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Aid to Artisans is a
non-profit organization
established to facilitate
the production and
marketing of crafts
made throughout the
world by disadvantaged
artisans.

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EXPORT ENHANCEMENT PROGRAM / HUNGARY IMPLEMENTED BY AID TO ARTISANS

QUARTER ENDING 4/9/92

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CONTENTS

EXECUTIVE SUMMARY	i
PRODUCT DEVELOPMENT	1
Textiles	1
Pottery	5
Wood Products	7
Dolls	7
Metal Products	8
MARKETING	9
The New York Gift Show	9
The Sandor Collection	10
Mariska	11
Buyers to Hungary	11
The ATA Marketing Network	14
Buying Office	15
Next Steps	15
BUSINESS ANALYSIS, BUSINESS TRAINING, AND EXPORT	16
Business Analysis	16
Business Training	17
Export	18
CONCLUSIONS	20
APPENDICES	

EXECUTIVE SUMMARY

During the first year of Aid to Artisans' Export Enhancement Program in Hungary, Aid to Artisans has successfully pursued the integrated product development and marketing program outlined in our proposal to AID and program implementation plan.

Within product development, we have:

- conducted two rounds of on-site product development workshops with crafts cooperatives and individual artisans
- worked 24 cooperatives, identifying 11 as continuing project sites
- focused product development activities on textiles and ceramics, with attention paid to metal crafts, wood products, and dolls.

Marketing of products developed during the project has taken place on several levels, leading to income of over \$133,000 for Hungarian artisans and their representatives. Component's of ATA's marketing program have included:

- participation in two New York Gift Fairs, with sales of over \$25,000
- institution of a Buyers to Hungary Program, introducing designers, retailers, and manufacturers to cooperatives willing and able to produce to their orders
- support to two U.S. import companies dedicated to addressing the needs of Hungarian artisans
- access to ATA's Marketing Network of large and influential buyers, securing significant orders for Hungarian artisans.

In addition, ATA has completed a business analysis of craft cooperatives, and has begun discussions with two groups interested in providing business training to these cooperatives.

The project has met with success at all levels. Cooperatives have appreciated both increased sales and new exposure to the U.S. market. U.S. buyers have appreciated the quality, range, and design of Hungarian products. And officials involved in the production, distribution, and support of Hungarian folk art have applauded the fact that ATA has both supported Hungarian folk traditions and introduced the producers to the realities of the U.S. market.

PRODUCT DEVELOPMENT

During the first year of Aid to Artisans' (ATA) export enhancement program in Hungary, we conducted two series of product development workshops with artisan cooperatives. This first series, held in April and May, 1991, centered on textiles. The second, occurring between September and October, 1991, added ceramics as a second focus.

TEXTILES

Hungary's textile tradition is broad and refined, ranging from felt applique to colorful embroidery, machine lace to hand loomed linen.

During the first workshop visit, ATA Chief Design Consultant Docey Lewis toured several textile cooperatives, assessing skills and traditions, judging the export marketability of existing products, and beginning product development. (See Attachment 1 for a complete list of all coops visited.) For the second series of workshops, Ms. Lewis concentrated her energies on those coops with the greatest skills, the most promising designs, and a willingness of artisans to adapt their traditions for the U.S. market. The decision to continue work with certain coops was based, as well, on the conclusions of the ATA Business Analysis team from the Yale School of Organization and Management (discussed below, under Business Analysis and Training).

Sites of important product development workshops in textiles include:

Debrecen The Debrecen cooperative produces felt applique pieces, embroidered linens, and woven fabrics. Ms. Lewis worked most closely with coop Marketing Director Ica Todorne and felt designer Kati Szidor to adapt traditional patterns to Christmas stockings, ornaments, and accessories. The resulting products were shown with promising results at the August, 1991, and February, 1992, New York Gift Shows.

In October, 1991, Ms. Lewis was accompanied by Gay Ellis of Samii Clothes to Debrecen, where the pair began design felt components for Samii's line of ethnic outerware. Samii's work is discussed below, under Buyers to Hungary.

