identity in the market place. Since producers tend to sell similar item to many shops, the increased competition led *Mahaguthi* to open its own workshop in 1990.

greater autonomy and authority to junior level staff. The central office has formed a seven-member executive board to formulate policy and provide overall direction. The executive director is responsible for implementing the decisions of the board.

*Mahaguthi*, Craft with a Conscience, has grown from a very tiny set up with three staff and three producer groups to three retail outlets, an export business, and a manufacturing workshop with over 25 administrative staff, 40 in-house women producers, and a net-work of 150 groups of producers. To date, it has generated a profit of over seven million rupees, of which about four million rupees have been contributed to the TMMA Ashram. Being a pioneer in supporting development of micro-scale, craft-based enterprises in rural and urban areas of Nepal, *Mahaguthi* has helped set up a number of workshops in various parts of Nepal for producer groups. In addition, it has held several national craft exhibitions and skill improvement programmes for development of new skills in craft and training in management techniques for producers.

#### **5.4.3 Products and Target Market**

*Mahaguthi* sells many handicraft products including wood carvings, traditional dolls,

puzzles, hand-made Nepali paper products, woollen knitwear, hand woven cotton material, clothing, bedspreads, cushion covers, bamboo baskets, natural fibre products, and other handicrafts in over 2,000 ranges. The products manufactured in its own workshops include hand-woven fabrics, block printed material, cushion covers, and plain clothing. To date, goods manufactured in-house have been primarily for export. Most export orders are custom orders. The production centre also makes some cushion covers, bed covers, and clothing for sale in the stores. The principal export clients are Alternative Trading Organizations. Recently efforts have been made to enter the commercial mainstream market as well. Local sales are targetted at tourists and the expatriate community. In recent years, efforts to enter into the local Nepalese market have become a key concern for long-term growth, since the tourist market by itself is assessed inadequate to ensure stable and sustainable growth.

#### **5.4.4 Marketing Strategy and Sales**

Combining the thread of the Gandhian philosophy underlying handspun cloth with the production of contemporary crafts is the key factor behind the marketing policy of *Mahaguthi*. This has been one



advantage over the Gandhian-oriented organizations in India which have been unwilling to change their old attitudes to suit changing tastes.

*Mahaguthi* started with zero working capital but with strong motivation, commitment, and full accountability to its producers. Goods used to be procured on a consignment basis from producers and every effort was made to sell as quickly as possible through attractive displays and explicit product and producer information. *Mahaguthi* also used its privileged position as a unique outlet and the first in the field operating for a good cause to market its products. Still this was insufficient to gain a competitive advantage. Lower mark ups with a higher volume of sales were the original hallmarks of its operations and to increase sales through domestic retail outlets was the operating principle behind its marketing strategy. For that purpose a chain of retail outlets was opened.

*Mahaguthi*, in the initial stages, focussed its promotional campaign by organizing national exhibitions and fairs. These were often scheduled to coincide with the monthly gatherings of AWON and UNWO whose members are mostly residential expatriates; both these organizations are a major influence in generating local sales. It has used various tourist-oriented magazines for advertisement, e.g., *Mirror Magazine*, *Nepal Traveller*, and

*Kathmandu Review*. Samples of goods with information about the producers were displayed in major hotels as another means of attracting people. Concentration on one key saleable product (e.g., *dhaka*, was identified with *Mahaguthi* for a number of years) was another tool used to create an image that has been successful in the market place.

In recent years, *Mahaguthi* has employed a marketing specialist to focus on developing an export market. It also conducts market research from time to time, and this has proved to be instrumental in designing a product strategy.

Sales have grown steadily over the years, as can be seen in Table 5.4.

#### 5.4.5 Impact and Constraints

*Mahaguthi* has provided regular income to its producer groups, many of whom have become independent producers over time. The success of one group has had multiplier effects leading to the development of production activities by other groups (See case studies on Dilli Subba and the *Allo* weavers' groups). *Mahaguthi* has also been able to attract new buyers, such as Daichi and Nepali Bazaars, and expand into Japan.

As a founder member of FTG Nepal, its advocacy and practice of fair trade have

(In NRs)

**Table 5.4: Overview of Increment in Sales from 1984 to 1998**

Year	Local	Export	Total
Opening year 1984/85	7,88294	-	7,88294
1996/97	42,23432	39,61514	81,84947
1997/98	55,57092	56,52719	1,12,09812

made positive impacts on trade circles and other organizations have also adopted the principle of providing maximum benefits to the producers.

Further expansion in business, however, is now proving increasingly difficult, because of the lack of resources, inconsistent supply of raw materials, technological problems in the use of inputs such as dyes, and the cost involved in practising the principle of fair trade. Most of the profits have been donated, for good reasons, to the *Tulsi Mehar Mahila Ashram*. Fair Trade as a concept has graduated from producer-level collective marketing to organization-based collective marketing. It is necessary to enter international markets, but it also entails organizational costs and overheads. Vagueness in the policy of the government towards NGOs engaged in export is also causing problems for organizations like *Mahaguthi* which do their own exporting.

## 5.5 *Manushi*

The *Manushi* Arts and Crafts, a founder member of the Fair Trade Group Nepal, was founded in 1991 as a non-government organization in response to a demand from village women for practical help. Prior to becoming an independent organization, *Manushi* was operating under the umbrella of the Centre for Women and Development. *Manushi* seeks to provide support to disadvantaged and rural women by introducing various skills that can be used to earn money, increase their self-reliance, and improve the living standards of their families. *Manushi* believes that through the development of entrepreneurship and by equipping them with marketable skills, women can be empowered and, thus, bring social change.

*Manushi*, at present, is carrying out various programmes ranging from non-formal adult literacy, micro-credit, food processing, and research and training on entrepreneurship and gender issues. *Manushi* Arts and Crafts is one of the components of *Manushi*. It concentrates on training for handicraft and entrepreneurship development. *Manushi* is producing and marketing clothes and home furnishings based on tie-dye techniques using *allo* and cotton fabrics. In addition, *Manushi* also helps to market goods, such as *allo*, *dhaka*, and silver jewellery, produced by women's groups. *Manushi* also encourages its producers to start their own enterprises. Ten producers have already started their own workshops after being trained by *Manushi*.

The programme was funded by an international organization, the International Council on Management of the Population Programme (ICOMP, Malaysia), beginning in 1991, but *Manushi* was able to generate sufficient income to run its handicraft component independently from 1993 and now the operations are at break-even point.

*Manushi* is primarily a gender-focussed organization and has a wider objective than production and marketing of handicrafts and promotion of entrepreneurship among women. It strives to consolidate data on women in Nepal, to create off-farm employment opportunities for women and encourage their entrepreneurial skills, and to undertake gender sensitisation and gender analysis for target groups at various levels. *Manushi* targets grass roots' extension workers, grass roots' women, NGO leaders, development practitioners, researchers, government projects, and local organizations and NGOs.

It also encourages partnerships, collaboration, and joint action at local and national levels between NGOs and community groups working in environment and development and supports and strengthens existing networks to enhance and highlight women's roles in sound and sustainable development.

### 5.5.1 Organizational Structure

The executive board consists of seven members. The board formulates the policy. Ms. Padmasana Shakya is currently both chairperson and managing director and oversees all the activities. Under the managing director, there are five coordinators responsible for various sections, viz., Community Development, Research and Development, Enterprise Development, Finance, and Micro Credit. The coordinator for Enterprise Development also oversees the marketing and production functions of the handicraft unit.

### 5.5.2 Products and Marketing Strategy

*Manushi* entered the handicraft market after developing tie and dye based prod-

ucts ranging from *kurta salwar* to home furnishings and accessories targetting local Nepali consumers. *Manushi* also produces block printing, batik, and *dhaka/allo* products. Initially marketing was carried out through retail stores in Kathmandu; later *Manushi* opened its own retail store in Kopundole, Lalitpur, in 1992. *Manushi* found that, because of poor planning of retail activities, it could not run the outlet and had to discontinued.

