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HANDICRAFTS MARKETING PLAN

Madagascar Business and Market Expansion Project

May 20, 2005

Contract No: GS-23F-9800H
Task Order No: 687-M-00-04-00212-00

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. The author's views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.

**BAMEX
HANDICRAFTS MARKETING PLAN**

Deliverable for Task 2: Handicrafts Marketing
MSI Subcontract to Chemonics

Submitted by
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May 20, 2005

Under its subcontract to Chemonics, MSI was asked to “follow up with potential US buyers of Malagasy handicrafts, building on the base established from prior handicrafts and trade show contacts, and supplementing with new potential buyers given the release of the movie,” and to arrange “at least one sale of handicrafts to a U.S. buyer.”

The deliverable for this task was a marketing plan and a minimum of one order from a company that has been in touch with Malagasy exporters. The present report is the deliverable required for Task 2. It is divided into four sections: (1) strategy for product design and market research, (2) results from the SOURCES Show, (3) conclusions regarding design, price and delivery and (4) suggested next steps for product marketing. The report also includes 2 annexes: Annex 1- List Of Products Exhibited And Buyer Reactions; Annex 2- Practical Information On The U.S. Handicrafts Market For Malagasy Producers

1. Strategy for product design and market research

Task 2 under the MSI subcontract focused on determining what Malagasy products might be marketable in the United States, particularly using the leverage of the upcoming film “*Madagascar*.” Given the fact that funding for this task is very limited and that the contract was not in place before March 28, 2005, an opportunistic approach to product design and market research was adopted, including the following steps:

1.1 Product design

Certain product ideas were forwarded by MSI to the BAMEX office in early April, for review and discussion with Malagasy producers, and based on prior knowledge of marketable goods in the U.S. from trade shows in Los Angeles and New York in 2003. The product ideas included:

Tee shirts and tube tops with small embroidered lemurs on front*
Simple raffia sandals in bright colors*
Small fridge magnets with chameleons and lemurs *
Small raffia lemurs with tails (zoo stores)*
Raffia giraffes in bright colors *
Raffia bags in bright stripes with small lemur on chain on handle *

Wooden boxes with lemur image
Floor cushions in cotton/raffia weave- bright colors *
Handmade cards with lemur image or baobab silhouette
Garden party hat in raffia *
Children's books about the Lemur
Soaps in banana skin boxes *
4-bottle collection of essential oils in raffia box
Collection of Malagasy spices in raffia box*

Malagasy producers were asked to study this list and to prepare samples for review by the BAMEX export marketing advisors, for possible selection for exhibiting at U.S. trade shows. Producers were to provide at least FOB costs for each item, and preferably both FOB and landed costs. Where a "collection" was developed (i.e. multiple products with a similar design or color theme), a price list with reference numbers, available colors and prices was requested. The starred items above were those prepared by the Malagasy producers. See Annex 1 for a detailed list of samples prepared and shipped to the U.S.

1.2 Selection of product exhibit opportunities

In order to gauge in a timely and cost effective manner the market reaction to the products being designed in Madagascar, MSI researched upcoming trade shows for gift and crafts items. The best near-term opportunity was SOURCES New York, a George Little Management trade show that was begun in 2003 to provide exposure for small to medium scale foreign firms seeking importers to represent their goods in the U.S. SOURCES New York was scheduled to be held at Pier 54 from May 15 to 19, 2005.

Fortunately, the USAID East and Central African Trade Hub was sponsoring a 20-company ECA Pavilion at SOURCES that included three Malagasy producers. MSI offered to assist the Malagasy producers scheduled to attend by contacting its network of buyers, in return for an opportunity to exhibit additional products at the show. The IESC/ECA representatives accepted this proposal and agreed to work with MSI and BAMEX on this initiative. Product exhibit was facilitated further when one of the exhibitors was unable to attend: the ECA Hub offered the entire unoccupied booth to BAMEX and even provided the services of a professional booth decorator that they had hired for their ECA pavilion to assist with product display.

Sources Show Background Information

SOURCES is a show for gifts, handcrafts, housewares, home furnishings and decorative accessories, created to help small and medium-scale businesses sell their product in the United States. SOURCES is designed to give non-U.S.-based exporters and manufacturers access to key North American business contacts. SOURCES has progressively increased its attendance, from 2000 in

2003 to 2,500 in 2004. Main categories of attendees include: Importers and wholesalers- 41%; direct purchasers and volume stores- 17%; buying offices- 6% and mail order/catalog- 8%.

The timing of SOURCES in May is important since importers, distributors and designers begin developing their product lines for the following year's winter gift shows in May. SOURCES is also held in conjunction with another important trade shows, the International Contemporary Furniture Fair, where producers can observe future trends in furniture and home décor.

In 2004, SOURCES featured 382 booths from 34 countries, including 17 government and trade groups. Countries represented were Australia, Bolivia, Brazil, Canada, China, Colombia, Ecuador, Ethiopia, France, Ghana, Guatemala, Holland, Honduras, Hong Kong, India, Indonesia, Ivory Coast, Kenya, Korea, Macau, Mexico, Morocco, Nepal, Philippines, Peru, Poland, Romania, Rwanda, South Africa, Taiwan, Tanzania, Thailand, Uganda, Vietnam.

According to participants in prior SOURCES shows, attendance seemed down at SOURCES 2005. Judging by those persons stopping at the various ECA exhibitors stands, importers and catalog sales buyers seemed to dominate. Of the 10 buyers placing sample or firm orders for Malagasy products, eight were importers/distributors and 2 were retailers.

