

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 Newari⁵ 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.