Prior to commencing the craft programme, *Manushi* informally carried out a market survey on specific products. A growing market for tie and dye-based products was identified in 1991/1992. Despite tough competition from Indian imports in tie and dye products, *Manushi* has been able to continue production and marketing, mainly because it maintains high quality and develops new products continually. In addition to penetrating the local market, *Manushi* has also been looking for export markets. Its marketing programme is strengthened by developing customer services. These services procure orders from schools, hotels, offices, and seminars. *Manushi* also sells a lot of goods through



Promotion of Nepali Crafts: *Manushi* at IFAT Conference Trade Fair

participating in and selling at domestic exhibitions and trade fairs. *Manushi* has also started exporting to other countries, in particular Japan, the U.K., Australia, and the USA.

*Manushi* has also attempted to promote its products through incentives to customers such as discounts, credit facilities, and re-dyeing clothing when colours fade too quickly. It places its goods in retail stores on an consignment basis, displays its products in various hotels, and also tries to sell them in flight (RNAC). It tries to update its customer profile periodically and develops and places new products in stores for testing every six months. *Manushi's* annual turnover has been increasing and it reached Rs two million in 1996/97

The organization, however, experiences resource constraints that prevent it from market development on a large scale. It is not able to undertake market surveys continuously, develop markets in new locations such as Pokhara, or have its own sales' outlets to sell directly, collect market feedback, and develop a long-term marketing strategy.

## **5.6 Sana Hastakala**

*Sana Hastakala* was established in 1989 with the financial and technical support of UNICEF. The objective was to meet the marketing requirements of handicraft producers, most of whom were women operating on a very small scale, usually from their homes. It was registered as an NGO with the District Administration Office, Lalitpur. Bhaktapur Craft Printers, Women's Skill Development Project and *Mahaguthi* are its founder collaborating agencies.

*Sana Hastakala* endeavours to do the following.

- To preserve the country's rich artistic skills and crafts
- To promote export of Nepalese handicrafts.
- To motivate handicraft producers and sponsor professional training where appropriate
- To promote marketing of handicraft products from different parts of the country, especially the economically weak strata, through its showrooms
- To locate traditional handicrafts from different regions of Nepal and to promote best quality products
- To provide technical and financial support to craft producers where appropriate

### **5.6.1 Organizational Structure**

*Sana Hastakala* is run by a management committee consisting of representatives from the three collaborating agencies, viz., BCP, WSDP, and *Mahaguthi*. The committee formulates the overall policy of the organization. The Manager and Member Secretary, Chandra P. Kachhipati, is responsible for executing the programme. *Sana Hastakala* currently operates two retail outlets and a production unit. Each shop is managed by the shop manager and the production centre is managed by a woman manager.

### **5.6.2 Products and Target Markets**

*Sana Hastakala* sells a wide selection of handicrafts produced by more than 100 groups of producers throughout the country. It has now started its own production unit which concentrates on *allo* products.



### Box 5.5: *Sana Hastakala*: Landmarks in Development

- Opening of a retail showroom in 1989
- Achievement of self-sufficiency after two years in operation, in 1991
- Opening of a joint venture community craft centre in Lazimpat with WSDP, later on merged into *Sana Hastakala* in 1992
- Opening of a training and information centre in 1992 to provide craft and market-related information to its producers and to provide training in various skills depending upon market trends
- Participation in the fair trade movement and founder membership of the FTG Nepal, from 1993
- The number of staff increased initially from six to seventeen.

It sells mainly to tourists and expatriates from its retail outlets. Local restaurants and hotels also constitute one target market and home furnishings and ceramic utility items are sold. Exports to Japan have accounted for 25 per cent of their total sales in recent years. Lately, they have also been able to locate ATOs for export to European and US markets.

#### 5.6.3 Marketing Strategy and Sales

*Sana Hastakala* is providing marketing services to more than 100 individual producers, projects, firms, and organizations through its two sales' outlets; one in Kopundole and the other in Lazimpat, Kathmandu. In the past nine years, the organization has been able to increase its sales substantially. Out of its total sales,

about 70 per cent are local and the rest exports. The principal target groups for local sales are expatriates, tourists, and well-to-do Nepalese buyers. Most of the importers are ATOs. The organization is exporting to countries like Japan, the USA, Australia, the UK, and Italy. The main sales' promotion activities are advertisement, personal contacts, and participation in fairs and exhibitions

The sales' figure for *Sana Hastakala* products over the last nine years are given in Table 5.5.

*Sana Hastakala* is one of the founding members of FTG Nepal, and it has been actively participating in its different activities. It has gained many advantages by joining FTG Nepal, the most notable being

(In NRs)

Table 5.5: Sales from 1989 to 1998

Year	Kopundole	Lazimpat	Total
1989/90	12,96,198		12,96,198
1990/91	23,22,126	-	23,22,126
1991/92	35,65,247	-	35,65,247
1992/93	51,03,043	14,72,584	65,75,627
1993/94	50,40,958	15,12,045	65,53,003
1994/95	67,66,554	17,24,451	84,91,005
1995/96	60,89,932	19,52,796	80,42,728
1996/97	77,68,438	20,17,202	97,85,640
1997/98	78,46,615	26,68,077	105,14,692

establishment of contacts with and sales to many ATOs, notably Community Aid Abroad, Australia, and OXFAM Trading, U.K.

*Sana Hastakala* keeps the mark up on products within reasonable limits and strives to increase sales to increase profitability. It has been able to keep its sales' outlet distinctive by providing an effective display of products, cleanliness, a cosy environment, and warm hospitality to customers. It concentrates on highlighting the ethnicity of products and provides information through a bulletin board, photo display, brochures, and leaflets within the premises. It further campaigns through regular advertisements in popular magazines such as *The Mirror*, *Travel Nepal*, and *Adventure Nepal*. It regularly evaluates the commonly available craft products, but equal importance is given to products that appeal to customers but which are not necessarily made by disadvantaged groups.

The customer service is distinguished by the use of attractive packaging, discounts on bulk purchases, keeping the shops open until late and during weekends, and acceptance of credit cards. In order to build good rapport with expatriates, *Sana Hastakala* sends their sales in-charge regularly to AWON/UNWO meetings where most of the expatriate women meet for various social and development purposes.

*Sana Hastakala* has been doing well as far as its sales are concerned. Nevertheless it is facing teething problems in its production programme. It will need to develop mechanisms both for production planning and response to market changes by constantly collecting and using market information. It appears to be lacking in re-

sources at present so cannot take these measures.

### **5.7. Women's Skill Development Project (WSDP), Pokhara**

WSDP, Pokhara, was established in 1975 as a project to impart skill training to local women and thereby improve their economic conditions. From 1975 to 1989, the project concentrated its activities on skill development training. It started commercial production in 1989 with the assistance of one foreign volunteer, three staff members, and with three sewing machines. At present the project employs 36 people.

The project produces different bags and jackets from thick cotton handloom fabrics. Most of the raw materials are available locally. It has a sales' room on the office premises. In addition it sells to FTG members such as *Sana Hastakala*, *Mahaguthi*, and ACP in Kathmandu. It also supplies products to three shops on Pokhara lakeside. The project does not sell directly to foreign buyers. Economically the Project is not self-sustaining. It receives small grants from INGOs and local government.

#### **5.7.1 Marketing**

The main constraint is the lack of a sales' outlet and show-room of its own on Pokhara lakeside. Because of financial constraints, it has not been able to have such an outlet and mostly depends on other local retailers. It takes part in local fairs and FTG exhibitions. The project increased its sales during tourist season but they decrease during the off-season, as most of its products are being sold to tourists and

therefore the number of tourists visiting Pokhara has a direct impact on the volume of its sales.