Other upcoming product exhibit opportunities researched by MSI include the CCA Artisans Fair (June), the Santa Fe Folk Art Market (July) and the New York International Gift Fair (August). See section 4 on recommendations for future marketing.

1.3 Selection of Malagasy producers

Six producers were identified by MSI as possible candidates for sample preparation, based on prior experience in market development for handicrafts in Madagascar (Mirado, Spice Island, Paco, Bodo Voahangy, Alize and Vert Saffran). BAMEX issued invitations to additional producers to a meeting on April 29 to discuss possible product ideas and to organize the preparation of samples. Unfortunately, there was little time for the producers to adapt their product lines, but nonetheless, a total of 11 producers brought samples on May 9 for selection by BAMEX for the SOURCES Show. These included:

Mirado- silk shawls, home décor including raffia placements with matching napkins, cushions and throws in cotton; raw silk throws, raffia pillows, crocheted doilies, among others; small animals in raffia

Paco- embroidery, notably napkins with a lemur motif

Spice Island- raffia baskets, handbags and hats, raffia animals in various sizes, raffia sandals

Manisa - T-shirts with printed motifs

Maki - T-shirts with printed motifs and baseball cap with embroidered lemur

Trade Union - soaps and spices in banana skin and raffia boxes

Arasoa - embroidered handbag and leather coasters

L'île aux Trésors - small bags with shell appliqués and sculpted shells

Vero Anita - traditional Malagasy embroidered items

MWR Techniconsult - Malagasy hats

La Case Verte - candles, items in raffia

Of these 11 producers, products were selected from 10 of them by the BAMEX team. A total of 149 different samples were packed in large plastic soft-sided bags and shipped as excess baggage with Mirana Abraham.

The samples were displayed in the spare ECA booth at SOURCES. Unfortunately, the packing in soft-sided bags resulted in 4 raffia samples being damaged, but it was possible to prop the samples up for exhibit.

MSI brought additional colored raffia animals and embroidery samples to SOURCES, along with a set of 4 brightly colored posters of the animal stars of the movie *Madagascar*. The animals and the posters were what caught the eye of buyers.

The variety of product displayed worked well in the booth, which supports the hypothesis that a Malagasy “product line” could be developed for gift stores that includes natural products (soaps, spices and flavors), along with home décor (placemats and cushions especially), raffia bags and whimsical raffia animals. A gift store could easily create a “Madagascar corner” with a variety of products, literature on the island and interesting hangtags that give a history of the product, who makes it and where it comes from.

Of the 10 producers contributing products for SOURCES, sample orders or requests for pricing were received for six. These included, by order of importance, Spice Island, Mirado, Trade Union, Floribis, Paco and La Case Verte.

2. Results from the SOURCES show

For the two booths of Malagasy goods (BAMEX and MIRADO) that were observed directly during the 3-day SOURCES Show, a total of 10 firm orders were placed for products or samples and another 10 buyers expressed interest in developing a product, depending on price points, as follows:¹

1. 3 firm product orders averaging \$1000/each (FOB Tana prices)
Products: raffia animals, raffia placemats and silk shawls
Vendors: Mirado, Spice Island
2. 7 sample orders, averaging \$200 each
Products: raffia bags (2), raffia animals (2), candles (1), soaps and spices (1), and vanilla/teas (1)
Vendors: Mirado, Spice Island, Trade Union, Floribis, Case Verte
3. 10 expressions of interest in product development
Products: embroidered linens (1), raffia bags (4), raffia animals (2), raffia placemats (3)
Vendors: Mirado, Spice Island, Paco

Upon return from the show, a summary of the product orders, sample orders and expressions of interest was provided to each individual buyer by MSI, either directly in the case of pre-existing relationships, or via BAMEX for new vendors. It will be extremely important to monitor these orders and expressions of interest to try to maximize the preliminary results of this trade show.

While the number or size of firm orders placed at SOURCES is not substantial, it must be remembered that SOURCES is a show that focuses on creating contacts between buyers and sellers, as opposed to writing large retail orders. Given prior experience, it is estimated that a total of \$10,000 to \$15,000 in orders will result from this trade show.

It should also be remembered that to penetrate the U.S. market effectively, most buyers agree that a continued “product presence” of some sort is needed for at least 3-4 seasons to establish the product in the U.S.. This can be achieved by vendor presence at successive shows, or by representation of the vendor at shows by an agent or importer.

¹ Products are listed here rather than names of buyers. Given the competitiveness of these markets and the expense involved in developing and marketing new designs, once a contact is established with a buyer for a given product, it is considered proprietary, that is, the contact is not provided to other vendors in the same product line. If buyer information were given out to every Malagasy producer in that product line, the market could be lost because the buyer selected a given product that he or she liked and requested information only on that item

3. Conclusions regarding design, price and delivery of Malagasy handicrafts

Design: Malagasy producers MUST consult US market websites for information on design trends (color, style, textures, etc). Traditional Malagasy products will not sell in the U.S. and the only way to adapt the rich variety of local materials is to keep abreast of trends in the U.S. This is time consuming but it is the best way to penetrate the U.S. market effectively. Most Malagasy producers do not track these trends. Those who did for Sources (Mirado and Spice Island) benefited from this effort.

