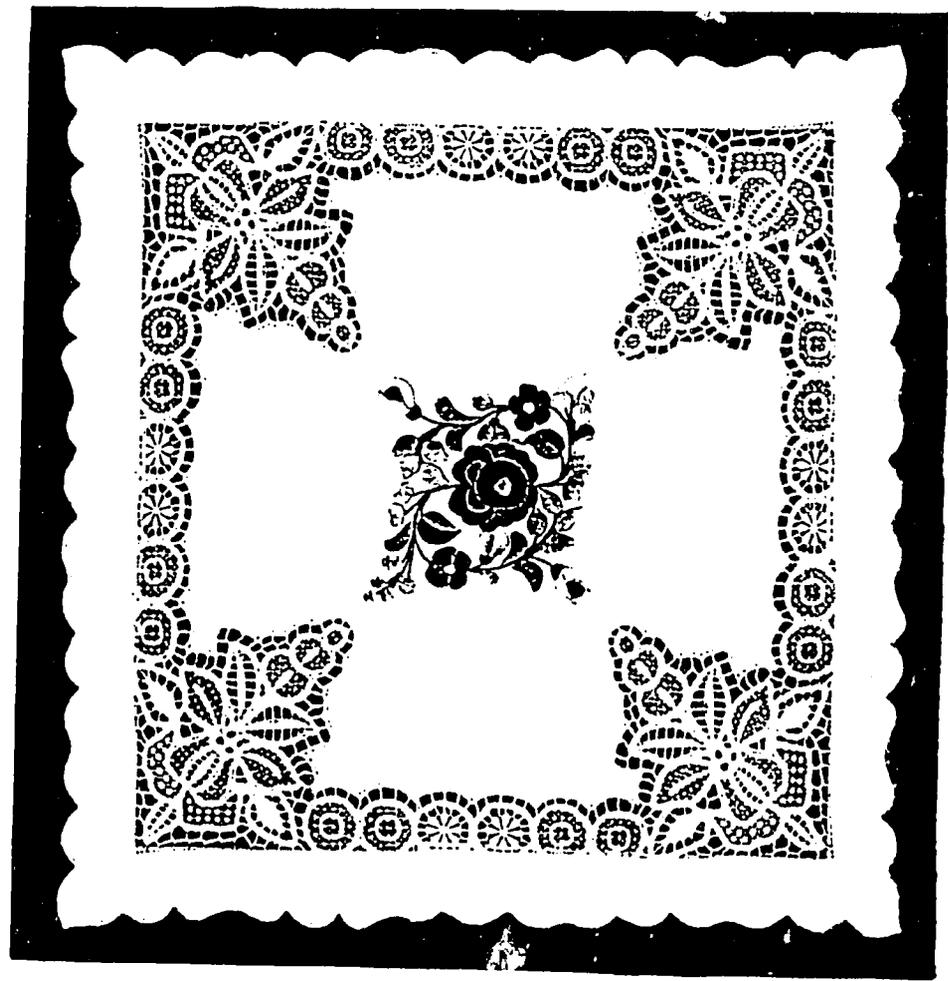


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HUNGARY

Aid To Artisans

Export Enhancement Program



Summary Program Performance Report

End of Year Two

June 15, 1993

PROGRAM PERFORMANCE REPORT:

**SUMMARY REPORT: END OF YEAR TWO
JUNE 15, 1993**

EXPORT ENHANCEMENT PROGRAM/HUNGARY

**IMPLEMENTED BY
AID TO ARTISANS**

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PROGRAM PERFORMANCE REPORT:

**SUMMARY REPORT: END OF YEAR TWO
JUNE 15, 1993**

EXPORT ENHANCEMENT PROGRAM/HUNGARY

AID TO ARTISANS, INC.

Cooperative Agreement	:	EUR-0032-A-00-1022-00
PIO/T No.	:	180-0032-3-1183692
Appropriation No.	:	72-11X1010
Budget Plan Code	:	QAIX-91-33180-IG-12
Total Estimated Amount	:	\$400,000
Total Obligated Amount	:	\$400,000
Technical Office	:	ENE/EUR, J. McEnaney V. Meenan
Funding Source	:	AID/FM/CMP
DUNS No.	:	19-679-9894
TIN	:	04-2577837

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EXECUTIVE SUMMARY

SUMMARY REPORT: END OF YEAR TWO EXPORT ENHANCEMENT PROGRAM/HUNGARY

PVO HUMANITARIAN/DEVELOPMENT INITIATIVES PROGRAM

The Export Enhancement Program/Hungary provides technical assistance and support to artisan enterprises, a sector of the Hungarian economy which once employed over 80,000 workers, the majority being women in rural areas. The program goals include the following:

- 1) Generating export opportunities and sales
- 2) Developing competitive export products
- 3) Retaining jobs for women
- 4) Stimulating private enterprise

The Aid to Artisans program strategy involves a 3-prong approach:

1. Product Development: Technical assistance in design and development of new market-oriented products
2. Marketing & Promotion: Introducing products into the U.S. market via national trade shows; recruiting and leading buyers to Hungary; special exhibitions and media coverage
3. Business Training: Informal workshops and counseling in exporting, marketing, and management; Co-sponsorship of SUNY Fellows for U.S. marketing training

The program presently works directly with a diverse range of artisan enterprises:

- 19 COOPS & SMALL BUSINESSES	3,850 Employees
- 28 MICRO-ENTERPRISES	100 Employees
- 5 FOREIGN TRADE COMPANIES	<u>155 Employees</u>
TOTAL	4,105 EMPLOYEES

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EXECUTIVE SUMMARY
SUMMARY REPORT END OF YEAR TWO
Export Enhancement Program/Hungary

Page 2

At the completion of two program years, this program has accomplished the following:

- Generated over \$ 298,000 FOB/HUNGARY worth of export orders
- Established effective working relations with a significant number of small businesses and micro-enterprises, enhancing their competitive capabilities
- Assisted in the development of new business accounts with U.S. importers with excellent long-term prospects
- Provided site-specific, practical, and critical support services enabling artisan producers to successfully win and fulfill export orders
- Conducted over 70 product development workshop sessions with small businesses/cooperatives
- Developed approximately 500 SKUs in new artisan products
- Actively interfaced with other AID-supported programs including SUNY's Center for Private Enterprise Development and IESC
- Cooperated with the SUNY Fellows Program to provide programming for Hungarian artisans in U.S. craft marketing
- Conducted business analysis and re-assessment of Hungarian artisan enterprises
- Provided on-site technical assistance in business management and exporting
- Developed plans for enlarging the scope of the business training program for Year 3
- Initiated programming for Year 3 of the project which is designed to enhance sustainability and self-sufficiency

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PROGRAM DESCRIPTION

SCOPE OF PROGRAM

The Export Enhancement Program/Hungary provides direct technical assistance in product development, marketing, and business training and technical assistance to a diverse range of Hungarian artisan enterprises:

- 1) Large privatized cooperatives with full-time employees and hand-processing, factory-like conditions;
- 2) Small coops with cottage industry workers;
- 3) Private companies (formed from old coops)
- 4) Micro-enterprises of 2-10 employees

The working conditions range from full-time to part-time, factory to home-based. The coop/small business production centers vary in scale from 25 to 650 workers, with an average size workforce of 200 employees; the majority of workers are women.

The program has worked with a total of 28 artisan cooperatives and companies; 28 micro-enterprises, and 5 foreign trade companies. Of the 28 artisan cooperatives, 19 have received in-depth program inputs including product development workshops, buyer visits, marketing assistance, and business analysis.