The project is trying to promote its products through publication and distribution of brochures. It has to face stiff competition from commercial producers, mainly in terms of prices. Nevertheless, the project has been able to maintain its standards in

terms of product quality and, because of this, it has been able to increase its sales. The volume of sales is still small, but it increases year by year. The sales' figure in 1996/97 was Rs 0.66 million.

The project has high expectations of FTG Nepal. It believes that through FTG Nepal it can improve its production and marketing.

## Chapter 6

# Conclusions

### 6.1 Summary

#### 6.1.1 Importance and Role of Handicrafts in Nepal

Nepal is blessed with rich art and architecture as reflected in the skilful art work on wood, metal, and stone decorating the countless temples, old palaces, shrines, and many traditional houses. Art is used to decorate utility items that provide promising returns. Passed down from generation to generation, many crafts requiring a high degree of skill have been preserved. The growing demand for these crafts in traditional as well as modified contemporary forms has led to a resurgence in the production of handicrafts and creation of craft-based micro-enterprises in Nepal.

Nepal does not have a long history of commercial production and export of handicrafts. The marketing of crafts began about 40 years ago. At that time it

was limited to a few products, mainly traditional. Some household items produced in the remote areas had only localised markets.

At present, an estimated 300 thousand people are engaged in handicraft production and marketing. Some surveys suggest that earnings from handicrafts account for over 50 per cent of the family incomes of those engaged in this work. In urban areas, many craftsmen are engaged in the industry full time, whereas in rural areas most people undertake it as a secondary activity. Handicraft production and marketing have, to a certain extent, played a role in eradicating poverty and unemployment in Nepal. Handicrafts are the third largest foreign currency earner in the country. The contribution of the handicraft industry to GDP has increased from 0.08 per cent in 1986/87 to 0.89 per cent in 1996/97, a small but growing share.



The percentage of handicrafts to total exports is also increasing. It was estimated to be 4.19 per cent in 1996/97. Commercial production and marketing of handicrafts began after Nepal opened its doors to the rest of the world in 1950. In 1958, a long-term policy was formulated for the handicraft industry and subsequently organized efforts were made by government and other agencies to expand marketing activities. Concurrently, the newly emerging non-government, development organizations introduced many income-generating activities. Consequently, marketing and production of handicrafts became an important component of their programmes. Somewhat later, the fair trade concept was evolved to safeguard people from disadvantaged groups from the unfair structures of trade.

### **6.1.2 Main features**

Although there is no exact information available on the craft industries throughout Nepal, the data kept by HAN record that there are about 1,200 industries, exporters, organizations, and individual artists registered. These are mainly located inside the Kathmandu Valley. Of the estimated 300 thousand individual craftspeople involved in this sector, the majority of those in the Kathmandu Valley are from the traditional occupational groups in which male artisans play a dominant role, especially in highly skilled work such as *thanka*, idols, silver jewellery, and *pashmina* production. These product categories are mainly made for the commercial market. On the other hand, most of the craftspeople outside the valley and in remote areas are women, and they undertake craft production as a part-time activity. The product categories produced by these women's groups do not require

polished skills and many of these skills are easily taught or adopted. Skills include weaving, basketry, embroidery, crochet work, knitting, and spinning. Most of the fair trade inclined marketing organizations are engaged in the latter sector, focussing their programmes on the overall development of women.

Marketing of handicraft products began with the opening of shops in prime tourist localities in the Kathmandu Valley. The Valley is where the major domestic market targetted at tourists visiting Nepal is to be found. In recent years, the market for exports has increased and both the commercial and fair trade sectors are gaining access to the international market.

In the remote areas, producers are often scattered, they have received very little education, and entrepreneurship is not developed. Acquiring market information in these areas is costly. In addition, the producers are resource poor and, therefore, the possibility of bringing these producers into mainstream business without guidance from outside is remote. Concentration of markets in Kathmandu and Pokhara has restricted the development of rural, traditional home-based production. The rural producers, who are mostly self-employed, are striving to make a living from handicraft production and are mostly badly off economically. This means that expansion is beyond their means, leaving them vulnerable to exploitation. This applies especially to women producers who are caught between their need for financial security and their responsibility to the family. In an already insecure environment, they do not have the protection of labour legislation, employees' benefits, training programmes, legal aid, or access to credit. In isolation



Exhibition at the British Embassy. Inauguration by HE Mr. L.B. Smith, The Ambassador



Exhibition of Craft Products under One Roof



IFAT Conference Bringing Together Marketing Organizations from the North and South

they cannot have direct linkages with larger markets. The phenomenon of producers merging into groups is likely to lead to better marketing opportunities. The organized sector marketing intermediaries have directed their efforts mainly to providing access to these groups by introducing different activities that range from organizing producers, skill training, and product development to disseminating marketing information and finally marketing their products to domestic as well as foreign buyers. The organized marketing intermediaries (such as FTG Nepal members) have established links with many of the northern Alternative Trading Organizations as a niche market in which business is combined with other fair trade ingredients.

The fair trade focussed organizations that have emerged within the last decade have assisted producers, producers' groups, and their partner organizations in promoting and marketing products made in remote rural areas. Notwithstanding these efforts, some basic problems relating to production and marketing remain. The most notable among these problems are as follow.

- Too much dependency on imported raw materials
- Uncertainty in the availability of imported raw materials
- Lack of modern technology to improve the quality of raw materials and finished products
- Lack of facilities to test and certify the standards of products
- Limited access to market information
- Cumbersome government procedures for exports
- Centralized and seasonal markets
- Cut throat competition in terms of pricing and duplication of products

- Delivery problems caused by difficult-to-access geographical locations, high freight costs, and the negative attitude of the government towards NGOs engaged in export

### **6.1.3 Role of the Fair Trade Group Nepal**

To address the problems outlined in the previous section, craft-based organizations have engaged in collective efforts, since individual attempts to find solutions have not met with success. Among the many organized sector organizations, members of FTG Nepal have played an important role in providing services to many groups with a view to streamlining their collective efforts to make them more effective. The main steps taken to date by FTG Nepal to mitigate the marketing hurdles are given as follow.

- Lobbying the government about taxes and facilities
- Local and international networking
- Advocacy and campaign movements on fair trade awareness by organizing exhibitions, press releases, publication of literature, and convening international conferences
- Skill training
- Sharing resources
- Consolidating shipments to minimise air freight costs
- Dissemination of market information

FTG Nepal is, however, finding it increasingly difficult to perform its role in promoting production and marketing products of member groups effectively. This is due to paucity of resources. At present, the operational costs of the FTG secretariat are met by contributions from member organi-

zations. Although the FTG secretariat is striving to achieve self-sufficiency by undertaking such income-generating activities as providing consultancy services to non-member organizations, inadequacy of funds is likely to limit the operations of FTG Nepal in coming years.

## **6.2 Collective Marketing : Assessment, Problems and Issues**

As a result of the efforts of various organizations, and with support from FTG, a framework for organized marketing with an emphasis on producers' interests has developed in handicraft production and marketing in Nepal over the past decade. Although the organizations and the fair trade movement have not been able to cover all the producers in the country, because of the scattered centres of production, the idea of collective marketing has been successful for a significant number of products and producers. Many basic problems faced by individual producers and groups, however, still persist, and new problems have emerged within and as a result of the new organizational framework. Important among these problems and issues observed at different levels are those described in the next section.