Further, it must be remembered that what sells in Europe is not at all sure to sell in the U.S. An example is the series of products displayed by one of the Malagasy producers at SOURCES. European are very receptive to a wall hanging product called a “vide pochés” made in raffia in a very attractive two-tone color scheme. However, this is not a product design recognized in the U.S. Interest in this item was much lower in NY than in Paris or in Frankfurt markets.

Most U.S. design is simple and functional. Referring to U.S. product websites from major catalog stores can be extremely useful (see Annex 2 – “Practical Information On The U.S. Handicrafts Market For Malagasy Producers”).

Price: For those vendors who have begun to track design trends, the second major pitfall is price. The U.S. market for handicrafts is the most competitive market in the world. Products are sourced from around the world by buyers from major retailers, catalog stores and internet suppliers. The pressure on price point is intense and countries such as China and the Philippines are very adept at replicating raffia products, at prices often 30%-50% lower than those quoted by Malagasy producers. A case in point is the classic Malagasy raffia placemat, usually priced at around \$1.00 each FOB. One of the U.S. buyers at SOURCES who was very taken with a placemat design, compared prices with a similar product from the Philippines that he is currently importing. The Philippines price for one raffia placemat was \$.70, 30% less than the price of the Malagasy product.

If Malagasy producers are to compete, they MUST carefully calculate their prices and make every effort to be competitive. Price “shopping” at trade shows and in retail outlets is important, remembering that wholesale prices can be divided by three to find the FOB price and that retail prices can be divided by six to find FOB. It is quickly apparent through these calculations that cost efficiencies must be found if the Malagasy handicraft product is to be competitive over the long haul.

Delivery: A final issue for Malagasy producers is delivery. Most buyers in the U.S. at trade shows expect a delivery turn around of 8 weeks, to ensure that product is available for the following season, or in the case of importers, in time

for their next trade show. When delivery times are quoted, they must be firm. It is better to provide a later delivery date and to meet it, than to promise an unrealistic delivery date and to miss it. Also, if production is delayed, resulting in air shipment of goods that was costed on the basis of maritime freight, this can mean the loss of any profit for the vendor. Also, it should be remembered that to date, there is little if any possibility for grouping shipments by sea. Transporters want a full container, or no container at all. However, given the cost differential between sea and air freight, there may well be times when a half-empty container is cheaper than air freight. The more Malagasy producers can work together to consolidate shipments, the better. However, sea freight to the U.S. requires an average of 40-45 days. This is in comparison to sea freight from Asia to the U.S. that requires 21-25 days.

4. Suggested next steps for product marketing

Immediate:

1. Ensure a Malagasy presence at the CCA Artisans Fair on 21-23 June, especially given the fact that President Ravalomanana will be in attendance and that Madagascar is currently the development model to emulate among African nations. Further, a series of buyers with strong interest in Madagascar, including the Smithsonian Museum Shops, National Geographic and several natural products importers, will all be present. Samples from SOURCES have been transferred to Washington and are available for showing.
2. Represent Malagasy goods at the Santa Fe Folk Arts Market, July 9 and 10 and evaluate how Madagascar might be involved in this fair in 2006 and how its artisans might benefit from the Global Village concept being discussed by the sponsors of the Folk Art Market.
3. Discuss with Aid to Artisans how a small Malagasy display might be organized at the NY International Gift Show in August. Space at this show is usually very limited due to high demand, but it may be possible to organize a small section that would focus on Madagascar. This would require financing for the space allotted, but is an excellent investment given the numbers of buyers visiting the show.

Short term:

4. Form a Task Force in Madagascar to continue to discuss product design, pricing and cooperation among vendors. This should include the most successful vendors in the U.S. market who may be willing to provide guidance to other, smaller vendors or to subcontract production to them. This group may wish to seek financial support from the Malagasy Ministry of Trade for export promotion to the U.S., along the lines of other

successful promotion offices of this type, like the MEDIA and BEDIA (Mauritius Export Development Authority; Botswana Export Development Authority).

5. Create an advisory board in the U.S. that will assist in vetting ideas and helping with handicraft promotion. This advisory board could include those importers already working in Madagascar (MadImports, Melange, Bamboula), along with ATA and the Folk Art Market of Santa Fe.
6. Coordinate product marketing efforts with other promotional entities for Madagascar, including the Embassies in Washington and in New York, Air Madagascar, the Bronx zoo, Conservation International, Go To Madagascar, etc.
7. Prepare generic language for product hangtags that could be used for new vendors to explain the natural wealth of Madagascar and the country's focus on rural development.
8. Negotiate preferential air freight rates with Air Madagascar and a partner airline (South African?) for air shipment of goods to the U.S.
9. Discuss with maritime shipping agents means for grouping shipments, perhaps to Durban, for consolidation there to the U.S.

Medium term

10. Organize a product development mission with potential importers of various Malagasy products (home décor, raffia bags and accessories, natural products) to enable them to meet with potential suppliers and to develop new products adapted to the U.S. market, at competitive price points.
11. Prepare for a Malagasy booth at the Feb 2006 New York International Gift Fair, working in cooperation with ECA or ATA, or independently.
12. As the tourism market grows, develop new and original products for local eco-lodges, major hotels and a Tana-based, high end crafts center.
13. Work with the PGRM on means of developing and producing quality jewelry "made in Madagascar" that might also be marketed to museum stores, zoo shops or high end boutiques.