SUMMARY OF PROGRAM CLIENTS

19 Coops/companies	3,850 Employees
28 Micro-enterprises	100 Employees
5 Foreign trade companies	<u>155 Employees</u>
TOTAL CLIENTS:	4, 105 EMPLOYEES

SUMMARY OF ATA PROGRAM INPUTS TO COOPS: 1991 - 1993

COOPERATIVE	ATA PRODUCT DEVELOPMENT	BUYERS VISITS	BUSINESS ANALYSIS	TOTAL PROGRAM INPUTS
Budapest	2 Visits 1991		1 Visit 1991	3 Visits
Debrecen	6 Visits 91,92,93	YES	2 Visits 1991/93	8 Visits
Heves	6 Visits 91,92,93	YES	3 Visits 1991,92/93	9 Visits
Karcag Textile	4 Visits 1992, 1993	YES	3 Visits 1991,92/93	7 Visits
Karcag Ceramics	2 Visits 1992	YES	3 Visits 1991,92/93	5 Visits
Szeksard			1 Visit 1991	1 Visit
Decs	1 Visit 1991		1 Visit 1991	2 Visits
Mezotur	6 Visits 1991/92/93	YES	3 Visits 1991/92/93	9 Visits
Siofok	3 Visits 1991/92/93	YES		3 + Visits
Bekesszentandras	3 Visits 1992/93	YES		3 Visits
Mezobereny	2 Visits 1991/92		2 Visits 1991/92	4 Visits
Kalosca	5 Visits 1991/92/93	YES	2 Visits 1992/93	7 Visits
Szeged	1 Visit 1992			1 Visit
Hodmezovasarhely	6 Visits 1991/92/93	YES	2 Visits 1991/93	8 Visits
Kaposvar	2 Visits 1991/92	YES	3 Visits 1991/91/92	5 Visits
Tizafured	1 Visit 1992			1 Visit
Mezokovesd	6 Visits 1991/92/93	YES	2 Visits 1992/93	8 Visits
Jaszarokszallas			1 Visit 1991	1 Visit
Gobelln			1 Visit 1991	1 Visit
Kiskunhalas	1 Visit 1991		1 Visit 1991	2 Visits
Mako	4 Visits 1991/92/93	YES	3 Visits 1991/92/93	7 Visits
Gyula & Sarkad	2 Visits 1992/93	YES		2 + Visits

6,

COOPERATIVE	ATA PRODUCT DEVELOPMENT	BUYERS VISITS	BUSINESS ANALYSIS	TOTAL PROGRAM INPUTS
Oscod	2 Visits 1992/93	YES		2 Visits
Pecs	3 Visits 1991/92	YES		3 Visits
Paloc			1 Visit 1991	1 Visit
Besescaba	2 Visits 1991/93	YES		2 Visits
Szentendre	1 Visit 1992	YES		1 Visit

4

**MAJOR
ARTISAN COOPERATIVES PARTICIPATING IN PROGRAM**

ARTISAN COOPS	Number Employees FT/PT	Number of Management	Total Number of Employees
BEKESSZENTAN- DRAS TEXTILE	155	5 *	160
DEBRECEN	95/96	20	211
HEVES TEXTILE	226/154	20	380
HODMEZOVASAR- HELY CERAMIC	130	5	135
KALOSCA TEXTILE	58/352	18	428
KAPOSVAR	90	10	100
KARCAG CERAMIC	26	3	29
KARCAG TEXTILE	130/6	10	146
MAKO TEXTILE	67	2	69
MEZOKOVESD	186/64	7	257
MEZOTUR CERAMIC	55	12	67
GYULA TEXTILE	220	5	225
ENCI FACTORY	167	5 *	172
BESESCASABA	368	10 *	378
SIOFOK TEXTILE	180	10 *	190
BUDAPEST (MIX)	646	10 *	656
PECS TEXTILE	120	5	125
MEZOBERENY	66	3 *	69
OSOOD	50 *	2 *	52
		TOTAL EMPLOYEES	3,849

* Estimated

COOPERATIVES AND SMALL BUSINESSES

The program works closely with 19 small businesses; some are organized as worker-owned cooperatives, others are KFT's or privately-owned companies. When the program began in 1991, all were state-owned; now the majority (if not all) are privatized. This period of transition has been a challenging environment in which to carry out a program of assistance: many of the businesses were so absorbed in internal re-structuring they initially were limited in their ability to see their critical needs related to product development and marketing.

Many of the cooperatives have been forced to scale back their workforce in order to cope with the depressed economy and restructuring woes. Too many of the cooperatives were slow to cut down on administrative overhead; those which privatized quickly and streamlined operations are out in front and doing a healthy amount of business.

Many of the artisan cooperatives are a mix of hand-process and factory production methods. The majority are coping with old machinery and need infusions of capital to upgrade and repair equipment. A few have successfully negotiated private loans and attracted private investment, but the majority have not and are in critical need of meaningful finance assistance. ATA has been a consistent voice of advocacy on behalf of artisan enterprises, representing artisan needs and concerns to the Hungarian Enterprise Fund, Women's World Banking, and related potential resources.

ATA works directly with management and design staff to address issues of production, raw materials sourcing and quality control, development of new product lines, customer relations, and marketing.

MICRO-ENTERPRISES

Small family artisan enterprises represent a growing trend as cooperatives re-organize and cope with the challenges of the market economy. Aid to Artisans has identified a number of exceptional micro-enterprises and provided individualized assistance and advice to over 28 small companies, representing approximately 100 employees. These include the following:

15 POTTERY ENTERPRISES

5 WOOD-WORKING ENTERPRISES

5 DOLL-MAKING ENTERPRISES

3 TEXTILE ENTERPRISES

ATA PROGRAM ASSISTANCE:

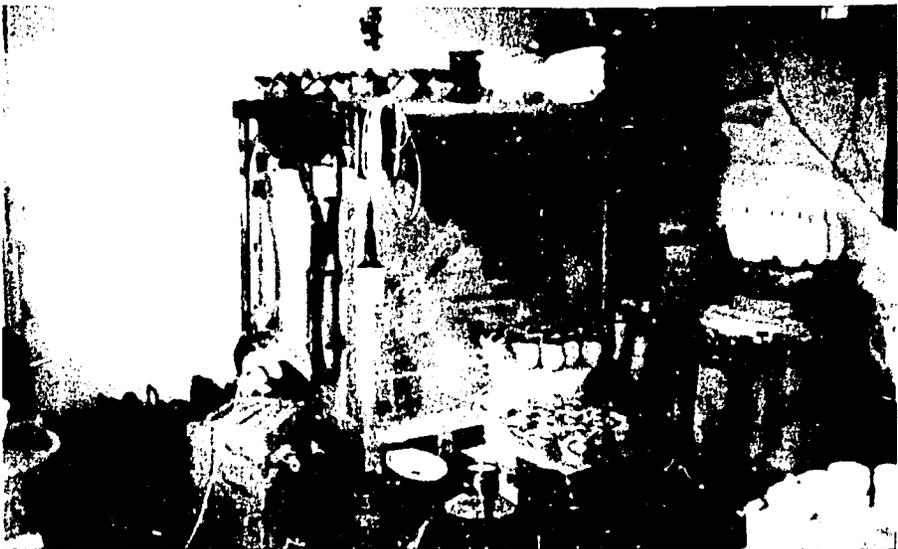
- Provide direct contact with visiting buyers
- Marketing of products in the U.S.
- Exhibitions in the U.S. and Hungary
- Promotional events and publicity
- Business management counseling
- Technical advice
- Contact with export agents

RESULTS OBSERVED:

1. Increased volume of export sales
2. Increase in size of business in terms of employees
3. Increased investment in business (equipment/facilities)
4. Broadened product line
5. Fostered relations with U.S. importers
6. Interest in further business training
7. Interest in developing independent artisan organization

**SUMMARY OF ATA PROGRAM INPUTS:
MICRO-ENTERPRISES**

NAME	TYPE OF ENTERPRISE	ATA PRODUCT DEVELOPMENT ASSISTANCE	MARKETING ASSISTANCE & BUYERS VISITS	BUSINESS ANALYSIS
Iren Beka	Micro-enterprise	YES	YES/1992/93	
Tamas Studio	Micro-enterprise		YES/1991/92/93	YES
Istvan Rusoi	Micro-enterprise		YES/1991/92/93	
Annamaria Biro	Micro-enterprise		YES/1991/92/93	
Falusi Studio	Micro-enterprise	YES	YES/1991/92/93	YES
Szucs Imre Studio	Micro-enterprise	YES	YES/1991/92/93	YES
Horvath & Lajos	Micro-enterprise		YES/1991/92/93	YES
Busi Lajos	Micro-enterprise		YES/1991/92/93	
Kovats Studio	Micro-enterprise	YES	YES/1991/92/93	YES
Zsilinski Andras	Micro-enterprise		YES/1991/92/93	
Gonda Istvan	Micro-enterprise		YES/1991/92/93	
Kinga Szabo	Micro-enterprise	YES	YES/1991/92/93	YES
Szabolcs Kovacs	Micro-enterprise		YES/1991/922/93	
Kati Zsidenk	Micro-enterprise		YES/1992/93	
Luca	Micro-enterprise	YES	YES/1992/93	
Judit Karsay	Micro-enterprise	YES	YES/1992/93	
Eva Novak	Micro-enterprise	YES	YES/1992/93	
Steven Palinkas	Micro-enterprise	YES	YES/1991/92/93	
Laszlo Hollo	Micro-enterprise	YES	YES/1991/92/93	YES



This micro-enterprise run by Szucs Imre and his family has generated tremendous attention from U.S. buyers. Two importers have vied for production rights to one special teapot design, and are exploring ways to undertake production through a cooperative. In the meantime, Imre has significantly increased his exports to the U.S. in the past two years, and must now confront how to keep up with demand. His options: licensing; mold-making; hiring more employees (presently there are just 3).