### **6.2.1 At the Level of Individual Producers and Products**

- Producers of several product lines, particularly those based on non-local raw materials, frequently face shortages, uncertainty, and prohibitive costs of materials. They also find it difficult to compete with producers from the place of origin of raw materials who

have begun to make similar products and sell them in the Nepalese and external markets at lower prices (e.g., Indian origin based raw material goods such as Asamee cloth which is seen everywhere in Thamel)

- Upgrading technologies to suit changing consumer preferences and demand patterns is beyond the scope of individual producers or even local producers' groups. Support for this purpose has also not been forthcoming from the marketing organizations that buy the products. The latter also are not in a position to undertake research and development for this purpose. Even if they could afford to do so, they are not sure of getting a fair return on such investments.
- As a result of the above factors and related reasons, demand for certain handicraft products has declined. Embroidery work by Dhankuta Rai women and metal craft products from Bhojpur are examples of such a decline in demand. Lack of information on market trends and failure to modify products to make them distinct from those produced by competitors are among the reasons for this. Yet, even if information was available, the capacity of small individual producers to respond to market trends is severely limited.

It is doubtful if the marketing organizations could be of any significant help in such cases, as their own capacities and resources are constrained. Even if they had the resources to undertake rigorous market studies and develop new designs and products for adoption by producers, they would have to consider the advantages of such investments in relation to the stiff competition and shrinking markets.



### 6.2.2 At the Level of Producers' Groups

The technical problems stated above are faced by producer groups as well; but, in addition, many of them are confronted with other problems relating to organization, group dynamics, and the circumstances and processes of their origin and development.

- Having organized in response to the external initiative of a project or purchasing organization, some of them have developed a heavy dependence on a single buyer. Bhaktapur Craft Centre producing *lokta* paper and Ujolta and Tehrathum Weavers producing *dhaka* products are among the examples. With the imminent withdrawal of or reduction in purchases by single buyers on which they have depended, the organizations themselves are left without the capability to explore alternative markets.
- Being part of an organization has benefitted member producers, but membership also entails making short-term sacrifices. This does not seem to be always realised by the members. Once the organization, with the support of larger marketing and other organizations, has established a market for the product, and the market continues to be buoyant, members find that the organization is offering lower prices than the general market and tend to withdraw or sell most of their produce in the open market. This has threatened the viability and sustainability of some of the producers' organizations. Bhaktapur Wood Carvers' Society is among the organizations facing such problems. Educat-

ing members about the long-term and sustained benefits of group membership and the flexibility and readiness of the organization to offer prices in accordance with market trends could help in such situations.

- Dominance of one or more, even though well-meaning, producers in the group has also often led to problems of distrust and suspicion and has also threatened the continuance of the organization, once the dominant member is unable to lead the group. The cases of Mahangma Rai in Sangtang Women's Club and of Ujolta in Ujolta Cloth are instances of this kind. It appears that, although it may be essential to identify a person as the catalyst of the group, some spontaneity and participation among producers in the group need to be ensured.
- Managerial capability does not seem to have developed in several groups. Illiteracy and lack of education are found to be key factors in some cases. Lack of effort on the part of the group, due often to the fact that one person has been managing the show and the going has been good, is often responsible for the fact that a collective management style has not evolved and second generation managers have not emerged.
- Organizational cultures developed with the good intentions of streamlining production-marketing linkages and have themselves sometimes created problems for organizations. Either the procedures have been found to be too cumbersome for the producers to follow or the group dynamics have not been conducive to organizational effectiveness. The dissonance observed between the sub-clubs and the *allo*

club in Sankhuwasabha provides an example of this.

### 6.2.3 At the Level of Marketing Organizations

Marketing organizations, particularly those affiliated to the Fair Trade Group Nepal, have played a pioneering role in introducing and actualising the collective marketing concept. Through their efforts, significant contributions have been made, viz., widening the markets for handicraft products and raising the income levels of and ensuring fair prices for small producers from different parts of the country. There are problems and limitations to their capabilities and functioning, however, particularly in the context of meeting the expectations of both the producers and the market.

- Quite often the marketing organizations face a problem of delivering the products in time, particularly to meet the orders of foreign buyers. This may happen sometimes on account of genuine reasons, for example, short supplies of raw materials and transport problems – natural causes also cause delays. Notwithstanding, it has been noticed that producers divert their goods to other buyers for short-term gains. Fair trade organizations, no doubt, offer assured markets and, in addition, also provide other benefits to producers through their groups, but this does not seem to prevent some producers from being 'disloyal'.
- Marketing organizations attempt to provide market feedback and information to the producers' group in order to enable better market orientation in terms of product structure and quality. They are not always successful in

acquiring the necessary information because of the lack of resources and the inability to undertake market surveys. Their capacities are more limited in terms of providing necessary support to producers' groups in respect of inputs and technology for product diversification and improvement

- Marketing organizations seldom deal directly with individual producers. They have either to buy from the producers' organizations that exist or from those promoted at the local level. In some cases, these latter organizations themselves may be composed of smaller groups at the village or community level (e.g., *allo* club and sub-clubs). This appears necessary and inevitable as the producers are scattered in small numbers in dispersed locations. It also implies addition of layers in the marketing set up and, therefore, an increase in cost and price. The stages through which *dhaka* and *allo* products pass, from the producer to the final consumer (See Figures 6.1 and 6.2) illustrate the point.
- The more stages a product passes through on its journey to the final consumer, the less the producer will receive from the final price. Marketing organizations, particularly those belonging to the Fair Trade Group, try to prevent this by ensuring that the profit margins charged at different stages are reasonably small. From Figures 6.1 and 6.2, it can be seen that what the producer realises is about 60 per cent of the price charged by the marketing organizations at their Kathmandu outlets. It is still a much smaller fraction (9% in the case of *dhaka* shawls and *allo* place mats) of the price charged by retailers in the