In February, 1992, the Boston Museum of Fine Arts was inspired by ATA's Christmas line and took design work one step further, creating a felt pattern derived from the museum's own collection. The cooperative is now completing the MFA order, which will appear in the museum's fall, 1992 catalog.

In Debrecen, Ms. Lewis also worked with weaving designer Margit Kolb to craft a set of linen placemats and napkins that draw inspiration from Hungarian thatched roofs. The weaving group was able to weave, dye, and ship beautiful prototypes, but production costs proved to be too high for the line to be saleable in the U.S.

ATA is currently also exploring the market for the fine linen fabric woven in Debrecen. The quality of the fabric is excellent, and its price is second only to that of Chinese linen. ATA has already requested that samples be sent to Pat Crowley, an Irish couturier referred to the project by Mrs. Nicholas Brady, wife of the U.S. Secretary of the Treasury.

Mezokovesd The Matyo Folk-Art and Homecraft Cooperative in Mezokovesd is best known for its light-weight woven and embroidered linens. During the first product development visit, Ms. Lewis, Marketing Manager Jane Griffiths, and U.S. Importer Carole Karvazy of the Sandor Collection, edited and expanded the "Window Pane" collection of linens, a pattern in which a blue woven grid is enhanced by small hand-embroidered flowers in alternating centers of its squares.

By Fall, 1991, the coop had declined dramatically, as all domestic orders for Matyo products had been recently canceled, inflation had required the coop to increase prices 25%, and resulting financial problems had led to the lay-offs of 500 workers. Despite these financial hardships, the coop continues to produce quality products at appropriate prices. Both ATA and The Sandor Collection will continue to work with them.

During the fall visit, The Sandor Collection worked on designs and prices and placed a large order for Window Pane linens ordered by Crate and Barrel, a retail chain and catalog of housewares and home furnishings. Gay Ellis of Samii also placed a small sample order, and Ms. Lewis researched embroidered boxes for a Texas importer.

Karcag The Karcag embroidery cooperative continues a distinct tradition of wool embroidery. This cooperative was not visited during the first ATA trip to Hungary, but product development started strongly in the Fall of 1991. During that workshop visit, buyer Gay Ellis of Samii experimented with patterns for her own line, while Ms. Lewis and coop designers edited existing colors and designs to create a line of embroidered wool Christmas stockings.

The Karcag cooperative has remained loyal to the roots of its traditions, and designers were initially reluctant to modify their designs at all. A comfortable compromise was reached in design, in which ATA designers selected traditional patterns that offered promised in the U.S. market and limited traditional colors, rather than introducing new ones. The resulting stockings satisfied Karcag designers, ATA consultant, and the U.S. market, where they sold well at the February, 1992 New York Gift Show. The stockings will be featured, as well, in the Fall, 1992 Hemmeter Collection catalog.

Kalocsa Lace and embroidery traditions practiced at the Cooperative of Folk-Art and Handicrafts in Kalocsa form the core of tourist folk art sold in Budapest. These tourist pieces combine brightly colored, tightly packed flowers on beds of open-work lace, sold primarily as tablecloths and doilies. While such dramatic products have not been successful in the U.S., the ATA team immediately identified older pieces, with more subtle colors and a more loosely packed field, as more marketable possibilities. The team wrote a sample order for several such pieces.

During the Fall, 1991 workshops, Ms. Lewis ordered a set of linens embroidered with grapes and leaves, for a buyer who specializes in grape-theme products. While the resulting pieces were lovely, prices were very high and the buyer was unable to order.

Heves The Cooperative of Folk-Art and Handicrafts at Heves is best known for its woven pieces, which the ATA team felt were already familiar in the U.S. market and too expensive to compete with similar Asian and Scandinavian imports. Instead, the team focused on a small line of felt Christmas ornaments that The Sandor Collection had been

selling successfully in the U.S.

During the Fall, 1991 workshop, Ms. Lewis and Ms. Karvazy of The Sandor Collection expanded the ornament line, introducing Hungarian folk motifs common to pottery. The Heves designer was delighted, and the resulting line has sold well in both the U.S. and Hungary.