PRODUCT DEVELOPMENT

PRODUCT DEVELOPMENT ACTIVITIES

The Product Development component is an integral part of the program which is inextricably tied to the marketing component. A wide range of crafts is covered, with the major focus on textiles and ceramics; these products represent the majority of enterprises employing the most workers.

In the early phase of the program, ATA provided product development experts to work with the coops to design new products appropriate for the U. S. market. As the program evolved and the coop designers began to understand the process of developing market-oriented products, ATA developed a successful program component merging marketing with product development called "Buyers to Hungary". Through this initiative, the emphasis shifted to producing goods for specific buyers/importers; this reduces the risk to some extent, and makes product development keyed into real customers with real markets to satisfy.

Through the product development component, new products have been designed which are completely new to the Hungarian producers; these include a comprehensive line of Christmas theme products. Selected items from the standard lines of Hungarian artisan products have been updated and modified to appeal to American consumers. This process involves new sizes, fashion colors, design editing, and so forth. Many of the new products are based on traditional Hungarian design motifs which ATA designers researched in Hungarian museums. In this way the Hungarian folk-culture continues to be re-vitalized and encouraged.

As the program enters its third year, the Product Development component is actively involving independent Hungarian designers; in this way the program seeks to develop self-sufficiency.

LIST OF NEW PRODUCTS DEVELOPED

CHRISTMAS THEME PRODUCTS

- Stockings
- Tree Skirts
- Ornaments
- Dolls

FASHION CLOTHING, TRIM & COMPONENTS

- Hats
- Girls' coats
- Muffs
- Women's coats
- Mittens
- Vests

HOME FURNISHINGS TEXTILES & TEXTILE PRODUCTS

- Embroidered lace pillows
- Felt applique pillows
- Tapestry pillows
- Wool rugs
- Wall hangings
- Table linens

GIFTWARES

- Ceramic miniatures
- Picture frames
- Doorstops
- Dolls
- Gift-boxed decorated eggs
- Decorative boxes

CERAMIC PRODUCTS

- Decorative gift items
- Kitchen wares
- Dinnerware

MARKETING

MARKETING ACTIVITIES

New York International Gift Show: Twice annually (February and August), ATA leased booth space at this international trade show held at the Jacob Javits Center. Thousands of buyers from across the U.S. visited the show and viewed the products; ATA staff answered questions about production capabilities, delivery schedules, and custom orders, etc. Orders were placed, and valuable contacts made which ATA followed up post-show.

ATA Trade Network: ATA's network of member companies is a valuable core resource for the marketing program. Members in the ATA Trade Network represent commercial enterprises who demonstrate interest in ATA's programs and a commitment to the ethical treatment of artisans. ATA fosters a special relationship through close communication, cooperation, and efforts to tailor products to potential buyers' needs. Members contribute to ATA programs through dues and in-kind services. ATA hosted special events at its Connecticut headquarters which were attended by buyers, principals, and designers from some of America's leading consumer products companies.

Product Presentations: ATA marketing staff met with buyers of selected companies to present Hungarian product samples and promote artisan production capabilities. This involved meetings at these companies' offices as well as at ATA offices. ATA also arranged product presentation opportunities in New York for Hungarian trade organizations such as Kelimart (who travelled to the U.S. at their own expense).

MARKETING ACTIVITIES (cont.)

Buyers to Hungary Component: ATA organized a series of escorted tours of Hungarian artisan coops and producers for U.S. buyers; this has been a very successful approach which accomplished the following:

- Brought real customers to Hungarian artisan producers
- Promoted highly-skilled Hungarian artisan producers to a wide variety of importers and manufacturers
- Provided a guided atmosphere for Hungarian artisan producers to experience market-based business practices
- Exposed Hungarian artisan producers to market challenges and demanding customers
- Provided Hungarian artisan producers with product line feedback
- Fostered new business relationships expected to develop into long-term relationships
- Increased export orders

BUYERS-TO-HUNGARY PARTICIPANTS

AMC [Associated Merchandising Corp.]
EEE Group
R.H. Macy's
AMS Imports

Mesa International
Chandler Four Corners
Marian Clayden
Ferrari Luciano
Nitza Etra-Dagan

ATA's role involved the following services:

- Recruited buyers who travelled to Hungary at their own expense
- Provided product development experts familiar with the Hungarian artisans and their capabilities
- Provided interpreters
- Provided liason and follow-up

MARKETING ACTIVITIES (cont.)

U.S. Exhibitions: ATA organized an exhibition of traditional ceramics by Hungarian Master Potters which was presented at several retail gallery sites:

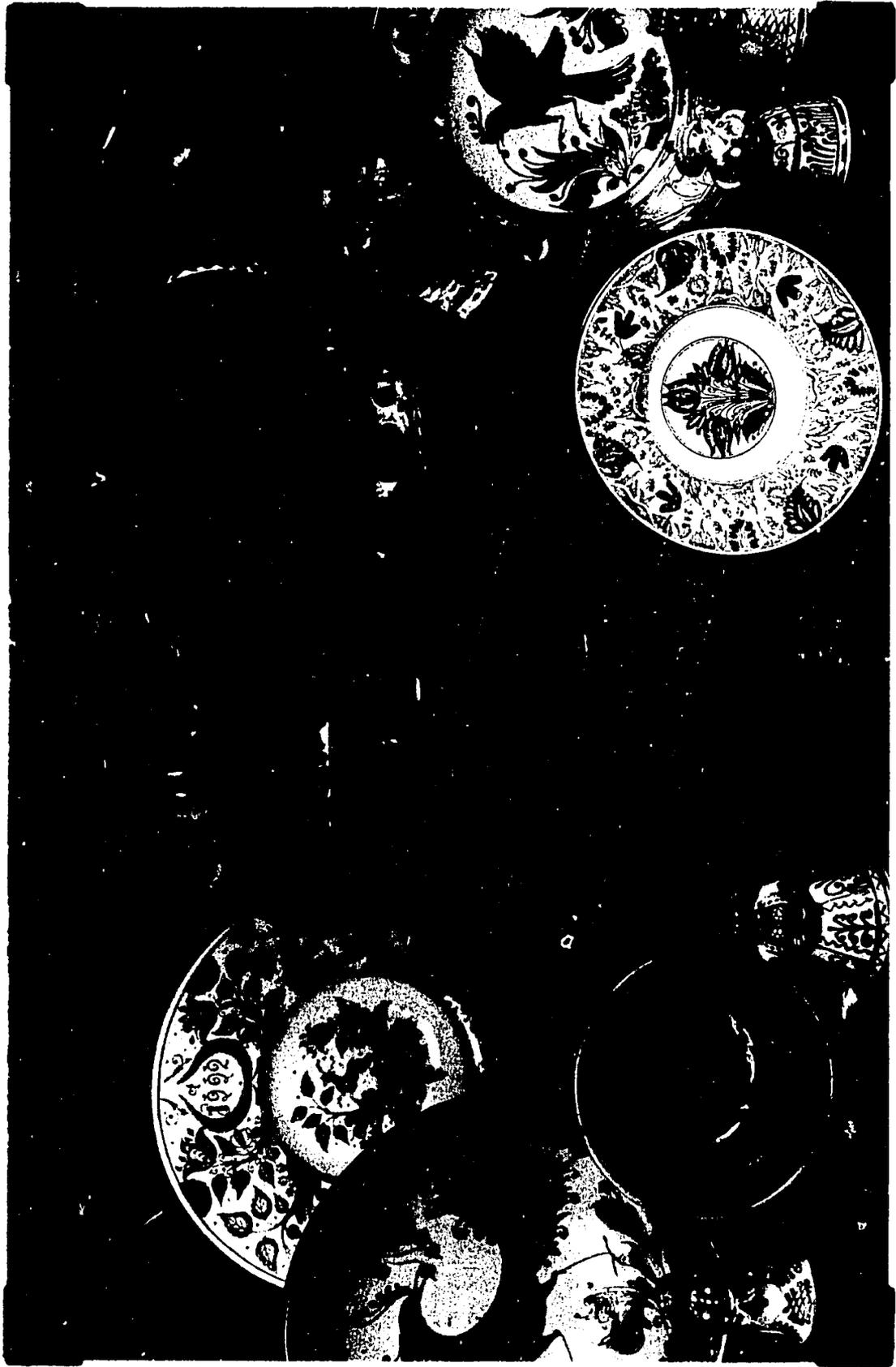
- New York City: CERAMICA
- Santa Fe, New Mexico: THE CLAY ANGEL
- Ashland, Oregon: THE CLAY ANGEL
- Washington, D.C.: MISSION IMPORTS [Scheduled]

The events garnered media attention, were well-attended, and resulted in sales. In Santa Fe, the exhibition was enhanced by a public lecture by ATA's Clare Smith.