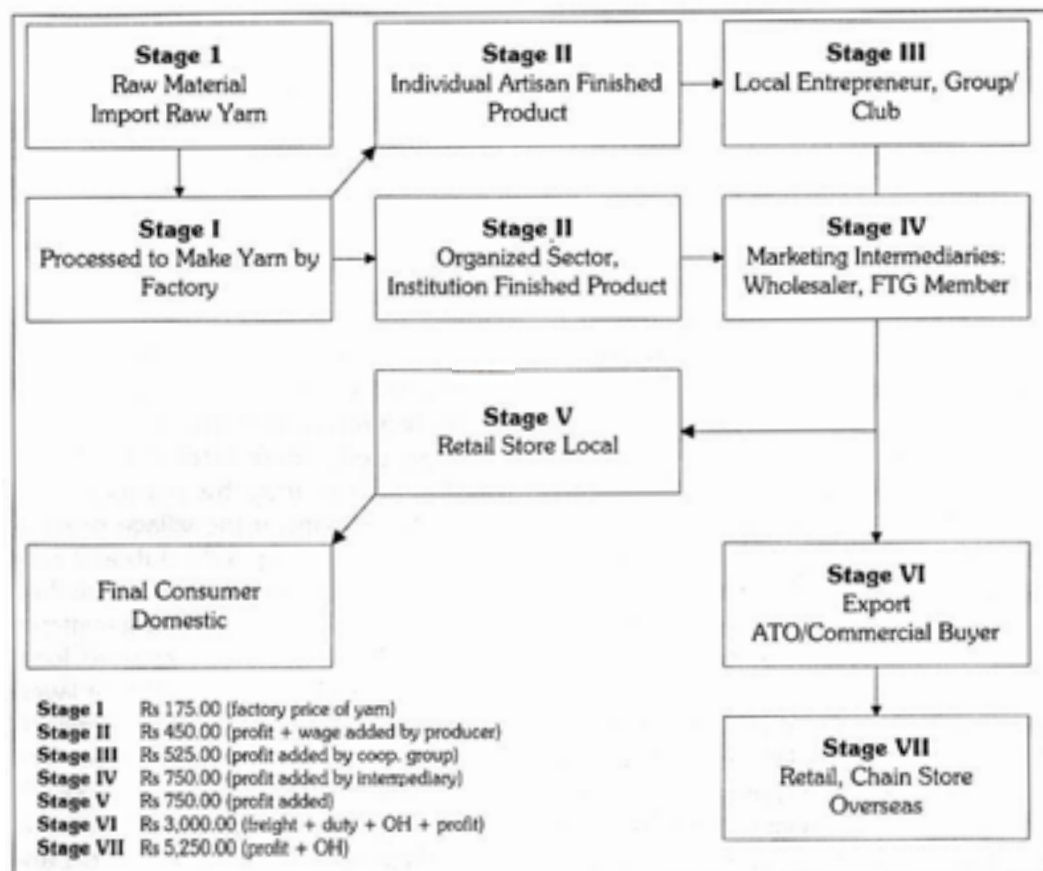


Figure 6.1: Illustration of *Dhaka Full Pattern Shawl 32" x 80" inch*

overseas' market. This appears to be too big a margin, even after accounting for freight and post-export trade margins. It appears that, whereas the prices paid to the producers and their groups are determined, in most areas, on the principle of 'cost plus', the final overseas' price is determined by 'what the market can bear'. This strategy needs to be reviewed by those involved in the fair trade movement. In the case of handicraft products representing unique skills and culture, application of a cost-based principle to fix producers'

prices, without reference to the niche that makes the final market price independent of the cost, does not seem to work in favour of the producer. The concern should be how to ensure a greater proportion of the final market price goes to the producer.

### 6.3 Conclusion: Prospects of Collective Marketing with the Fair Trade Principle

There is no doubt that collective marketing efforts have made a significant impact

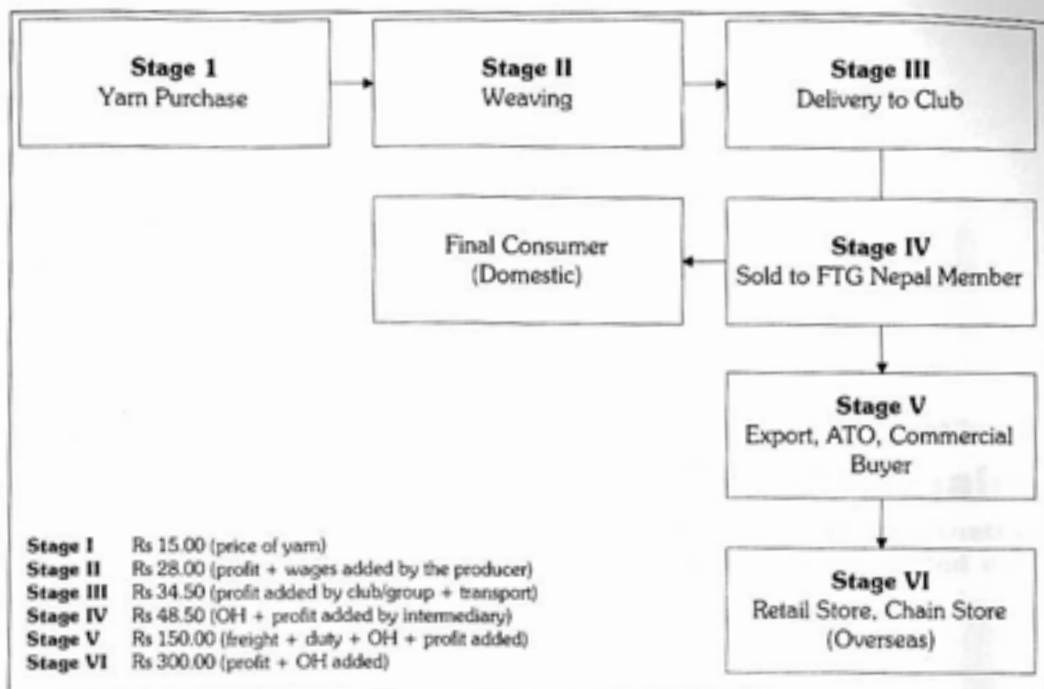


Figure 6.2: Illustration of *Allo Place Mat* 13" x 18"

on widening the markets for and expanding production of handicrafts in Nepal. Some products are, indeed, facing problems leading to loss of competitiveness in the market. Organized marketing can make little impact in these cases. Nevertheless, in the case of a wide variety of products, the marketing organizations can help not only in sales, but also in product development. At the moment, they have limitations in this respect. They may have to increase their trade margins, particularly in export sales, and earmark the resources so obtained to strengthen their capabilities in market research and technology development and transfer in order to give good services to producers and their groups.

Practice of the fair trade principle involves certain costs, particularly in dealing with mainstream commercial markets. An organization like the Fair Trade Group Nepal, at the moment, does not have adequate resources to meet such costs. It has to depend on the contributions of its member marketing organizations which themselves are not always in a strong enough position to make substantial contributions. Their sales and margins, particularly in exports, need to be improved. As ATOs in the North are among their major buyers, a dialogue with them is necessary in order to ensure a better return to the producers and to strengthen the fair trade movement.



# Annex 1

## Questionnaire

(Minor editing only of punctuation and spelling carried out)

### For Individual Producer

1. Name:
2. Age:
3. Sex:
4. Locality:
5. Family Status:
  - Married/Unmarried
  - Nuclear/Joint family
6. Literacy Status:
7. Main Occupation:
8. Years of engagement in craft production (commercial)
9. Nature of working hours: full time, part time, occasional, seasonal
10. Type of product:
11. Where did you learn the skill?
12. Date you commenced marketing of craft:
13. When did you join the group/club/NGO/FTG?
14. How did you come to know about the group/FTG?
15. Are you self sufficient in food production?  
If no, how do you solve the problem of food deficit? Is the income from selling crafts used to purchase food?
16. What was the level of income from craft work before you joined the group/FTG?
17. Where were you selling your products before you sold to group/FTG?
18. Have you ever sold your products to others apart from the group/FTG? If yes, how do you sell your products?

- local contractor comes to purchase?
  - products are sold to the local market?
  - You deliver to the group/club to resell in Kathmandu/export?
19. Have you noticed a rise in income after you started marketing through the group/FTG? If so what do you think the reasons are?
- due to increase in orders
  - due to higher/reasonable prices received
  - due to additional incentives/bonuses received
  - due to continuous work
  - others, please specify
20. How do you spend your income from crafts?
21. Have you ever taken loans for your daily needs or craft production?
22. Were you able to pay back the loan through craft production?
23. After you started selling through the group/FTG did you get advance payments to buy raw materials?
24. How often have you been paid for your products before/after joining the group/FTG?
25. How far away is your group/club?
26. Who does the selling?
- yourself
  - your husband
  - wife
  - family
27. What is the sales' trend? decreasing/increasing ?
- If it is decreasing what is the reason?  
production problems, technical problems, over production, rejection due to bad quality, design, lack of orders, if others, please specify
  - If it is increasing, why ?
28. What major problems are you facing in marketing your products?
- transport
  - unfair means of buying and purchasing (low prices)
  - credit not recovered
  - quality - lack of skill – lack of information
  - design not up to the mark
  - raw materials not received on time
  - no liquidity to start production
  - others
29. Have you ever made an effort to solve a marketing problem?
30. Has any other organization/your club/group helped you to boost your market?
31. Do you meet with your colleagues to discuss marketing problems?
32. Do you also export?
33. How do you/your group decide on the following issues?
- purchase of raw materials
  - payment of wages