Heves also includes a weaving section in its operations. While most woven product for Heves would be unsuitable for the U.S. market, the coop's woven linen might find a market as a raw material, as discussed above, under Debrecen.

POTTERY

While the emphasis of Year One lay on textile development, some attention was paid to pottery as well. In May, 1991, the ATA team visited only one pottery cooperative, in Hodmezovasarhely. During July and August of that year, the Yale Analysts studied additional pottery cooperatives, as well as several individual potters.

In October, 1991, ATA's focus on pottery expanded considerably as Ceramics Consultant Christine Costello joined the ATA team. Ms. Costello conducted workshops at four ceramics cooperatives and met with six individual master potters. Now into Year Two, ATA is actively working with one ceramics cooperative and several master potters; we have also recommended another cooperative to Mesa International, a manufacturer and wholesaler of pottery and glassware.

Pottery cooperatives and master potters active with the ATA project during Year One include:

Kaposvar The cooperative Fazekas Haxiipari Szovetkezet specializes in "Haban" pottery, a light terra cotta covered with an opaque white glaze, then decorated in a multi-colored, hand-painted overglaze pattern. When first visited, the coop had experienced recent layoffs, but was still producing for both the domestic and export markets, largely through Folkart Centrum and Folkart Trading.

This cooperative has fine skills, good equipment, and management amenable to changes in design, as long as the traditional feeling is not destroyed and colors are limited to the existing palette. Ms. Costello worked closely with Kaposvar's moldmaker, prototype potter and painter to develop more refined shapes and a lighter application of color. She and Marketing Consultant Ed Bohling also discussed the importance of pricing products accurately, so that stable export prices can be maintained.

Hodmezovasarhely In Hodmezovasarhely, the second ATA team visited a ceramics cooperative, Agyag-Es Szilikat Ipari Szovetkezet. Theirs was a large, well run factory producing a wide range of hand-made ceramic giftware and technical ceramic components. The coop is led by an able and savvy manager and has taken control of its own

exporting. In order to expand its market, the coop had taken a commercial path, abandoning some of its traditional folk-art roots, and had hoped that ATA could help it identify a market for traditional products.

Though the team did order a few pieces, they felt the look was too commercial for sale in the craft area. Instead of continuing work with the cooperative as a project site, ATA has referred Mesa International, a manufacturer and wholesaler of ceramics, to them. Their factory is able to produce commercial-level products on time, at appropriate prices, and with consistent quality, and is well suited to the large-scale commercial production needs of this buyer.

Master Potters During the October, 1991 workshops, ATA met and worked with several master potters working individually or in small studios. These potters include:

Bela and Eva Falusi, who produce a more refined version of the Haban style than that of the Kaposvar coop. Their work is excellent, and ATA will continue to work with them.

Lajos Kovats and his wife operate a small Budapest studio with eight employees. They produce a distinctive, refined line of black pottery that has become integral to the ATA line.

Istvan Rusoi is a maker of stove tiles. While his work has little application in the U.S., his tiles will appear in the Master Potters show, discussed below, under Next Steps.

Geza Jaszenovicsne and Szabo Mihaly were also visited, but ATA will not continue to work with them.

Next Steps During Year One, ATA was repeatedly impressed with the quality and variety of Hungarian pottery, and has made a commitment to promoting pottery traditions in the U.S. through a traveling Master Potters show. The show will appear at CERAMICA in New York and at Clay Angel Galleries in Santa Fe, New Mexico, and Ashland, Oregon. ATA has designed the show to demonstrate the skill and versatility of Hungarian ceramic traditions and innovations, through display and sales of show samples.

During Year Two, ceramics development will continue, with concentration on the cooperative in

Kaposvar, master potters Lajos Kovats and Bela and Eva Falusi, and others identified in Year Two.

WOOD PRODUCTS

During the second product development visit, ATA Marketing Consultant Ed Bohling conducted a survey of wood crafts. Mr. Bohling visited one woodworking cooperative and met with six independent wood workers, identifying some export potential for wood pieces.