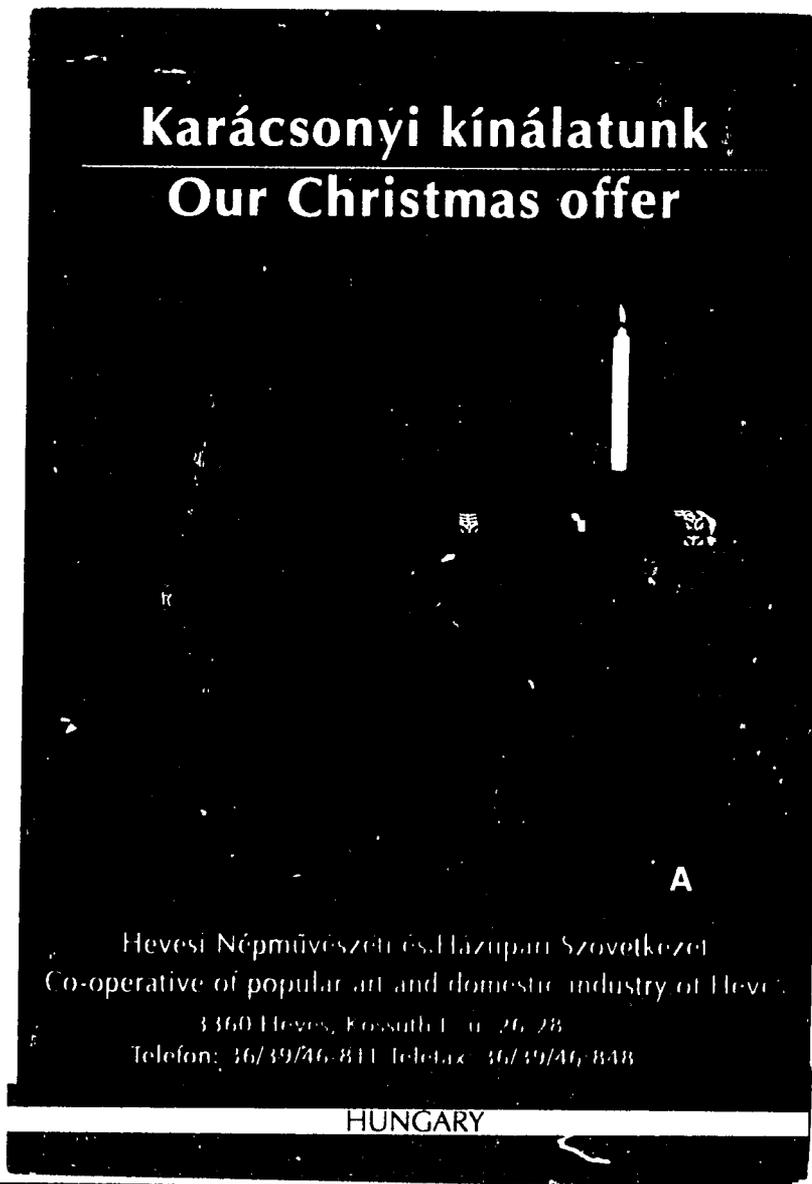
Hungary Exhibition & Sale: With the cooperation of the Ambassador of the United States of America and Mrs. Charles H. Thomas, ATA organized a special showing of works by Hungarian master potters which was presented at the Ambassador's residence on May 5, 1993. This was well-attended, and resulted in significant sales of over \$5,000 for the Hungarian artisans who participated. ATA encouraged the Hungarian artisans to attend, assisted with their travel and lodging arrangements, and subsidized expenses.

Promotional Materials: ATA prepared and the program funded the following:

- Point-of-Purchase Materials: These explain and promote the Hungary program and are used at trade shows, showrooms, and retail stores.
- Product Hang Tags: These are attached to selected items and promote the artisan makers and credit the program.
- Posters: A full-color poster promoting the "MAGYAR KERAMIEK- Master Potters of Hungary" exhibition was published and distributed.
- Postcards: Full-color postcards announcing the schedule of the "Magyar Keramiek - Master Potters of Hungary" exhibition were printed and distributed.



BROCHURE PREPARED WITH ASSISTANCE FROM ATA



Karácsonyi kínálatunk
Our Christmas offer

Hevesi Népművészeti és Házipari Szövetkezet
Co-operative of popular art and domestic industry of Heves
3360 Heves, Kossuth L. u. 26/28
Telefon: 36/39/46-811 Telex: 36/39/46-848

HUNGARY

The Heves Cooperative undertook the production of a special brochure promoting the new line of Christmas products which ATA has helped to design. The brochure features "open designs", i.e., non-exclusive products available to general buyers. Many of the ATA-designed items were for specific buyers who required exclusivity. This is a good example of putting into practice ATA's marketing advice.

MARKETING ACTIVITIES (cont.)

Telemarketing: ATA has developed contacts with two giants of telemarketing:

- 1) Fujisankei Communications International, Inc., of Japan
- 2) QVC, Inc., an American company based in West Chester, PA. QVC has 44 million viewers nationwide, and buys products wholesale. They are especially interested in marketing the Hungarian pottery, and have invited ATA to prepare a 1-hour presentation. A total of ten or twelve products from various ATA projects worldwide will be sold, and retails sales are projected to hit \$150,000. (It is too early to forecast what percentage of sales will be Hungarian products, but they will be well-represented.)

INDIRECT MARKETING ACTIVITIES: ATA & PRIVATE SECTOR

Private sector partners of the program invested in a variety of marketing/promotional activities and materials; ATA provided advice, design input, and referrals. The following were under-taken by private businesses to specifically promote and market the Hungarian crafts:

Trade Shows: Importers and manufacturers handling Hungarian artisan products initiated their own trade show participation which included the following:

- ATLANTA GIFT SHOW
- HIGH POINT FURNITURE SHOW
- NEW YORK TABLETOP SHOW
- CHICAGO GIFT SHOW
- ATLANTA CARPET SHOW
- NEW YORK SPRING HOME TEXTILE SHOW
- PACIFIC SPRING HOME TEXTILE SHOW [San Francisco]

Catalog pages: Full-color product pages (2) by The Sandor Collection; AMS Imports; products are also advertised in 10 national retail mail order catalogs.

Catalog-brochures: Some companies produced their own catalog-brochures; examples include Mariska, Samii Clothes, and Chandler Four Corners.

EXPORT MARKET: INTERNATIONAL COMPANIES BUYING HUNGARIAN ARTISAN PRODUCTS

THE FOLLOWING COMPANIES ARE BUYING HUNGARIAN EXPORTS AS A RESULT OF THE EXPORT
ENHANCEMENT PROGRAM

MAIL ORDER CATALOGS

Art & Artifact
Daily Planet/Russian Dressing
Gardener's Eden
Museum of Fine Art, Boston
Smithsonian
J. Peterman
Sturbridge Yankee Workshop

The Hemmeter Collection
What on Earth
Williams and Sonoma
Wireless (National Public Radio)
Garnet Hill
CAPE

DEPARTMENT STORES

Dayton-Hudson
I. Magnin
Macy's

Strawbridge & Clothier

OTHER RETAIL STORES

Ad Lib
Copenhagen Imports (Chain)
Country Curtains (Chain)
Crate and Barrel (Chain)

Handblock
San Carlo Dal, Italy
This End Up (Chain)
River Town Trading
* Plus 100 small shops

IMPORTERS & MANUFACTURERS

AMS Imports
AMC Corporation
Ceramica
Chandler Four Corners
EEE Group
Esprit

Samii Clothes
Ferrari Luciano
Mariska
Nitza Etra-Dagan
The Sandor Collection
Marian Clayden
Mesa International

* The number of companies now buying Hungarian crafts has grown dramatically; this list represents only a sample.