ANNEX 1: SOURCES NEW YORK PRODUCT LIST

Code Origine	Produits	PU	Matieres	Capacites	Interet
5	Sacs Dame Brode Maki	25	Rafia et cuir	150 u/mois	Non
5	Sous verres Maki	18	Cuir	100 u/mois	Non
4	Casquettes Maki	3.5	Coton	1000 u/mois	peut-etre
4	T shirt Maki Adulte	5.5	Coton 180 g peigne	5000 u/mois	Non
4	T shirt Maki Enfant	5.5	Coton 180 g peigne	5000 u/mois	Non
3	T shirt Rambaramba Adulte	7	Coton	3000 u/mois	Non
3	T shirt Rambaramba Enfant	5	Coton	3000 u/mois	Non
2	Pack de 4 épices sous éprouvettes	0.65	Girofles, curry, coriandre, gingembre		Oui
2	Savon emballé feuille de bananier	0.53	Savon Ylang Ylang		Oui
2	Pack de 2 savons emballés fougère	0.35	Savon Cannelle, Ylang Ylang		Oui
2	Pack de 3 savons emballés fougère	0.41	Savon coco, pêche, fenouil		OUI**
2	Etui de 4 Savonnettes en feuille de bananier	0	Savon		Oui
2	Coffret rabane et 6 épices en eprouvettes	0.97	Muscade, Cannelle, coriandre, fleur de sel, citronnelle		Oui
1	Vanille en tube	9.7	Vanille		Oui
1	Thé noir à la vanille en tube	2.88	Thé		Oui
1	Thé à la vanille en tube	3.6	Thé		Oui
1	Extrait de vanille flacon long	3.96	Extrait de vanille		Non
1	Extrait de vanille flacon rond	3.96	Extrait de vanille		Oui
8	Coquillage sculpté	10	Coquillage	100 u/mois	Non
8	Trousseau maquillage	15	Coton et coquillage	100 u/mois	Non
8	Pochette	12	Coton et coquillage	150 u/mois	Non
7	Coussin Pouf	8	Raphia		Oui
7	Rugs	7	Raphia		Non
7	Tapis ovale	8	Raphia		Non
7	Coussin zetra	4	Zetra		OUI**
7	Châles	10	Soies		Oui
7	Jetées	8	Coton		Oui
7	Set de table	1.5	Raphia		OUI**
7	Châles	8	Cotton		Non
7	Coussin	8	Coton raphia		Non
7	Ronds de serviette	5	Corne		Non
7	Couverts à salade	3	Corne		Non
7	Sacs en zetra	4	Zetra		Non
7	Album en viha	4	Viha		Non
7	Porte document	3	Viha		Oui
6	Bougies sculptés café	3.11	Paraffine et café		Oui
6	Bougie couverte baie rose	3.33	Paraffine et baie rose		Oui
6	Bougie couverte lentille	3.33	Paraffine et lentille		Oui
6	Bougie couverte citronnelle	6.67	Paraffine et citronnelle		Non
6	Gobelet metal	2.22	Métal		Non
6	figurines aimantées	1.11	bois et aimant		Oui
9	Panier anse	5	Raphia		Oui
9	Panier anse bois	5	Raphia		Pio

9	Panier en raphia	5	Raphia		Oui
9	Sac à main "landy"	5	Raphia		Oui
9	Sac de plage avec "maki"	5	Raphia		OUI**
9	Giraffes en raphia GF	2	Raphia		OUI**
9	Giraffes en raphia PF	1.5			OUI**
9	Maki en raphia GF	2	Raphia		OUI**
9	Maki en raphia PF	1.5			OUI**
9	Rhinocéros en raphia	2	Raphia		non
9	Eléphant en raphia	2	Raphia		OUI**
9	Maisonnette en raphia	8	Raphia		oui
9	Chapeaux	4	Raphia		oui
9	Paire de sandale	5	Raphia		non
10	Serviette brodée	5	Cotton		oui
	FLORIBIS 1		LA CASE VERTE 6		
	TRADE UNION 2		MIRADO 7		
	Ets MANISA 3		L'ILE AU TRESOR 8		
	MAKI Company 4		SPICE ISLAND 9		
	ARASOA 5		PACO 10		

ANNEX 2

PRACTICAL INFORMATION ON THE U.S. HANDICRAFTS MARKET FOR MALAGASY PRODUCERS

Management Systems International-- Overview

I. MARKET DESCRIPTION

The market for gifts and decorative accessories in the United States is estimated to represent more than \$10 billion in retail sales. This vast market includes highly diversified products, with an increasingly large number of items produced in China, especially in the home decorative area. (Note that China buys large quantities of raffia from Madagascar and also produces imitation straw goods, made of paper that sell for a fraction of the production cost of a raffia bag).

Products in the crafts sector include pottery, basketry, carved goods, painted and paper products, spun and woven goods, dyed and printed goods, embroidered and appliquéd goods, floor coverings, musical instruments, jewelry and recycled crafts.

African goods make up a tiny fraction of this market. The sad truth is that most of the gift or decorative items with African motifs are actually produced in Asia. Despite the fact that items such as wire baskets from South Africa, glass chandeliers from Ghana, raffia tabletop decorations from Madagascar and candles from Swaziland are beginning to penetrate the US market, on the whole, African goods remain poorly known. The number of direct importers of African goods is very limited. The small market share of African goods in the crafts market is attributed generally to the difficulty experienced by artisans in meeting the demands of the American market for good quality, high quantity and fast delivery, all at competitive prices.