In Decs, Mr. Bohling visited the Decs Mixed Coop and Homecraft Coop of Sarkoz, and found their current work unsuitable for export. Production there is extremely limited, with only one woman doing all the painting. He found, as well, that furniture line was no longer under production.

Among the individual wood workers, Mr. Bohling found a range of skills, but no one ready for export. One especially skilled artisan, Laszlo Hollo, paints his work beautifully, but is less skilled in construction, with many of his pieces displaying popped joints and end checks. His products are expensive, as well, as the painting process is time consuming, requiring the application of several coats of paint.

A second artisan, from Eger, is extremely skilled in wood carving, but he works independently and is uninterested in accepting orders for any products he feels are unworthy of his considerable skills.

While ATA has chosen not to develop a line of wood products, The Sandor Collection has carried painted wood ornaments and accessories for several seasons. At the August, 1992, New York Gift Show, The Sandor Collection will expand its wood line, adding a small collection of carved wood pieces.

DOLLS

On ATA's first workshop visit to Hungary, Marketing Consultant Jane Griffiths identified folk dolls as an area for product development and marketing. The U.S. market for collectible dolls is strong, with doll collecting second only to stamp collecting as the most popular hobby in the U.S.

Because doll-making skills were already high, the ATA team selected a group of dolls for the New York Gift Show, where sales were not encouraging.

Several buyers who identified themselves as doll collectors were enthusiastic and bought for their own collections, but we received no orders from stores buying for inventory.

From the beginning, The Sandor Collection has carried a different line of dolls, with greater success. These dolls are smaller and more authentic, made with greater attention to detail--hand painted cloth faces, hand embroidered skirts, several pleated petticoats. The prices on these dolls are lower, and they have sold well, especially to small gift shops.

ATA will not continue to carry dolls in its Hungary line, but The Sandor Collection will continue to import their dolls, with plans to expand the collection.

METAL PRODUCTS

During the second product development workshop visit, volunteer consultants Rosalyn Voget and Philip Neumann traveled with the ATA team to investigate the potential of exporting Hungarian metal crafts. The pair met with the representatives of three metal crafting companies, identifying one with strong skills and appropriate prices.

While the consultants did request costing on four new items, ATA has not yet received any word from the group. When ATA Chief Design Consultant Docey Lewis returns to Hungary in July, 1992, she will again visit this group and continue design and production work, if appropriate.

MARKETING

In creating a marketing program for Hungarian crafts, Aid to Artisans has worked at several levels:

- o We have participated in two New York Gift Fairs, the most important wholesale gift markets in the United States, to develop a broad customer base and to acclimate Hungarian artisans to the expectations of smaller U.S. buyers.
- o We have worked closely with The Sandor Collection, a growing importer of Hungarian folk art, and Mariska, a new importer of Hungarian ceramics, to build the capacity of these two firms to represent the interests of Hungarian artisans. Both companies import exclusively from Hungary, and both are committed to development as well as business.
- o We have developed a Buyers to Hungary program to take buyers to the source, interesting them in the development process as well as the products themselves. Buyers benefit by having direct contact with coop designers and producers; artisans benefit by having immediate feedback from real buyers.
- o We have accessed the ATA Marketing Network, connecting artisan groups with influential U.S. buyers able to place large special orders.

This integrated marketing program has yielded strong results: already, after one year, \$133,000 in sales have gone directly to Hungarian artisans and their representatives.

THE NEW YORK GIFT SHOW

During Year One, Aid to Artisans displayed and sold Hungarian crafts at two New York International Gift Fairs, in August, 1991, and February, 1992.

Before the project began, The Sandor Collection, the principal importer of Hungarian crafts, sold its products at the ATA booth. Sandor sales at the show totaled \$4,407 wholesale, with about half that figure representing the amount paid to Hungarian artisans and their representatives. The Sandor Collection's 1990 sales totaled \$9,825.

The first products developed during the project appeared at the August, 1991, New York Show, where Sandor sales more than doubled, to \$11,096. At the February, 1992, show, orders increased again, to a combined total of over \$18,000 for The Sandor Collection and Mariska combined.