- new design development
- standard quality
- transport
- profit margin

34. Do you plan to become an entrepreneur?

35. Do you plan to expand production?

### **For Group/Organization**

1. Name of the Group/Organization:
2. Address:
3. Group/Organization Head:
4. Year of Establishment:
5. How was the organization founded or organized? Please describe briefly the organizational development in chronological order.
6. Is the organization/group government, semi-government, privately-owned, co-operative or NGO?
7. What are the objectives of the group?
8. Are you a trading organization/manufacturing organization?
9. How many employees/producers do you have?
10. What activities are undertaken by the group besides handicrafts?
11. Describe the business operation procedure.
12. What is your main product line?
13. How do you decide on the product line?
14. Who are your main clients?
15. What were your initial approaches to marketing? How did you formulate your marketing strategy? How do you rate its impact? Have you changed your original marketing plan? How was the original plan implemented?
16. What is your system of marketing?
17. Have your sales increased over the previous year?  
If yes, why do you think you are doing better?  
If no, what could be the cause for market failure?
18. Did you have to face any problems in executing your marketing plan? What are the major marketing problems you are facing at present?
19. Have you taken any steps to improve your marketing strategy?
20. How do you market your products at present?
21. What is your relationship like with producers and suppliers?
22. Do you do market research? How do you access market information, consumer behaviour, test, attitude, demand, etc?
23. What problems are you facing at the moment with regard to marketing?
24. What efforts have you made so far to tackle the problems?
25. What do you think of fair trade ethical marketing?
26. How do you distinguish yourself from other competitors? i.e., new product, quality, support service, late opening hours, weekend opening, low cost, discount, commission, link with travel agents, location?

27. Do you have any incentive schemes for your sales' staff?
28. What kind of relationship do you have with your competitors – commercial or institutional?
29. Have you done an impact study of your producers? If yes, what were the results?
30. Do you promote/help your producers to sell to other institutions besides yours?
31. Have you ever thought about possible areas in which you can work collectively in marketing with other institutions or do you think it should be confidential?
32. Who are your target consumers?
33. What is your distribution system?
34. What is your outlook towards environmental hazards in relation to your products?
35. Have you ever tried to ensure protection of the environment and examine the long-term impact of production of your products?
36. What is your relationship with the producers like? Do you have any problems with them?
37. Do you find there are common problems that you and your competitor face? Do you know about the Fair Trade Group Nepal?
38. Are you thinking of becoming a member of FTG Nepal?
39. What benefit do you see in joining Fair Trade Group Nepal?
40. Do you sell to FTG Nepal?
41. What is your opinion about collective marketing efforts?
42. Do you see possibilities of working jointly in marketing?

## **For Fair Trade Group Nepal Members**

### *I General Information*

1. Name of the Organization:
2. Address:
3. Contact Person:
4. Date of Establishment:
5. Objective of the Organization:
6. Nature of Business:
7. Type of Products :
8. Number of Retail Outlets:
9. Who are your main clients?
10. Goods exported to [other] countries:
11. What are your business operation procedures?  
producers, production, sales, purchases, etc
12. No. of employees/producers: at the beginning and at the present?
13. What other activities are undertaken by you besides handicrafts?
14. Are you self-sustainable?
15. Please briefly describe your organizational development in chronological order. How did it start and for what reasons is it successful?



## *II Marketing Strategy*

1. How was your original market strategy conceived? and what is it? Please briefly describe your original marketing plan and present plan in chronological order and development of the collective marketing concept.
2. Have you been able to implement the marketing strategies you developed successfully? If yes, can you give examples, if not, what are the reasons for failure?
3. What is the impact of your marketing strategies on business growth/decline?
4. Please give us your first year's sales and last three years' sales' figures.
5. What is your distribution channel?
6. What is your system for marketing finished goods locally?
7. What is your system of marketing finished goods for export?
8. Do you do market research locally and for export?
9. If yes, what is the procedure? How is the research information applied to achieve the expected goals?
10. What is your pricing policy?
11. Do you keep customers' profiles? How is information about customers used for market promotion?
12. Do you design your products for a certain market niche?
13. What is your product/design development strategy?
14. What are your plans for launching new products in the market place?
15. How do you launch promotional campaigns?
16. What marketing difficulties have you faced?
17. What attempt have you made to solve the problems?
18. How do you rate yourself in terms of successful marketing?
19. What are the reasons behind your success?

## *III Fair Trade*

1. What drove you to the development of [a] fair trade concept?
2. What impact has the fair trade movement had on your business and on the producers?
3. What were your expectations on joining Fair Trade Group Nepal?
4. Are your expectations being fulfilled?
5. As a founder member of the Fair Trade Group Nepal what are its real achievements?
6. Do you see any possibilities of cartel formation in the handicraft business?
7. What is your opinion about collective marketing prospects and needs?
8. What would you do to keep your organization competitive in the commercial environment?
9. What is the future of ethical marketing? Will the concept survive?  
What about eco-friendly products? What differences do you perceive between eco-friendly products and fair trade products?

## Annex 2

### List of Current Members of FTG Included in Chapter 5

<b>Name</b>	<b>Address</b>	<b>Contact person</b>
ACP	Rabi Bhawan, Kathmandu	Ms. Meera Bhattarai
JWDC	Kuwa, Janakpur	Ms. Suman Shrestha
KTS	Kumbheswor, Lalitpur	Mr. Kiran B. Khadgi
<i>Manushi</i>	Gyaneswar, Kathmandu	Ms. Padmasana Shakya
<i>Mahaguthi</i>	Man Bhawan, Lalitpur	Mr. Surendra Shahi
<i>Sana Hastakala</i>	Kopundole, Lalitpur	Mr. Chandra Pd Kachhipati
WSDP	Srijanachowk, Pokhara	Ms. Ramkali Khadka

## Annex 3

# Combined List of Producer Groups Affiliated to Members of Fair Trade Group, Nepal

Producers' Organization	No. of Producers	Address	Product Type
<i>Allo Cloth Production Club</i>	312	Sankhuwasabha	<i>Allo cloth</i>
<i>Akal Bahadur</i>	2	Kathmandu	Batik
<i>Ankhisala Bamboo Work</i>	15	Dhankuta	Bamboo work
<i>A.J. Rajbhandari</i>	5	Baglung	Flute
<i>Asta Bahadur</i>	5	Kathmandu	Paper maché
<i>Bhaktapur Craft Printers</i>	140	Bhaktapur	Handmade paper
<i>Bhaktapur Topi</i>	5	Bhaktapur	Woollen products
<i>BB Shrestha</i>	1	Kathmandu	Posters
<i>Bungamati Wood Frame Work</i>	5	Bungamati	Wood carving
<i>Champa Sing Tamang</i>	8	Morang	Bamboo work
<i>Chandra Kala Subba</i>	14	Bhaktapur	<i>Dhaka</i> weaving
<i>Cotton Crafts</i>	8	Lalitpur	Cotton bags
<i>Chandra Handicrafts</i>	10	Bhaktapur	Cotton weaving
<i>Chandeswori Shrestha</i>	3	Kathmandu	Cotton sweaters
<i>Dalit Sewa Sangh</i>	15	Kathmandu	<i>Khukuri</i>
<i>Dhruba Lal Tamrakar</i>	5	Lalitpur	Brass work
<i>Durga Devi Joshi</i>	2	Lalitpur	Cotton <i>thaili</i>
<i>Dhundi Prasad Bhattachan</i>	6	Kathmandu	<i>Pashmina</i>
<i>Everest Fashion</i>	20	Lalitpur	Hemp products
<i>Falgun Sunwar</i>	6	Lalitpur	Batik
<i>Gongabu Weavers</i>	6	Kathmandu	Cotton weaving
<i>Green Tea Leaf Ind.</i>	1	Kathmandu	Tea