African governments have been slow to recognize the economic potential of artisan enterprises. As efforts increase to seek ways of alleviating poverty and assisting the rural poor, this attitude is changing. Artisan enterprises have significant potential to create jobs and income and to reduce the income gap between urban and rural areas. Additional benefits deriving from the promotion of artisan enterprises include preservation of the cultural heritage of local communities and increased protection of the environment from improved use of natural materials, dyes and renewable resources.

To break into the US market, African artisans need better knowledge of the market and its buyers, product design, product marketing and information on the sector.

It is important to remember that entering the US market will take time and energy. Most African companies require at least one year and often 2-3 years to gain a foothold. It is important to have adequate human and financial resources to pursue this market correctly. Artisan groups may need to seek government support to help them cover the

cost of trade shows and preparation of samples as they begin to explore this huge but demanding market.

II. TYPES OF BUYERS

Buyers of crafts, accessories and home decorative items can be broken down into 5 categories.

1. Retail stores

Retailers sell goods directly to individual end users and are subdivided into large retailers, specialty shops, discount specialty stores, department stores, mass merchants and chain stores.

Large retailers – these buyers purchase goods in large quantities for multiple national and/or international sales points. Large retailers usually have annual sales in excess of \$50 million. They buy in quantity and are able to negotiate discounts based on quantity. They are usually known by their brand (for example, Nordstroms, The Limited, Crate and Barrel).

It is very difficult for a small producer to sell to a large retailer because of the quantity and delivery requirements imposed. Large retailers usually deal only with large producers and wholesalers.

Large retailers may provide product specifications to be prototyped by vendors and then reviewed for approval. Many large retailers ask that their brand name be used on the product. These products are known as “private label.” Orders from these groups are often in the several thousand range. Their mark up usually averages 5-6 times FOB.

Specialty shops/museum stores- these shops normally sell higher priced products and include museum stores, zoos, coffee companies, garden shops and other small boutiques. Museum stores in particular are interested in unique, hand made crafts. Specialty boutiques sell high end products with concentrations of such stores in affluent areas in or near NY, Los Angeles, San Francisco, Chicago and Southern Florida. These shops usually have only one store and buy in small quantities. Orders may be for 30-50 units and range from \$500 to \$1500 wholesale.

Discount specialty stores- These stores focus on special product categories and purchase goods in large volume that are sold at lower prices. TJ Maxx, Marshalls, Cost Plus, Home Goods, Ross Stores and Pier I are some examples of companies in this category. Their low prices compete directly with the higher prices of department stores or specialty shops. Their products are medium to lower-quality and generally mass-produced. They often purchase directly in the country of origin to lower costs. Their mark up is lower than that of other retailers, usually 2 to 3 times FOB. In Africa, Pier I Imports has bought large quantities of Ghanaian tribal stools and Cost Plus has purchased containers of carved giraffes from Namibia.

Marmaxx (the corporate name for the TJ Maxx and Marshall Stores) has over 1,000 stores in the US, and it is the largest buyer of African handcrafted products in the US. Marmaxx goes to 4-5 African countries several times a year to buy products. At present, they are purchasing products from Ghana, South Africa, Swaziland, Zimbabwe, and Kenya.

Department stores- These stores sell higher-end products, focusing on clothing. The five largest department store chains in the U.S. are Federated, May Co., Dayton-Hudson, Dillard's and Saks. They carry a large selection of apparel, home furnishings and textiles. The department stores follow fashion trends and usually buy at trade shows or via sourcing agents and importers. Department stores impose sanctions on producers called chargebacks for any errors in packaging, production or shipping. They mark up FOB costs by 5 times for retail.

Other categories less interested in handicrafts:

Mass merchants: Mass merchants sell a wide variety of low cost goods in large stores nationwide. These include stores such Wal-mart, K-Mart and Target. Because of volume, they are able to negotiate extremely low prices.

Chain Stores: These general merchandise stores supply "middle America" and offer a wide variety of goods at medium range prices but with little or no interest in product uniqueness. Examples include Sears and JC Penneys.

2. Importers/wholesalers

Wholesalers buy goods in large quantities for sale to retailers, not to individuals. Wholesalers work with African producers to handle receiving, clearing, storing and distribution of their products in the US.

Certain wholesalers purchase in volume, ordering by the container load. Many will agree to pay a 50% deposit to cover the vendor's preproduction costs. Large importers may have their own in-country agents for preshipment quality control.

In setting a wholesale price, the wholesale buyers will usually triple the FOB cost of a product, to cover shipment, customs clearance, duty and storage. Retailers will then

double the wholesale cost to cover their rent, payroll, advertising, etc. It is important to realize that the end price to the consumer of your product is usually five to six times your ex-works price.

3. Catalogs

Mail order catalogs sell products via a catalog sent by the postal service to their customers. Consumers place orders by phone, mail or the internet and receive goods by mail, UPS or FedEx. Examples of mail order catalogs include Pottery Barn (furniture and home décor), Williams Sonoma (housewares), Garnet Hill (natural fibers and linens) and Art and Artifact (crafts). A few catalog buyers are interested in traditional handcrafted products. For example, the Sundance Catalog is currently selling Iringa baskets from Tanzania.

Certain mail order catalogs are very interested in handmade items. Items made from unusual materials at higher prices are found in specialty catalogs. Buyers from catalogs attend trade shows and work through importers but may also buy direct. The producer must guarantee quantities because the catalog cannot advertise goods it cannot deliver.