THE SANDOR COLLECTION

The Sandor Collection is a growing import company dedicated to the preservation of Hungarian folk traditions and the development of markets for Hungarian crafts. Owners Carole and Levente Karvazy are committed to the wellbeing of Hungarian artisans and have worked closely with ATA to enlarge their market and ensure continued employment for the artisans whose work they sell.

Significant Sandor Collection orders received during this project include:

August, 1991 New York Gift Show	\$11,096
February, 1992 NYGS	\$15,365
Crate and Barrel	\$4,000
Art Institute of Chicago	\$2,880
Barnes and Noble	\$1,650
Wireless Catalog	\$10,000
anticipated additional order	\$36,000
Strawbridge and Clothier	\$5,104
additional orders anticipated	
Sundance Catalog-- samples	
orders expected	
Country Curtains-- samples	
orders expected	

The Sandor Catalog lists catalogs, high-end shops, large department stores, and an increased number of small gift shops among its most active customers.

In addition to marketing Hungarian crafts to buyers in the U.S., The Sandor Collection has accompanied each Aid to Artisans product development team to:

- provide translation services
- act as liaisons between ATA, producers, and buyers
- develop new products for their own collections
- identify new crafts cooperatives and artisans with export potential
- conduct on-site workshops in pricing, costing, shipping, export, and the U.S. market.

MARKETING

At the August, 1992 New York Gift Show, The Sandor will graduate from the ATA booth to a booth of its own, where it will show its full collection. The ATA booth will continue to show and sell Hungarian crafts, but will limit its line to new products developed during the last round product development workshops.

MARISKA

Mariska is a new company formed by ATA liaison Ildiko Polony to import Hungarian pottery. Drawing upon experience in Hungarian and American cultures and art, Ms. Polony has formed Mariska with Karina Heffernan, and is currently fulfilling pottery orders placed at the February, 1992, New York Gift Show.

Mariska will continue to import Hungarian pottery, but will share the right to import project pieces with Clay Angel, CERAMICA, and other importers interested in carrying the line.

BUYERS TO HUNGARY

For the Hungary Export Enhancement project, Aid to Artisans designed a new marketing component for its Market Link program, bringing U.S. buyers to Hungary to develop products on site. The program began with Samii Clothes president Gay Ellis, and has also included Henry Chandler of Chandler Four Corners, Jane Griffiths of The Hemmeter Collection, and Marian Clayden of Marian Clayden Designs. Each of these companies has conducted its own design work, and each will import directly.

Samii Clothes Gay Ellis of Samii Clothes and Kids Lids visited Hungary with the ATA team in October, 1991. She visited several coops but concentrated her work in Debrecen, where the felt applique tradition continues, and Karcag, known for its wool embroidery. In Debrecen, she worked with coop designers to adapt traditional patterns to Samii's color palette and trim needs. Back in Vermont now, she has begun to explore designs incorporating the felt applique and embroidered pieces she developed in Hungary.

Ms. Ellis expects that the garments created from these pieces will form part of her winter, 1993, line, and will be assembled by Samii's network of home sewers in northern Vermont.

MARKETING

Chandler Four Corners Henry Chandler, owner of this young and innovative import company, has worked with Vermont tapestry artist Susan Sargent to design a set of eight scenes of Hungarian peasant life. Through ATA's project, Mr. Chandler was referred to the tapestry coop of Bekkeszentandras, where artisans are now producing the pillow line. Chandler Four Corners has ordered 100 units of each design, at an FOB/Budapest cost of \$40,000, and has confirmed sales to Williams-Sonoma's garden and housewares catalog, Gardener's Eden, of 200 pillows. Each pillow will retail for \$200.

Designer Susan Sargent hopes to expand her relationship with the Bekkeszentandras weavers independently, as well. As a tapestry artist, she is often commissioned to design large pieces for corporate clients. On her next trip to Hungary, she will explore the possibilities of having coop weavers produce some of these large pieces.