Producers' Organization	No. of Producers	Address	Product Type
Hand Metal Works	3	Lalitpur	Metal work
IG and TP of the Deaf	5	Kathmandu	Dresses
IS Tailor Craft	2	Kathmandu	Garments
JWDC	66	Janakpur	Mithila products
<i>Jitgari Sahara Udoyg</i>	4	Butwal	Wood carving
<i>Jagriti Dhaka Udoyg</i>	10	Okhaldhunga	Dhaka products
Kancha Shakya	2	Lalitpur	Filigree
Kayastha Crafts	4	Bhaktapur	Traditional garments
Kedar Palikhe	1	Pokhara	Leaf cards
Kunj Artistic Bead Works	4	Kathmandu	Bead work
KTS	230	Lalitpur	Woollen knitwear
Lokta Paper Craft	15	Lalitpur	Nepali paper products
Mamata Subba	10	Bhaktapur	Dhaka weaving
Manushi Art & Crafts	140	Kathmandu	Tie and dye
Mithila Women's Art Production	16	Janakpur	Maithali paintings
Mangal Bamboo Crafts	3	Pokhara	Bamboo houses
Model Ceramics	8	Bhaktapur	Ceramics
<i>Mangala Dhaka Craft Industry</i>	10	Kathmandu	Dhaka weaving
Nepali Hand-made paper	50	Kathmandu	Handmade paper
Nepali Paper Products	110	Kathmandu	Handmade paper
Nepal Craft Industry	5	Kathmandu	Horn and bone buttons
Nepal Tea	2	Kathmandu	Tea
Nepalese Handloom Silk	15	Kathmandu	Handloom silk
Nepalese Wood Craft Child Craft	30	Lalitpur	Wooden toys
Nepali <i>Shilpakala Udhyog</i>	15	Lalitpur	Filigree
Nepal Knot Craft Centre	15	Lalitpur	Knot craft
Neera Vaidya	2	Kathmandu	Knot craft
Pagoda Handloom Industry	15	Bhaktapur	Cotton weaving
Rajbhandari Crochet Craft	5	Kathmandu	Crochet craft
Ritual Wood Art Gallery	6	Bhaktapur	Wood carving
Rochak Knitwear	25	Kathmandu	Woollen knitwear
Rose Doll Industry	3	Bhaktapur	Dolls
Radha Subba	20	Lalitpur	Dhaka weaving
Shanta Mount	2	Bhaktapur	Photo mount
Sangtang Women's Club	80	Dhankuta	Embroidery
Shakya Art Craft	5	Lalitpur	Filigree work
Sky Women	10	Kathmandu	Block printing
Sushi <i>Hastakala</i>	10	Kirtipur	Dhaka weaving



<b>Producers Organization</b>	<b>No. of Producers</b>	<b>Address</b>	<b>Product Type</b>
Sashi <i>Dhaka</i> Weaving	10	Kathmandu	<i>Dhaka</i> weaving
Shiva Ram Rajbhandari	5	Dumre	Metal craft
Terahthum <i>Dhaka</i> weave	25	Tehrathum	<i>Dhaka</i> weaving
Tulsi Mehar Ashram	5	Kathmandu	Cloth
Women's Skill Dev. Project,	36	Pokhara	Bags, dress
Women's Skill Development Centre	45	Lalitpur	Block-printed household items
Women's craft	25	Lalitpur	Block printed dresses
ACP	800	Throughout Nepal	
<b>Total</b>	<b>2,503</b>		

## **Annex 4**

### **Definition of Fair Trade**

**(with minor editorial changes only)**

Definition of the fair trade principle and its code of conduct are conceived in different countries in different ways. The standards set by developed countries may not be realistic for developing and least-developed countries. FTG Nepal believes that they should be understood and experienced in the particular context of a country, embodying the basic principles but adapted according to the limitations imposed by prevailing economic conditions and sociocultural contexts. The Fair Trade Group Nepal has defined fair trade as follows (FTG Nepal, Dhulikhel Workshop, June 1995).

- Consumers are provided with a good quality, fairly-priced product that allows an acceptable margin of profit for the manufacturer, reseller, and intermediary organizations.
- The manufacturing business is producer focussed as well as market driven.
- Producers are paid a fair wage promptly, have flexible working hours, and are in a safe working environment.
- Producers are provided with raw materials or working capital in advance of production and use of indigenous raw materials is encouraged.
- Products are manufactured using environmentally friendly methods.
- Conditions of employment respect cultural and religious values.
- The rich cultural and artistic heritage of Nepali crafts is respected and encouraged.
- Profits are distributed among employees, producers, and entrepreneurs and are used to strengthen the organization.
- Transparency in trading relationships and costing methods and realistic profit expectations.
- There is a gender focus, encouraging the role of women in the decision-making process and avoiding the use of child labour.

## **Annex 5**

### **FTG Approaches to Collective Marketing Efforts (Conclusions of a Workshop)**

**(with minor editorial changes only)**

Aiming to improve the profile of FTG members and promote their products through domestic and export marketing, FTG has adopted several strategies over the last four years. These strategies, their impact, and situational analysis, as documented through the one-day workshop held at *Sana Hastakala* on 10/7/98, are as follow.

#### **Strategies Adopted in the Last Four Years**

- Produced corporate brochure and FTG promotional folder to contain individual members' literature for potential buyers and other relevant client groups.
- Conducted joint local trade fairs targeting foreign buyers, tourists, expatriates, INGOs, and economically well-off Nepalese.
- Collective advertising and promotion.
- Introduction of the new FTG (under one roof) logo to all FTG literature, stationery, and promotional materials.
- Contributed Fair Trade articles to appropriate media vehicles.
- Affixed Nepal 'Fair Trade' mark on approved products.
- Capitalised on group buying power in future negotiations with raw materials' suppliers
- Production sharing of excess orders of one member to remaining member organizations
- Information sharing on clients' visits
- Joint participation in the trade fair and exhibition
- Joint product development workshops, skill training, and seminars
- Consolidated shipment for the same client, making freight and other costs cheap for the buyers.

- Collective approach to donors for marketing support

*Note: SIPP provided stall costs for trade fair participation.*

### **Impact of the Present Collective Marketing Strategy over Four Years**

- Increased market share in ATO's market and long-term relationships build up new clients contacted Nepali Bazar, Shaplaneer, Daichi, Japan. CAA, Australia, OXFAM, Bridghead.
- Increased understanding about ethical marketing.
- Customers are well served and satisfied with the collective service, mainly in consolidation of shipments, timely delivery, swift information dissemination, and reduction in costs.

*Note: Consolidated shipments to CAA; Australia, OXFAM ;UK, RAM; Italy*

- Producers have become aware of the fair trade movement and professionalism has developed.
- Improved technology and quality, the dye training conducted by FTG Nepal has helped improve fastness of colours.
- Secretariat established and FTG developed as a vantage point through which analysis of problems and their solutions can be streamlined.
- Collective voice on international marketing, and relationship with IFAT and its members is becoming stronger.
- A decision has been made by IFAT to allow FTG Nepal to host the regional conference in Nepal. This will eventually help to strengthen relationships among the Asian producers and [to share] knowledge.

(This was held from 2-5<sup>th</sup> Nov. 98 in Kathmandu)

### **Situational Analysis**

The upheaval and changes in global business seen in recent years have forced many organizations to reshape their marketing strategies to create new markets. Many organizations have come to grief because of the adverse effect and impact of growing recession and due to failure to revamp their programmes. Mainly the regional competition among South Asian nations and other developing countries has left many countries in a dilemma in which technical and financial resources are not available and local markets are limited. It has become a major concern for importers from developed countries to comply with trade regulations on eco-friendly products and the need for quality products. As a result producers from the south have moved to strengthen their operations through collective efforts. To respond to changing markets, handicraft producers and organizations face formidable challenges because of limited resources and lack of organization. In the micro-enterprise sector, handicrafts face stiff hurdles since producers are informal, often self-employed, and lack resources and modern skills: and in addition they are scattered



and in addition they are scattered throughout the hills and remote areas and do not receive protection from labour laws. The development of collective marketing was instigated by external factors, but it has had a positive influence on producers. Future uncertainty, globalisation of markets (for example, possible removal of the quota system for clothing manufacturing by the year 2005) will force least developed nations to restructure their present marketing strategies and to make efforts to cope with challenges that demand collective strength.