4. E-commerce retailers (internet)

Products are promoted by these retailers on the internet, through websites. Many appreciate unique crafts, such as www.ebiza.com; www.novica.com; www.worldstock.com; www.uncommongoods.com. Some also have catalog businesses. Eziba recently discovered a unique “peace basket” woven by rural women in Rwanda, many of whom had been victimized during the genocide period. Eziba placed a trial order of 100 units with a women’s cooperative producing these baskets and subsequently increased the order to 1000 units. However, product lines must change frequently on these websites as buyers search the internet for novelty gifts.

5. Fair Trade Buyers

These buyers are from both larger and smaller companies and are interested in working with artisans who respect fair trade practices. Ten Thousand Villages is an example of a large fair trade buyer. This company has many stores in the US and buys directly in some African countries (e.g., Kenya).

IV. PRODUCT DESIGN

In developing designs, trend information is very important. Marketing experts advise that 10 to 20% of a product line should be based on trends. Color is the most important component. Forecasts of new color trends are available from the Color Marketing Group (www.colormarketing.org) and on various websites.

Suggestions for design of a new collection include:

- track trends early in the design process
- look at major catalogs (Pottery Barn, Crate and Barrel, Potpourri, etc) and websites (especially www.style.com, www.accessoriesmagazine.com, www.accessoryweb.com) to see what's selling
- pay particular attention to new colors and styles
- recognize that useful products sell best in the U.S.
- remember that home accessories (pillows, throws, tabletop, chandeliers, etc.) is a very strong market- growing more rapidly than textiles and apparel
- the “connection” trend remains strong among consumers- the need to feel a connection to others and to authentic items, especially hand made
- the U.S. market is moving towards casual looks, but neat and tidy (Pottery Barn)
- style at value is important as buyers become more price conscious

Standardized color references are possible via pantone color guides.

Natural materials continue to attract buyers, especially if they are used in new ways. (raffia for floor cushions).

Shell, horn and bone are very popular- in odd shapes and sizes on plates or bags, or in slivers as fringe on pillows or napkin rings. Mother of pearl is very popular.

Adding value: **hangtags and descriptive labels are important.** The design and paper used should be compatible with the product.

Holidays are important: Consider special designs for Christmas, Valentine’s Day, Easter.

Home textiles (table linens, bath linens, bed linens, area rugs, throws, pillows) are a fast growing market. Consumers seek comfort and easy care. Matched sets are very popular, especially pillows and throws. Standard measurements for items such as guest towels, placemats, runners and cushions should be respected. Guest towels and placemats are favorite purchases for both gift purposes and personal use.

V. PRODUCT MARKETING AND TRADE SHOWS

In marketing “Made in Madagascar” products, remember that the vendor has a fascinating story to tell the U.S. buyer—a hangtag or label should describe in English the story of the product or workshop. Buyers are especially interested in knowing who produces the crafts they admire. Many handcrafted goods sold in the U.S. are signed by the craftsperson who made it.

Catalogs are very expensive to produce and should therefore be designed carefully and cost effectively. It is possible to have photos of multiple items on a line sheet, with prices on the back. This information can be mailed or emailed.

Websites- websites are very useful for reference purposes and to demonstrate that a company is a modern operation. A simple, professional website design is best with clear information on products and prices and instructions on how to contact the producer. Make sure a site can be downloaded quickly. Include links in emails when announcing news to current and potential buyers. Good photos are critical. Note, however, that websites take time to maintain and update.

Trade shows

There are many trade shows organized throughout the year in the United States to exhibit crafts for buyers from different regions and even abroad. Each trade show has its own particular audience. Certain shows cater to small boutiques or specialty retail stores while others cater to buyers interested in larger volumes. It is important to know what the target market is for each trade show so that samples and expectations are in line with the opportunity.

Participating in a trade show requires a great deal of preparation and expense. It does not guarantee orders. Orders from a series of smaller buyers will not sustain a business. They are costly to produce and to ship. It is critical to find a core of 4-5 regular larger buyers and to maintain a close relationship with them. Buyers are always price sensitive but there is a sense of loyalty and comfort that exists when buyers and sellers have worked together for several seasons.

If possible, vendors should try to “walk” a trade show before exhibiting. If this is not possible, then they should talk to someone who has previously exhibited there. Once the vendor has a good feel for the show and its buyers, at least 3 months are needed to adequately prepare for the show and to ship goods ahead of time to lower costs.

Materials to Bring to the Show

- Company brochure or information sheet that gives a very brief history of the company, products, and personnel.
- Business cards – at least 200 per company. Be sure all of the information on the card is up-to-date and contains a **reliable e-mail address**.
- Order forms – at least 100 on hand. They should contain all of the company's contact information (preprinted purchase orders can also be used but these are less professional) Be sure the order form has a copy attached to it so that the buyer receives a copy after writing an order. The vendor should keep the original order form for his or her records.
- Information about the cost and time for shipping a container from Madagascar to the east coast of the US (New York). The vendor should be able to discuss the options, if any, for speeding up delivery. For example, from Kenya there is a four-week service on the Maersk shipping line that costs more than the six-week service on other shipping lines.
- Information about the cost of airfreight from Madagascar to New York, and where the breaks occur in lowering the per kilo cost of an air shipment. Be able to discuss the options, if any.