The Hemmeter Collection This catalog of gallery-quality crafts worked with ATA consultant Docey Lewis in the U.S. to design a Christmas stocking for the fall, 1992 catalog. In refining the stocking, Lewis worked closely with coop designers in Karcag to use existing designs and traditional colors to craft a product that will appeal to the U.S. market.

Product Development with the Hemmeter Collection has continued into Year Two of the project, with Hemmeter Vice President of Marketing Jane Griffiths accompanying the ATA team during the April, 1992 visit. The marketing results of that visit will form part of ATA's Year Two program reports.

Marian Clayden California-based fashion designer Marian Clayden also traveled to Hungary in April, 1992 to begin design work in several textile cooperatives. She worked most extensively in Debrecen, where she designed a line of flexible felt applique trims, and Kalocsa, where she designed both lace trims and large lace squares. She has ordered samples from both coops and plans to include them in her upcoming collection.

Original Buyers The three buyers identified in the original proposal to AID were not able to

travel to Hungary during Year One, but have remained interested in the project.

CERAMICA Before the project began, CERAMICA began a project of its own through the International Executive Service Corps, manufacturing and importing pottery from Morocco. The Morocco project required more time than initially anticipated, preventing CERAMICA buyers from becoming involved in Hungary. CERAMICA will host the Master Potters Show in the fall, and will also display the show ceramics to the fine arts community at the Chicago Navy Pier show (discussed below).

The Cooper-Hewitt Museum The museum shop buyer had to withdraw from the project because of the recession and slow sales, but has continued to advise us on the marketability of small decorative items. The shop itself continues to buy Hungarian products through The Sandor Collection.

Putumayo Unfortunately, Putumayo's fashion schedule did not meet ATA's project schedule. Their "Russian Influence" collection lasted only one season, a typical fashion calendar, and we were not yet established enough at that time to include Hungarian ready-to-wear. Putumayo's next emphasis was African, and is now American Indian, with next season focusing on Indian. They do not have an old world "peasant" collection planned, and prefer to postpone their visits to Eastern Europe to a later date.

Next Steps Throughout the last few months, ATA has been consulting with Mesa International, a large manufacturer and wholesaler of ceramics, glassware, and table linens. Over the last year, Mesa has revitalized a ceramics factory in Hungary's northeast corner, creating a line of hand painted dinnerware drawing from Hungarian folk traditions. With ATA's assistance, Mesa hopes to develop a line of Hungarian table linens to complement these ceramics.

ATA has also been working closely with Associated Merchandising Corporation (AMC), the largest wholesaler of consumer products in the United States. A product development and marketing trip is planned for July, with ATA consultant Docey Lewis accompanying a group of three AMC buyers from the U.S. and Italy. The initial visit will focus on Christmas products, but other AMC

MARKETING

divisions are also interested in pursuing opportunities in Hungary, and additional product development visits are anticipated for Year Two.

As this report is being written, Judith Espinar of Clay Angel Galleries is in Hungary, visiting the studios of ceramics cooperatives and individual potters. She will meet with potters to discuss their work, to order pieces for her galleries, and to initiate design work for her own line. She will also meet with Folkart Trading, the foreign trading company that will handle her order. In the Fall, her Clay Angel galleries will host the ATA Master Potters show.

THE ATA MARKETING NETWORK

While many of the sales made during Year One have been generated by the New York Gift Show, others have grown out of the relationship that ATA has developed with influential buyers throughout the U.S. Of those buyers mentioned above, the following were attracted to the Hungary project through ATA's Marketing Network:

- mail order catalogs: The Sundance Catalog and The Hemmeter Collection
- manufacturers and wholesalers: Chandler Four Corners, Mesa International, and Associated Merchandising Corporation
- designer: Marian Clayden

In addition, other significant contacts have been made through ATA's Marketing Network:

Museum of Fine Arts A significant Marketing Network order came from the Museum of Fine Arts (MFA) in Boston. Inspired by the same felt applique traditions that had attracted Samii, the MFA dug into its lace collection and selected two designs that they have ordered translated into Christmas stockings. ATA faxed design specifications to Debrecen, where artisans quickly crafted prototypes. The MFA has accepted the prototypes, and Debrecen artisans have recently filled the initial order for 400 stockings. The two pieces will appear in the museum's catalog, where the museum expects it to find a long-term place.