SUMMARY OF EXPORT ORDERS: JANUARY - MAY, 1993

IMPORT COMPANY	TYPES OF PRODUCTS	HUNGARIAN PRODUCERS	EXPORT AGENT	TOTAL ORDERS FOB/HUNGARY
CHANDLER FOUR CORNERS	Tapestry pillows	Bekeszentendras Coop	Kelim Art, Budapest	\$ 2,345
MARISKA	Ceramics/Tableware Linens	Individual artisans Various Coops	None	\$ 12,000
EEE GROUP, INC.	Ceramics/Tableware	Qualitas Export Import Coop, Hodmezovasarhely and individual artisans	Direct export from coop; Pal Bujnyik	Samples
SANDOR COLLECTION	Diversified: textiles, ceramics, wood, etc.	Many cooperatives and individual artisans	Balo Karvazy, Budapest Ica Todorne, Debrecen	\$ 38, 700
SAMII CLOTHES	Women & children's outerwear garments	Debrecen Coop and individual artisans	Ica Todorne, Debrecen	\$ 12,000
FERRARI LUCIANO	Home furnishings textiles & ceramics	Debrecen Coop, Heves Coop	Pal Bujnyik, Budapest	Samples
AMS IMPORTS	Rugs and carpets	Bekesszentandras Coop	Kelim Art, Budapest	Samples
MESA INTERNATIONAL	Ceramics	Qualitas Export Import Coop, Hodmezovasarhely	Handled by coop	\$12,000
ASSOCIATED MERCHAN- DISING CORPORATION	Christmas ornaments	Heves Coop and individual artisans	Folkart Trading; Pal Bujnyik	\$ 37,000
DAYTON-HUDSON	Christmas ornaments	Heves Cooperative and individual artisans	Pal Buynyik	\$ 30,000
			TOTAL ORDERS FOB HUNGARY	\$ 144,045

SUMMARY OF EXPORT ORDERS: 1991 - 1993

IMPORT COMPANY	TYPES OF PRODUCTS	HUNGARIAN PRODUCERS	EXPORT AGENT	TOTAL ORDERS FOB/HUNGARY
CHANDLER FOUR CORNERS	Tapestry pillows	Bekeszentendras Coop	Kelim Art, Budapest	\$ 54,600
MARISKA	Ceramics/Tableware Linens	Individual artisans Various Coops	None	\$ 31,600
EEE GROUP, INC.	Ceramics/Tableware	Hodmezovasarhely Coop, individual artisans	Direct export from coop; Pal Bujnyik	\$ 21,400
SANDOR COLLECTION	Diversified: textiles, ceramics, wood, etc.	Many cooperatives and individual artisans	Balo Karvazy, Budapest Ica Todorne, Debrecen	\$ 68,100
SAMII CLOTHES	Outerwear garments	Debrecen Coop	Ica Todorne, Debrecen	\$ 12,000
FERRARI LUCIANO	Home furnishings textiles & ceramics	Debrecen Coop, Heves Coop	Pal Bujnyik, Budapest	Samples
AMS IMPORTS	Rugs and carpets	Bekesszentandras Coop	Kelim Art, Budapest	Samples
MESA INTERNATIONAL	Ceramics	Hodmezovasarhely Coop	Handled by coop	\$ 12,000
ASSOCIATED MERCHAN- DISING CORPORATION	Christmas ornaments	Heves Coop and individual artisans	Folkart Trading; Pal Bujnyik	\$ 46,500
DAYTON-HUDSON	Christmas ornaments	Heves Cooperative and individual artisans	Pal Bujnyik	\$ 30,000
CERAMICA	Ceramics/Tableware	Individual artisans	Pal Bujnyik	\$ 2,000
THE HEMMETER COLLECTION	Christmas products	Heves & Debrecen Coops	Pal Bujnyik	\$ 14,000
BOSTON MUSEUM FINE ARTS	Christmas Items	Debrecen Coop	Pal Bujnyik	\$ 6,400
			TOTAL ORDERS FOB HUNGARY	\$ 298,600

SUMMARY OF IMPORTERS' BUSINESS ACTIVITY

EEE Group, Inc. : Judy Espinar, owner, reports that EEE Group's business venture in Hungary is going well. EEE Group's two retail gallery-stores received their shipment of the first container of Hungarian ceramics in February, and have already sold 15% of the many thousands of items. This is considered an excellent market response, and has led the company to plan on 1) importing another container of ceramics made by individual artisans and geared for the retail gallery market; 2) continuing to develop a manufacturing and wholesale business based on a line designed by Hungarian designer Kinga Szabo and produced by the Hodmezovasarhely Coop. The Kinga Szabo line is targeted for its market debut at the February 1994 New York International Gift Fair. The major concerns for this importer are 1) keeping prices down so they are competitive and 2) achieving quality control.

Chandler Four Corners: This small import business manufactures its own line of tapestry pillows which are hand-loomed at the Bekeszentendras Coop in Hungary and sewn/fabricated at Watermark, a North Carolina cooperative. Henry Chandler, owner, reports that his business is growing - well enough that he plans to open a retail store in Manchester, Vermont on July 4th weekend. Most of the growth is through retail mail order, which gives the maximum profit margin. He has successfully marketed his products to several major retailers including Crate and Barrel Catalog. Plans are underway to expand the product line to include rugs. Chandler reports that his major concerns are reducing production costs through strategies such as using Hungarian yarns (rather than Swedish). He continues to explore ways to accomplish this, and believes that if he can lower the price points, he can greatly expand the volume of his business.

Samii Clothes: This Vermont-based company has created a whole new Hungarian line called Lanya, featuring mother and daughter outerwear. The owner, Gay Ellis, is a gifted designer who has generated attention from leading fashion publications such as *The New York Times* and *Elle Magazine*. Samii is carving out a unique market niche through sales to mail order catalogs, boutiques and specialty stores. Hungarian artisans create decorative components which are imported to Vermont where they

SUMMARY OF IMPORTERS' BUSINESS ACTIVITY (Cont.)

are sewn into garments by women on a cottage industry basis.

Mariska: This small company began as a ceramics importer dealing in a wide range of table wares produced by individual artisans as well as ceramic coops. Mariska now has its own design team, and has expanded its product line to include table linens and other products associated with the tabletop market, plus home furnishings and gift items. It has expanded its marketing activities, and has steadily increased its U.S. accounts. In May they placed orders in Hungary totalling \$12,000 FOB/Hungary.

AMS Imports: This rug manufacturer/wholesaler is developing a line of rugs designed by ATA's Docey Lewis which are produced at the Bekeszentendras Textile Coop in Hungary; with the help of ATA's product development specialist, other production sites were also explored in Gyula, Besescaba, Ocsod, and Sarkad during May. The company initiated business discussions with an exceptional Hungarian textile designer, Klara Katona; this is an important step toward a totally-Hungarian controlled process from design through export. AMS' product line is placed with a number of prominent showrooms throughout the U.S.; the ATA evaluator visited one showroom at the High Point Furniture Market in North Carolina where the display was outstanding. At this point the company is still in the product development and marketing phase; the actual orders are anticipated in the coming year.

Mesa International: This large ceramics manufacturer already had operations in Hungary apart from this development project. However, they turned to ATA and this project for guidance in selecting a new production site for their expanded business. Since ATA's product development and business analysis teams had done thorough assessments of various coops and businesses, they were able to refer Mesa to a program client, the Hodmezovasarhely Ceramic Coop. The referral resulted in a good match, and Mesa has ordered and shipped one large container of goods worth \$12,000 during the past quarter. Mesa's president predicts that it will export \$100,000 FOB/Hungary worth of products in the coming year from Hodmezovasarhely.



Ica Todorne, Assistant Manager, and Kati Szidor, Designer, both of the Debrecen Textile Cooperative, show off hand-made trim components destined for manufacture into high-fashion coats. The coop has recently won an order from Samii Clothes to produce approximately \$11,000 FOB/Hungary worth of hand-cut and sewn trims.

SUMMARY OF IMPORTERS' BUSINESS ACTIVITY (Cont.)