- Estimates of the time required to produce 100, 500, 1,000 and 5,000 pieces of each of the products exhibited at the show. Large buyers will want to know how many units of a specific product can be produced in 8-10 weeks. Buyers will appreciate frankness in discussing what is possible and what is NOT possible. Vendors should never commit to deadlines they cannot respect..
- Information about seasonal production problems, if any. For example, is the raffia to produce the baskets exhibited at the show always available throughout the year? Does the rainy season affect production of products? Is there a best time of the year for ordering large quantities of products?
- Payment terms and conditions (see below).
- Banking information for the transfer of funds (see below).

Budgeting for a show:

- Establish a budget for booth design and samples (smallest booths are 10' X 10' and cost from \$2000 to \$3500- price is dependent on the venue- New York shows such as the NY International Gift Fair, are the most expensive but draw larger crowds.
- Allow for booth furnishing that must be ordered ahead of time- chairs, carpeting, drapes, electricity and special lights.
- Determine travel, lodging, shipping and advertising budget

Participation in a trade show will generally run from \$6,000 to \$8,000 as a rule of thumb.

Designing the booth:

- Design layout carefully: catch the buyer's eye with unique, colorful products in an uncluttered space (buyers see hundreds of booths in one day)
- Select products for the market niche of the show (hats in California)
- First time exhibitors may wish to contract for design support

Remember that continuity is important- buyers will remember from one trade show to the next who they met. Most new companies try to participate in at least two consecutive trade shows at six month intervals to get a feel for the market. They are generally satisfied if the first show's sales cover their expenses to participate in the show. At the first show, buyers are seeing the company for the first time, or seeing the new product line. Some buyers may place preliminary orders. Many will observe the company and take sales/marketing materials. At the second show, buyers will see the company, or the new product line, return and take that as an indication of the stability of the company or new product line. The buyer may feel confident enough to place a small order to test the products in their market. At the third show, they buyer has experience with the products and reliability of the company and feels comfortable placing a more substantial order. While there are certainly exceptions to the one year rule in establishing a new market, all companies exhibiting at trade shows should keep this in mind when measuring the success of their participation in a show and when planning whether to return to these shows in the following year.

Exhibit space at trade shows is often difficult to obtain, especially for a first time exhibitor. There are options however for sharing space in an incubator arrangement at certain gifts shows, at a lower rate than normal booth rates. Check on these options with the trade show organizer.

Popular gift and crafts trade shows:

NEW YORK INTERNATIONAL GIFT FAIR – the largest US gift show- Feb and Aug each year, with 3000 exhibitors and over 45,000 buyers. Established vendors average \$15,000-\$20,000 in sales at this show, resulting in total sales of \$55 million.

www.nyigf.com

SOURCES- wholesalers and importers, held annually in May. This is a new show, created in 2003. Experience has shown that this show can produce interesting leads but these leads must be followed up to develop a relationship leading to orders.

San Francisco International Gift Fair- February/July -- 1900 exhibitors

The Gift Fair in Atlanta- Atlanta, Georgia- January/July-- 750 exhibitors; 15,000 buyers

Home Textiles Trade Show April/October NY NY

All of the above shows are organized by George M. Little Management, 10 Bank St, White Plains, NY 10606. Tel 914 272 7469; Fax (914) 978-6180 www.gmlshows.com

High Point Furniture and Home Furnishing Show- held twice annual in October and April. Largest show in the U.S. of home decorative items. www.highpointmarket.com

VI. PRICING, PAYMENT, SHIPPING, PACKAGING AND SAMPLES

Pricing

If a vendor sells directly to retailers rather than going through a wholesaler or importer, two prices should be established: FOB and landed. FOB pricing is for larger orders, usually container loads. For smaller orders, you must calculate a landed duty-paid price (LDP) that includes freight charges to the US and any applicable duties and customs clearance charges in the US. Freight charges to the buyer's store are usually paid by the buyer.

Create a **line sheet** that identifies each product by reference number and lists the landed price per item. This line sheet should be coordinated with a catalogue or photo sheet that provides the same reference numbers. The line sheet should include:

- product reference
- product description or name
- color

- size
- material
- price
- price terms
- currency of quoted prices (US dollar is recommended)
- minimum quantities per item
- date
- duration that information, particularly prices, will be valid
- company address, telephone/fax, email, website
- contact person for sales follow up
- average lead times
- payment terms

It is best to establish reasonable minimum quantities for small orders, particularly for lower priced items. For example, items such as coasters, placemats and Christmas ornaments should be sold in in sets of 6 or 12.

Buyers ordering 50-100 pieces or more of an item may ask for a small discount in the price (5%-10%).

Payment Options for direct sales

Small Orders (\$2,000 or less): most small buyers in the US pay for their orders by credit cards (Master Card, Visa or American Express). If the vendor is selling at a trade show, s/he will need to make arrangements with a US contact to clear goods and process payment. Certain smaller exporters have friends or family in the US who do this for them. Unless such an arrangement is established, it will be difficult to process smaller orders. Payment by wire transfer entails bank charges of up to \$40 per transfer to the buyer and again to the vendor upon receipt of funds. This is prohibitive for small orders.

Other small buyers may request COD shipments via UPS. This means that once the goods arrive in the US, the US contact would send the shipment as "UPS COD" (cash on delivery). UPS collects payment from the buyer by a secure mode of payment (certified check or money order). This money is then sent to the vendor's contact once the goods are delivered. This is a less efficient payment mode since payment is only received 2 weeks after the goods are shipped.