Jack Lenor Larsen Mr. Larsen, one of the most prestigious textile designers and manufacturers in

the U.S., has agreed to develop designs for upholstered furniture using the cut felt work of Debreceen. His studio is now working on specifications, and he will meet with Docey Lewis to discuss the line on June 17.

BUYING OFFICE Originally, ATA proposed establishing a buyers' office in Budapest that would serve as a clearing house for foreign buyers. Because our relationship with Hungarocoop did not endure, and because Hungarocoop was to have hosted the buying office, ATA's work in establishing such an office has been postponed.

During Year Two, ATA hopes to work with Folkart Trading and Folkart Centrum to establish such an office. Folkart Centrum is already recognized by foreign buyers as the most valuable craft resource in Hungary; Folkart Trading is beginning to establish a name as a quality exporter of handcrafts. Together, these two divisions of the same parent company have great potential for becoming a visible and useful clearing house for buyers interested in Hungarian crafts.

NEXT STEPS

During Year Two, ATA will promote Hungarian ceramics through the touring Master Potters' Show mentioned above. This show will highlight the strongest skills of Hungarian potters, educating the American public about the extraordinary breadth of Hungarian folk traditions. Pieces will be sold directly from the show, and interested patrons will be encouraged to seek out Hungarian products through the New York Gift Show, project importers, and the shops that carry our products.

Pieces selected for the show will also be presented to the fine arts community, through the annual exhibition at the Chicago Navy Pier, the most prestigious display and sale of fine art works in the U.S. Carol LeWitt of CERAMICA has recommended this exhibition, and she will organize and host the Hungarian pottery display.

Throughout the second year, as well, ATA will continue marketing through each of the channels identified above, including participation in the New York Gift Show, collaboration with The Sandor Collection and Mariska, expansion of the Buyers to Hungary program, and continued access to the ATA Marketing Network.

MARKETING

BUSINESS ANALYSIS, BUSINESS TRAINING AND EXPORT

BUSINESS ANALYSIS

In July, 1991, a team of three consultants from the Yale School of Organization and Management began a 10-week analysis of the economic climate surrounding the production and sale of crafts. During those ten weeks, the team met with 20 craft cooperatives, 10 individual artisans, and 6 craft unions. They met, as well, with foreign trading companies, government officials, and folkart experts.

The Yale team investigated the history of folkart production and distribution, analyzed the political structure surrounding folkart sales today, and explored the macroeconomic issues surrounding crafts.

Most significantly, the group researched the economic histories, marketing outlooks, and current economic conditions of cooperatives with which ATA was interested in working. Of the twenty cooperatives they visited, they identified four (Decs, Heves, Hodmezovasarhely, and Karcag) as having sound business and marketing skills, as well as marketable products. They identified 12 as having moderate promise, and three as likely to fail.

Partially as a result of their findings, ATA planned the second product development workshop trip to concentrate on the most savvy cooperatives, including Heves, the Hodmezovasarhely ceramics coop, and the Karcag embroidery coop.

On a second business analysis visit in March, 1992, two members of the Yale team followed up their work with visits to active project site coops. They assembled financial information comparing years 1990 and 1991, including the size and composition of the work force, artisan income, total sales, coop income, and the status of retained earnings. This financial data will form the basis of the final impact evaluation of this project.

In general, the Yale team found that the macroeconomic climate has created nearly insurmountable challenges for crafts cooperatives. Inflation, growing unemployment, the collapse of the domestic market, and ever-changing legislation

have led to layoffs and the forced spending of retained earnings. As a result, most coops are operating with significantly reduced workforces and with little money remaining in the bank.

In some cases, most notably in Heves, changes have led to increasing innovation in product design and marketing strategy. Many cooperatives have ceased to rely on the old foreign trading companies, choosing instead to work with small new trading companies or to learn to export independently. Many coops that were initially reluctant to make design changes are more willing to explore the possibilities, in the hope that the changes will lead to larger markets. And a few coops are working together, both to access European trade shows and to try to influence legislation.