It would be useful to examine the external environment and related problems while developing such a strategy.

### **Problems Related to the Policies of His Majesty's Government of Nepal**

- Lack of clear policy regarding NGO exporters-compulsory advance payments before export.
- It is difficult for small-scale producers to open letters of credit.
- Local taxes cause problems and there is [a problem of] a double tax system that is not yet solved.
- No encouragement for the production of handicrafts.
- The one window system is not implemented.
- It is often not ensured that the customs' office stamp matches the specimen in the importing country and this causes problems.
- No control over the import of raw material.
- Mishandling of products in the customs and [due to] the carelessness of government officials.

### **Competition**

There is stiff competition in prices and quality both external and internal. Regional competition with other like-minded organizations also exists.

### **Raw Materials**

Inconsistent supplies from India cause a problem and Nepal is dependent on imported raw material[s]. Indigenous and local resources should be mobilised and this needs survey and exploration.

### **International Law**

There is a growing concern for green products. Efforts should be made to comply with the demand—such as making azo free dyes for textiles and so on.

### **Customers**

- We often do not receive feedback from foreign customers in time.

- Sufficient preparation is not undertaken for the ATO market. The ATOs also buy products from commercial producers.
- We could not gain the trust of commercial buyers.

### ***Financial Resources***

- We could not participate in the international trade fair due to lack of financial resources.

### ***Technology***

- Lack of laboratory facilities in government institutions (i.e., dye/chemical tests, micron test for wool)
- Lack of efforts to introduce new technologies (silk spinning, twisting)

### **Collective Marketing Strategy To Be Adopted: Mission Statement**

To achieve the corporate mission of FTG Nepal, the marketing objective is regarded as the key factor. Its mission statement encourages FTG Nepal members to uphold and reinforce its marketing initiatives by capitalising on collective efforts and by making FTG a platform to discuss, analyse problems, and identify solutions through market promotion, information sharing, and transfer of technology and skills.

### ***Strategies***

- Promote the products of members of FTG Nepal and FTG itself through developing promotional materials (i.e., joint catalogues, brochures, members' profiles, audio visual aids and by entering information on web sites).
- Find opportunities to participate in international trade fairs and conduct national exhibitions and trade fairs and participate in such events jointly.
- Explore, source out, conduct surveys, collect, and analyse international and national marketing information and market trends and make available to FTG Nepal members by identifying the opportunities perceived.
- Advocate various export-related policy issues with the government when lobbying is necessary and conducive to encourage sound and simplified export policies.
- Identify and assess the needs of member organizations periodically and prepare action plans for collective solutions.
- Develop mechanisms to reduce import costs for overseas' buyers by facilitating consolidated shipments, minimising documentation, and bringing about reduced bank charges by allowing the transfer of consolidated payments.
- Open joint display rooms for members' products to be viewed by visiting buyers and information seekers.
- Organize national/international workshops and seminars to improve relationships with existing buyers and relevant organizations as well as to draw the attention of prospective buyers.

- Collect and provide information on advanced and appropriate technology to improve quality and to introduce new products.
- Develop supportive mechanisms to improve the production capabilities of member organizations through coordinated production sharing, technology improvement, supply of raw materials, and training on quality development.
- Promote and promulgate ethical marketing concepts and practices as tools for promotion of market products and FTG Nepal itself.
- Investigate and explore the opportunity to tap markets for new products and disseminate the information to member organizations. Coordinate joint production for such products when needed.
- Identify the existing problems related to raw materials, laboratory facilities, and so on in the handicraft industry and lobby the government to overcome such problems, i.e., by establishing laboratory facilities to test Azo dyes, to classify chemicals, and test the quality of imported raw materials.

## **About the Authors**

Surendra Shahi is the Executive Director, Mahaguthi,  
and Joint Secretary, Fair Trade Group, Nepal

Chandra Prasad Kachhipati is the Executive Director,  
Sana Hastakala and Treasurer, Fair Trade Group, Nepal



## Participating Countries of the Hindu Kush-Himalayan Region



**Afghanistan**



**Bangladesh**



**Bhutan**



**China**



**India**



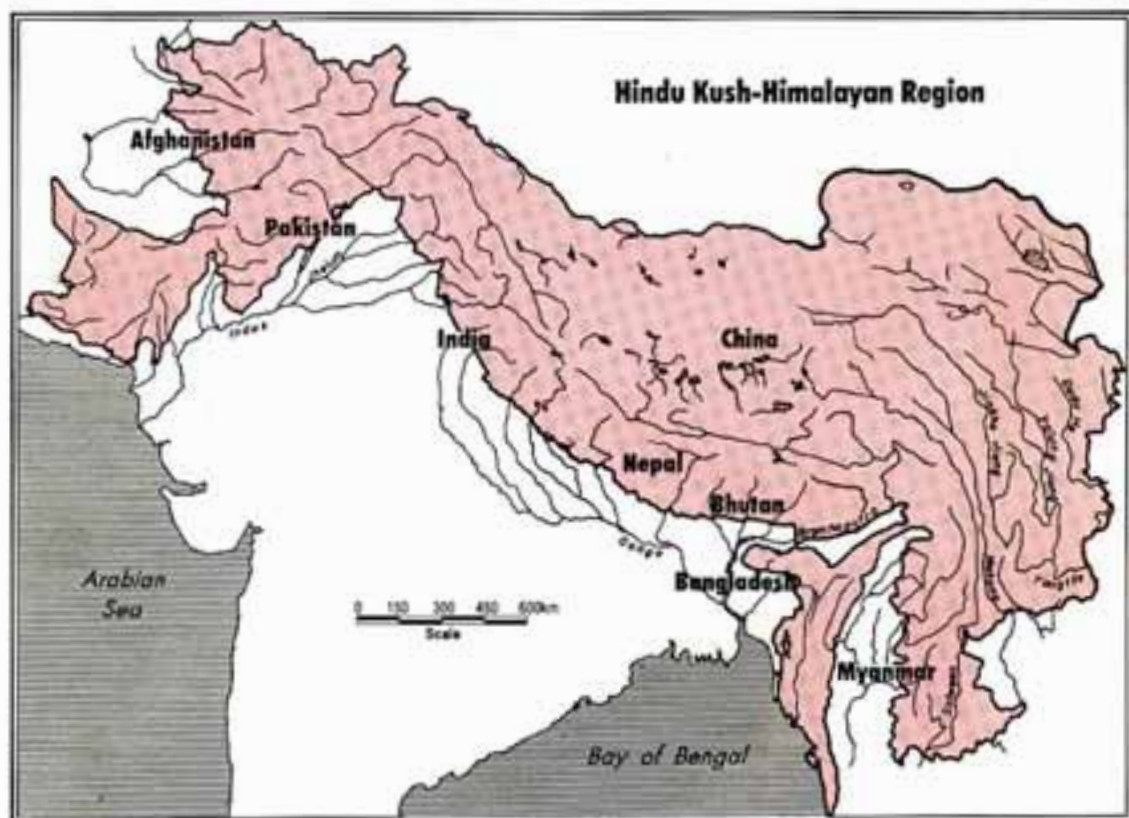
**Myanmar**



**Nepal**



**Pakistan**



**International Centre for Integrated Mountain Development**

**4/80 Jawalakhel, G.P.O. Box 3226, Kathmandu, Nepal**

*Telephone :* (977-1) 525313

*e-mail :* [distri@icimod.org.np](mailto:distri@icimod.org.np)

*Web site :* <http://www.icimod.org.sg>

*Facsimile :* (977-1) 524509

*:* (977-1) 536747

*Cable :* ICIMOD NEPAL