Sandor Collection: This small family business was the original private enterprise partner of the Hungary Export Enhancement Program. It has grown remarkably, and continues to demonstrate a deep commitment to the Hungarian artisans. Sandor has expanded from an importer and wholesaler to a small manufacturer, as its owner ventures into designing new products made by a diverse range of Hungarian artisans. Some of Sandor's products are completely made in Hungary; others are partially made in Hungary and assembled or finished in Connecticut or North Carolina using cottage industry workers. Sandor has initiated its own marketing campaign, and regularly presents its products in trade shows in New York, Atlanta and Chicago; the company is scheduled to participate in the Dallas Market in 1994. Sandor has developed a large number of wholesale accounts, from large department stores to mail order catalogs to tiny retail shops.



Carole Karvazy, at left, owner of the Sandor Collection, a U.S. based import company specializing in Hungarian folk art, works closely with ATA in Hungary. Christmas stockings are not a Hungarian tradition, as Hungarians put gifts in boots, but the embroidery is traditional and the pattern comes, originally, from the Hungarian shepherd's cloak, the "szur."

BUSINESS COMPONENT

BUSINESS ANALYSIS

ATA has been able to successfully identify and target program participants which were the most likely to benefit from assistance; this has been a valuable component of the program, particularly in the beginning. A team of graduate students from the Yale School of Management has been fielded three times during the past two years. They have collected and interpreted pertinent data on artisan coops, small businesses, micro-enterprises, and foreign trade companies.

The following business analysis activities have taken place:

- 1991 Initial Survey:** Analysis of artisan producer groups [cooperatives & micro-enterprises] and foreign trade organizations; overview of macro-economic conditions; employment trends for artisans.

- 1992 Mid-Project Review:** re-assessment of artisan producers in terms of management changes, business activities, and projected performance; identification of policy issues affecting artisans. Analysis of macro-economic conditions and their impact on the artisan segment of the economy

- 1993 Comparative Analysis:** Preparation of comprehensive report at end of Year 2 comparing changes in volume of business, export activities, employment decline; projections on future business performance

SUNY/ATA FELLOWSHIP

In January 1993, ATA collaborated with the SUNY Center for Private Enterprise Development's Fellows Program to bring 3 Hungarians to visit the U.S. for business training. This was a direct result of the Needs Assessment conducted by Ildiko Polony, ATA Project Liason, on behalf of SUNY. The program sponsored

1) Gabor Fulop, Director, Northern Hungarian Regional Chambers of Commerce, Eger; he has demonstrated keen interest in artisans, and is interested in co-sponsoring artisan industry business programs and services.

2) Agnes and Lajos Kovats, university-trained engineers turned potters who now operate a family business specializing in Hungarian black pottery. Mr. Kovats paid his own expenses.

PROGRAM HIGHLIGHTS

The 6-week program involved the following:

1. SUNY/Buffalo: 4-Week Business Training Program. The format balanced classes in the mornings with visits to small businesses in the afternoons.
2. SUNY/Afred's College of Ceramics: Visited facilities and met students and faculty; gave presentation on Hungarian pottery.
- * 3. Vermont: Visited craft centers and businesses including International Trade representative for Vermont; Frog Hollow Vermont Crafts Center; University of Vermont Export Assistance Center; Bennington Potters, Inc.
- * 4. Connecticut: Visited ATA headquarters; toured Farmington Valley Art Center.
- * 5. New York: Visited NY International Gift Show; toured commercial districts; met with administrators at Fashion Institute of Technology; visited import companies; toured museums.

* ATA-coordinated part of program

BUSINESS TRAINING ASSISTANCE TO FOREIGN TRADE ORGANIZATIONS

FOLK ART TRADING: A well-managed foreign trade company which specializes in the export of Hungarian crafts, Folk Art provides coops and micro-enterprises with export contacts and services, represents producers in European trade shows, and are the leading contact source for importers interested in Hungarian artisan products. They have been very cooperative with the Export Enhancement Program, and have worked closely with large-scale exporters such as the Associated Merchandising Corporation. ATA worked closely with Folk Art to help them to meet what would have been overwhelming demands for product development by the Associated Merchandising Corporation which sent 4 buyers to Hungary in 1992. With ATA carefully guiding and advising, this FTO was able to coordinate a highly-complex presentation representing hundreds of varied products by diverse producer groups.

INDEPENDENT AGENTS: ATA has fostered the formation of two small export agent ventures, Pal Bujnyik and Ica Todorne. These two companies have demonstrated excellent entrepreneurial talent, and are filling a niche in the exporting chain. ATA has also provided assistance to Balo Karvazy, who began his export agent role early in the program. The agents have special ties to micro-enterprises, and are building close working relationships to those they represent. ATA has provided practical how-to information on detailed preparation of export papers, pro-forma invoices, business practices, labeling requirements, shipping contacts, and billing procedures.

KELIMART: An export company specializing in rugs, carpets, and floor-coverings, they represent 3 artisan cooperatives which employ 150 rug-weavers. In 1993 they showed exceptional initiative in travelling to New York (at their own expense) for the first time ever. ATA organized their trip, making appointments with key potential buyers and providing advice and feedback. One major result of their trip was establishing contact with AMS, a carpet manufacturer/importer whose business scale fits the Hungarian artisan cooperatives' production capabilities.

SUMMARY OF ATA PROGRAM INPUTS: FOREIGN TRADE ORGANIZATIONS

NAME	TYPE BUSINESS	MARKETING ASSISTANCE	BUYERS TO HUNGARY VISITS	BUSINESS ANALYSIS
Hungarocoop	General Export Company	YES/1991 only		YES
Folk Art Trading	Craft Export Company	YES/1991/92/93	YES/1991/92/93	YES
Kelimart	Textile Craft Exporter	YES/1992/93	YES/1992/93	
Balo Karvazy	Export Agent	YES/1991/92/93	YES/1991/92/93	YES
Pal Bujynik	Export Agent	YES/1991/92/93	YES/1991/92/93	
Ica Todorne	Export Agent	YES/1992/93	YES/1992/93	

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INFORMAL BUSINESS TRAINING

Aid to Artisans has used an informal approach to business training, providing pragmatic assistance on an individual basis. Practical how-to topics were addressed as the needs arose. Small, informal sessions addressed the following:

- PRICING ANALYSIS
- MATERIALS SOURCING
- PRODUCTION SCHEDULES AND TIMELINES
- MINIMUM ORDER REQUIREMENTS
- PREPARATION OF SAMPLES
- INVOICING PROCEDURES
- EXPORT DOCUMENTATION PREPARATION
- TERMS OF SALE
- DEALING WITH BANKS AND LENDING SOURCES
- RELATIONSHIPS WITH COMPETITIVE CUSTOMERS
- BUSINESS ETHICS AND PRACTICES
- BUYERS BEHAVIOR AND EXPECTATIONS

These informal sessions were conducted by Docey Lewis, who is not only a product development specialist but owns and operates her own business and has managed a medium-sized manufacturing business in the Philippines. In addition, selected buyers also took time with agents and coops to explain their needs and ways of doing business. ATA works hard at recruiting buyers who will spend the extra energy to work with those who are new to western business practices.

PROGRAM PLANS FOR YEAR 3

BUSINESS TRAINING WORKSHOP PLANS: YEAR 3

ATA is presently organizing a workshops series for Year 3 which will focus on marketing, exporting, and basic management; the workshops will be run in cooperation with the Coop Managers' Association. Two preliminary planning meetings were held in Hungary in May; a 3-day workshop is now scheduled for September.

An outstanding roster of presenters is being organized which will include prominent authorities on marketing, representatives from the New York International Gift Show, currently-active buyers from U.S. businesses, and other resource people as appropriate.

POTENTIAL WORKSHOP PRESENTERS

- Carol Sedestrom Ross, Craft Marketing Director, George Little Management [company which produces the NY International Gift Show]
- Charles Schewe, Ph.D., Professor of Marketing, University of Massachusetts, Amherst; author of *The Portable MBA in Marketing*.
- Edward Millet, Oxfam, author of *Export Marketing for a Small Handicraft Business*.
- Buyers from the following companies:
 - Macy's
 - Associated Merchandising Corporation
 - Sundance Catalog
 - Mesa International
 - Garnet Hill Catalog

HUNGARIAN DESIGNERS: A New Focus of Development

During the past quarter, Aid to Artisans' chief design consultant, Docey Lewis, has worked to identify Hungarian designers who could integrate into the program. This is an important development in the program, one which builds in sustainability. Although most of the cooperatives have designers on staff, they are not as innovative as free-lance, independent designers tend to be; thus it is important for future product development to nurture Hungarian design talent. By educating them about the tastes and design opportunities within the American market, ATA prepares them to take the lead in designing innovative products to keep buyers coming back. A number of design groups have been identified, and this report highlights several outstanding ones.