Aid to Artisans hopes that the same Yale team will be available to conduct a final survey at the end of the project, in order to include last-minute financial information in the project's final evaluation.

BUSINESS TRAINING

Members of each ATA team have been evaluating the business needs of project cooperatives and providing informal business training as appropriate. At all project sites, ATA consultants have offered workshops in costing and pricing, with most sites also receiving check lists and basic information on shipping and export.

In an effort to offer more comprehensive business training, ATA has been talking with the State University of New York about offering formal classes for interested coops. At this time, SUNY is seeking additional funding to cover the costs of such training.

ATA has also begun discussions with Pragma, a U.S. consulting organization that offers various business training programs. Pragma already offers a seminar in export strategies and procedures, which ATA hopes they can expand to include reference to basic business and record keeping systems.

Finally, ATA plans to offer export training in the U.S. to at least one cooperative representative, centering around the February, 1992, New York Gift Show. Training would include experience in show

set-up and sales, with research into U.S. market trends, avenues for export sales, and competition. The participant would visit wholesale showrooms, appropriate retail outlets, meeting with existing and prospective buyers and other members of the ATA Marketing Network.

EXPORT

When this project began, ATA was working closely with Hungarocoop, a large foreign trading organization active in the export of handcrafts. While Hungarocoop was initially enthusiastic about the project, they decided by July, 1991, not to participate with the Yale team's information gathering process and effectively barred that group from their offices.

Hungarocoop also made it clear that they were not interested in working with the small orders that the ATA project would generate initially. At the time, they were undergoing the privatization process and were appropriately concerned about the declining economic climate. Rather than devote time and energy to folkart, a small division of the company, Hungarocoop chose to dedicate its resources to other, larger divisions, including manufactured clothing and agricultural products.

While Hungarocoop remains interested in handling large and lucrative orders, it remains impatient with smaller orders. Within the last year, also, several project cooperatives have become increasingly frustrated with Hungarocoop for slow payment, ineffective marketing, and personality conflicts. For these reasons, Aid to Artisans has chosen not to continue exporting through Hungarocoop.

In the search for a replacement FTO, ATA met with several other trading companies, including Folkart Trading, the export wing of Folkart Centrum, Hungary's largest chain of craft shops. While younger and less experienced than Hungarocoop, Folkart Trading is dedicated to crafts exports and has significant experience domestic crafts sales. Though many cooperatives are now choosing to experiment in independent export, ATA has begun to refer buyers to Folkart Trading, in the hope of developing that company's capacity to represent artisans.

We expect, too, to work with Folkart Trading to help them establish a buying office in Budapest to

assist foreign buyers in commissioning samples, placing orders, and assisting in all phases of export.

ATA has also worked directly with craft cooperatives to enhance their abilities to export directly. Most coops now have their export licenses and many have begun the export process. ATA has assisted their development by offering workshops in export documentation, packing, and shipping. We expect that formal business training through SUNY or Pragma will include additional training in export-related areas.

CONCLUSIONS

Aid to Artisans has made great progress in addressing the needs identified in our original project proposal to AID. Though some of the specifics of our program have changed, the overall concept has remained steady, with an integrated emphasis on product development and export marketing. Marketing has been especially successful, with Year One sales that exceed original projections and a marketing program that has reached most wholesale and retail channels of the U.S. market.

Aid to Artisans plans to spend Year Two of this project in continued product development and the establishment of enduring markets, enabling project participants to take over most pieces of our work when the project ends in April, 1993. Because large projects do not-- and should not-- last forever, we aim to make the pieces of this project free standing. Specifically, we aim empower project cooperatives and individual artisans by arming them with a basic understanding of the demands of the U.S. market and educating them in the fundamentals of export alternatives.

With the encouragement of the AID Mission in Budapest, Aid to Artisans plans to extend the Hungary project beyond April, 1993, and we hope to discuss program plans and funding options at our annual review.