JULIA CEGLEDI: Ms. Cegledi is a silk-screen artist/designer with comprehensive skills and studio resources. By including a new printing medium, the range of products which can be produced for export is greatly extended. ATA is exploring silk-screened tote bags with a Mathias Church-inspired design; this would be a tourist market item with great potential, as well as an export item. Also under consideration: a line of products for Folk Art Centrum.

KLARA KATONA: A rug designer of exceptional abilities and creativity, Ms. Katona's work stood out at the Folk Art Centrum retail gallery. The buyer for AMS (rug exporter) was highly interested; a selection of designer-rugs has been put together and samples are being produced for AMS to market in the U.S. Preliminary feedback from a few major U.S. rug companies is excellent.

KINGA SZABO: The work of Kinga Szabo was one of the first discoveries of the program in 1991. She has become the central figure in the development of an exclusive product line for EEE Group, Inc. The line is going to be produced at the Hodmezovasarhely Coop, and production is scheduled to begin in fall 1993.

PRODUCT DEVELOPMENT FOCUS FOR YEAR 3

Several new directions have been identified for product development during the third year of the project. Product development remains a high priority, for without exciting products which meet the tastes of the U.S. consumer, no amount of marketing or business training will generate the immediate, tangible results, i.e. orders, required for these enterprises to stay in business.

The process of deciding what direction to go in product development is a combination of knowledge of U.S. market trends, awareness of Hungarian artisan production capabilities, and windows of opportunity generated by buyer interests. As cooperatives become more accustomed to meeting the demands of buyers, they are able to gear up more readily to produce samples and custom designs.

PRODUCT DEVELOPMENT FOCUS: YEAR 3

PRODUCT

PRODUCER GROUPS

Rugs and Carpets

Gyula Carapet Coop
Sarakad Carpet Coop
Csaba Carpet Coop
Bekesszentandras Carpet Coop
Oscod Carpet Coop

Woven Linen Products

Heves Coop
Debrecen Coop

Embroidered Products

Mezokovesd Coop

Ceramics

Hodmezovasarhely Coop
Micro-enterprises

APPENDIX

To: Clare Smith
Aid to Artisans

From: Anne M. Schewe
AMS Imports
June 9, 1993

Dear Clare:

I just wanted to take the time to write you and catch you up to date on my fabulous trip to Budapest and Hungary. I would have written sooner but I have had two graduations in the last two weeks and we have been a little crazy around here. My report from this trip is also enclosed so that you can get some idea of how much we covered in those wonderful four days.

First of all and most important to the success of the trip--Docey Lewis was fantastic. She had everything so well organized and planned for my visit there that it really could not have been better. All of the co-operatives that we were able to visit had different things to offer in the way of product. And I really think that some of the samples we are developing are very exciting and will be well received by the American market. We need new and innovative products. It will be very interesting to see if they can do what we want them to do in the samples and then see if the price comes in correctly. For me, this trip was a chance to see what was available and what potential there is in product for the American area rug market. One of the most exciting times in our trip was actually meeting the weaver and designer of the rug we liked the most at Folkart in Budapest. I have already taken her catalog into some of the New York showrooms and have had David Martin at Patterson Flynn and Martin very interested in seeing the samples of her product. He is also interested in the felt rugs and saw some very good possibilities for them. So we are on the right track!

I thank you all at Aid to Artisans for the opportunity to explore new avenues in my area rug business. The Jordan Collection continues to do extremely well and I am so glad I met up with you all last July. I hope to get to Jordan in early September.

Again, it was a great trip to Hungary and I really wanted you to know what a wonderful "Commander and Chief Designer" Docey Lewis was on this trip. My best to everyone at Aid to Artisans!

Sincerely,

Anne Schewe



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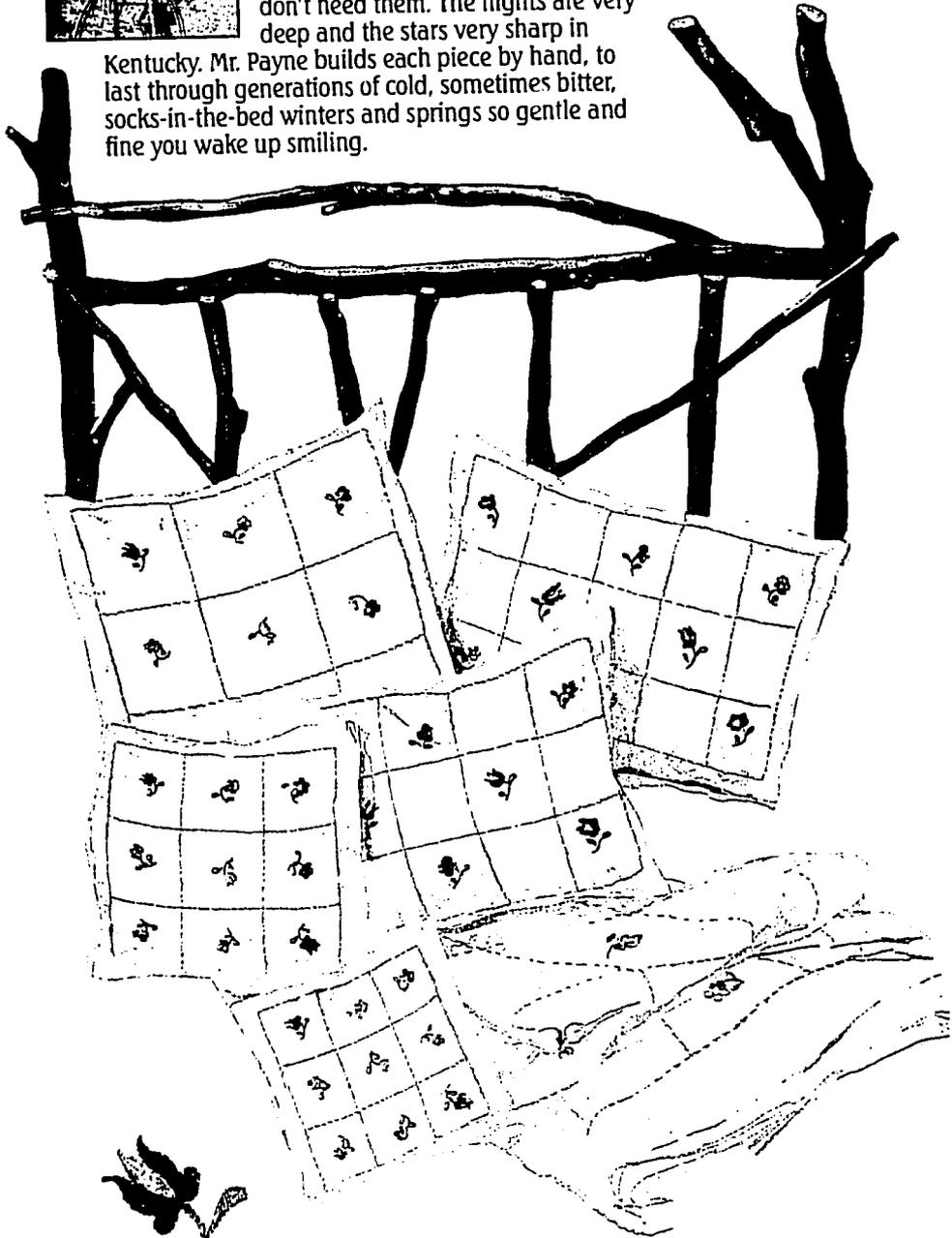
p. 28

Dogwood Dreams.



Simple stuff. Well-cut, left unpolished so that you are surrounded by wood rather than by polyurethane or glued-on veneer. Ironwood (also known as hornbeam) for the bed, pine and willow for the mirror, poplar, sycamore, hickory and sassafras for the deep wooden chest. Simple as cotton curtains, as wonderful as no curtains where you don't need them. The nights are very deep and the stars very sharp in

Kentucky. Mr. Payne builds each piece by hand, to last through generations of cold, sometimes bitter, socks-in-the-bed winters and springs so gentle and fine you wake up smiling.



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Decorative Pillows: 16" square \$50 ea.; 20" square \$75 ea.



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see p. 2

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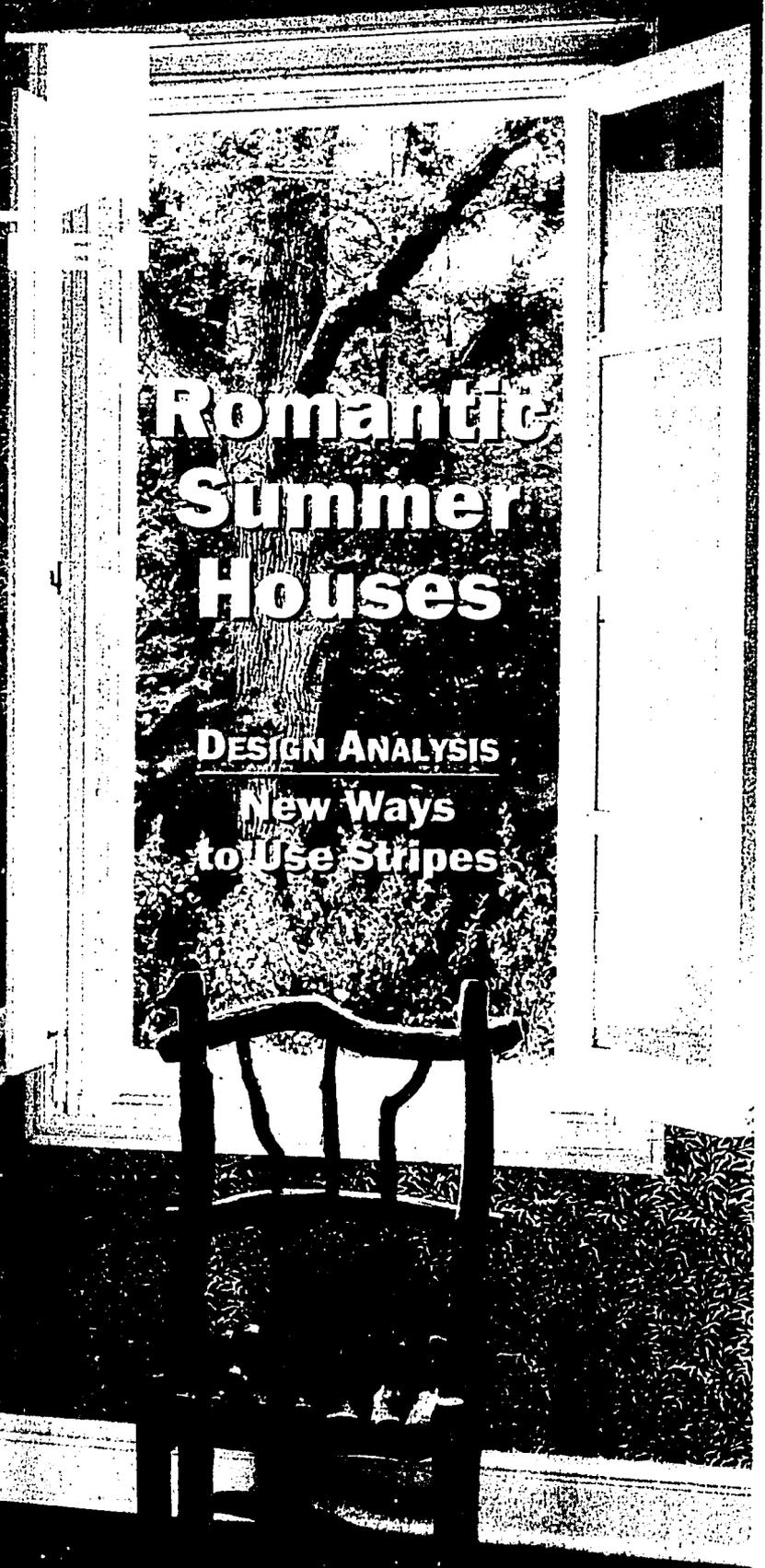
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DESIGN ANALYSIS

New Ways
to Use Stripes



NEWS

HG REPORTS FROM THE HOME FRONT By Denise Martin



Great Ideas

Being all buttoned up does not mean being prim—not, at least, when it comes to furniture. In New York decorator Stephen Mallory's library for the 1992 Kips Bay Decorator Show House, neat rows of buttons mark the edges of a custom sofa upholstered in shocking-pink raw silk. "It was a direct steal from Coco Chanel," says Mallory. "The buttons suggest a slipcover that can be unbuttoned. We wanted it to look that casual and informal." The upholstery, with its self-covered buttons, was made by Outram, in Brooklyn, of fabric from the Ashley Studio in Manhattan.

Saving Crafts—and Cultures

"Bedouins used to weave goat hair tents, but once they settled in Jordan the old skills were being lost," explains Dee Ann Brauer of Connecticut-based Aid to Artisans. "We helped them use the same techniques to make rugs, then we introduced them to importers." ATA designers and marketers have guided scores of products, from Hungarian appliqué pillows to piassava palm fiber brooms, into American markets. The brooms are a joint project with Conservation International, which aims to create incentives for rain forest preservation. All this is part of a quiet movement to support traditional crafts, which are disappearing as quickly as the rain forest itself. "Our job is to find markets for producers," explains Elizabeth Carney of Oxfam America, which offers a handsome catalogue of crafts. "The challenge is to keep as close to tradition as possible but also to be exciting to American buyers." (For information or catalogues: Aid to Artisans, 203-677-1649. CARE, 800-428-1257. Conservation International, 202-429-5660. Oxfam America, 800-639-2141. The Sándor Collection, 203-379-5356.)



Two Brazilian brooms, a project of Aid to Artisans and Conservation International; a Mexican ceramic duck from CARE; two Hungarian wool applique pillows from the Sándor Collection.

Costs of Living For tuning a piano that has been maintained regularly at pitch (a neglected piano will require more work):

- \$60 Detrich Pianos, New York City (212) 245-1234
- \$65 CD Shank Piano Service, Houston (713) 729-5653
- \$75 Academy Piano Service, San Francisco (415) 282-7640
- \$80 The Brown Company, Concord, Massachusetts (508) 369-0760

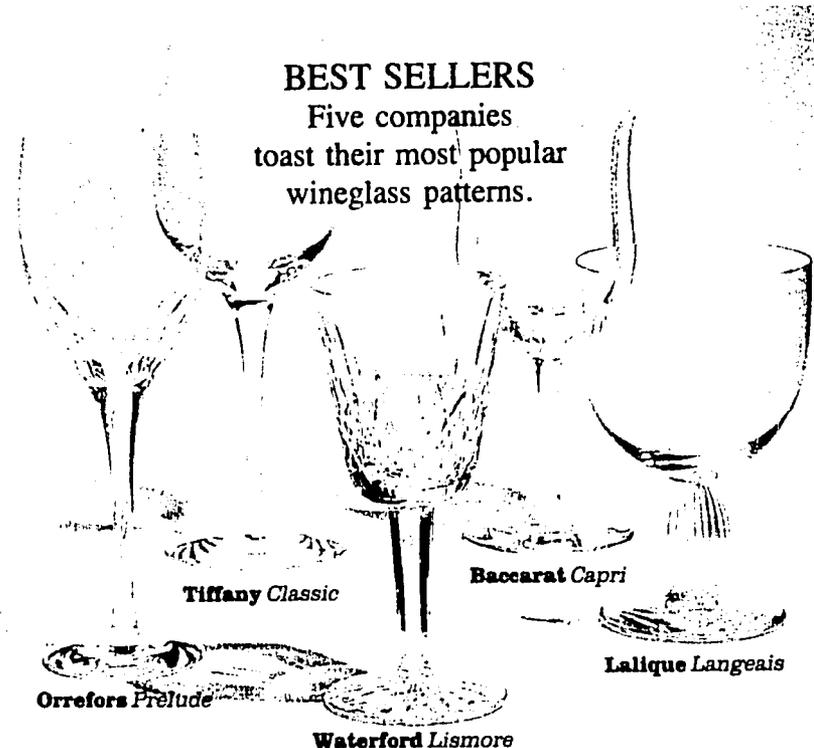


- \$80 Eder Piano Service, Santa Clarita, California (805) 297-1123
- \$80 Joyce E. Meekins, Greenbelt, Maryland (301) 345-3555

All technicians listed are members of the Piano Technicians Guild. For information or directory, contact Piano Technicians Guild, 3930 Washington, Kansas City, MO 64111; (816) 753-7747.

BEST SELLERS

Five companies toast their most popular wineglass patterns.



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John Hutton, designer, Donghia Furniture.

“It’s very important that people be aware that furniture can be environmentally friendly. They should ask what the furniture is made of and what’s inside.”

Additional research by Marianna Poutasse