For both credit card and COD payments, the US contact will need to send the funds received on the vendor's behalf via wire transfer.

For small orders (\$2,000 or less), buyers will not usually give an upfront deposit. It is too expensive for the buyers to do so given the bank charges. The vendor will have to fund the cost of producing small orders up until the time they are shipped to the buyers.

Large Orders (over \$2,000 and under \$15,000): These buyers are generally prepared to help offset preshipment costs of raw materials. The amount of the deposit should be negotiated at the time of the order. The vendor should make sure it is received before producing the order. The buyer will need bank details to make the wire transfer.

For all large orders over \$2,000, it is important to e-mail the buyer every few weeks indicating that production is on schedule, and that the order will be completed and shipped on time. If this is not the case and more production time is needed, the buyer should be informed as soon as possible. The buyer will be unhappy about this news, especially if the order is for a catalog or a time sensitive event.

Two weeks before the order is due to be shipped, an invoice should be e-mailed to the buyer to request a wire transfer in the amount of the invoice to your bank account. The buyer should email the vendor when the transfer has been sent so the vendor can confirm that the money has been deposited. Large orders should not be shipped until the vendor has been paid.

Shipping Options

Small Orders

The method for shipping small orders (under \$1,000 each) to stores in the US will depend on the volume of small orders each company receives, and when buyers want their orders. Most small buyers want their fall/winter orders between the end of September and the middle of October, in time for the Christmas season. For spring, late January/February delivery is preferred. Propose a standard ship date to all small buyers in order to ship all these orders together in one consolidated air shipment. Some small buyers may still want their orders delivered earlier or later. Build in room to allow for this possibility when freight rates are calculated for each product.

Courier Services (DHL, FedEx, UPS, and EMS): This is the most expensive way to ship to the US or anywhere else in the world. Use this service only if it is absolutely necessary. The advantage of a courier service is that they will deliver an order directly to the buyer's store from Madagascar in 5 days. Most small buyers in the US have little, if any, experience in dealing with clearing shipments from overseas and customs.

DHL now has considerable competition from UPS and other couriers in Madagascar. Shop around for the best prices. Regular customers should be able to obtain discounted rates.

Air Freight: this will be the least expensive way to get small orders to the stores in the US. It is highly recommended that all of the companies in Madagascar work together in shipping their small orders to the US. The cost per kilo will come down as the weight of the shipment increases. Sending 100 kilos by air is usually where the first reduction in the per kilo cost occurs. There are additional breaks at 500 kilos and 1,000 kilos. Shop around for the best rates both from the airlines that have reasonably direct service to

the US from Madagascar, and from the companies that forward freight. There is considerable room for negotiating better rates.

Identify a reliable and cost effective freight forwarding company, and get some sense of the per kilo cost of getting small orders from the international airport to their final destination. This includes the cost of the air shipment to the US, clearing it through customs, and the forwarding each order to its final destination by UPS Ground or FedEx Ground. This information is needed for establishing landed prices of the products for the small buyers.

The air shipment itself from Madagascar to a central location in the US should take no more than 3 days. This location can only be determined when the final destination of most of the orders is known. The release of the air shipment by customs can take from 2-10 days, particularly in this time of heightened security concerns in the US. Each small order must then be dispatched to its final destination. It is important to work closely with the freight forwarding company in preparing all of the documentation needed for consolidated air shipment of small orders to the US. Each small order will have to be packed separately, and addressed to the buyer's store.

Shipment by container is only possible if orders can be consolidated from several producers or if there are enough small orders to fill a 20' container. Container shipments take 6-7 weeks to arrive in New York from Madagascar. Clearing customs can take 2 days to 2 weeks, especially given the heightened security concerns in the US. De-consolidating the container and forwarding orders to stores in the US by UPS will take another 8-10 days, particularly if the stores are located in the western part of the US.

Packaging

Importers and large retailers will request information on packing and labeling resources. Increasingly, buyers are relying on overseas suppliers to assume the responsibilities of packing for re-shipping. This may entail individually packing items, using standardized size boxes, and labeling boxes and case packaging with specific labels for easy re-shipping. If the vendor is selling directly to large retailers, most of these buyers will require very specific packaging requirements. There are costly fees if the specifications are not respected.

A statement on packing resources and services is recommended. These will include custom box availability, labeling, as well as specific packaging (by sets, individually, etc.). It is customary to negotiate with the customers for extra charges for custom packaging.

Samples

If a large buyer requests samples, they should be sent as quickly as possible. They can be sent by courier. Ask the buyer for his/her courier service account number (most

buyers use FedEx or UPS). Many buyers are willing to pay for this cost but will not pay for the cost of the product itself. It is important to enclose an invoice that includes company name, contact information, and a description of the product, with a clear indication that the goods are samples. Certain products such as clothing must be mutilated (cut) when sent as samples.

If samples are requested by a buyer for sales purposes (sales samples, usually 4-6 units of a same item), these should be invoiced to the buyer.

VII. CHECK LIST FOR SELLING TO THE U.S. MARKET

A summary check list is provided below of things to do to prepare for sales to the U.S. market::

- Know the competition and their prices
- Know the target buyers and their requirements
- Determine how to improve/control quality
- Understand buying seasons (earlier in the US than in Europe)
- Know financing needs and resources if a large order came in
- Establish a working relationship with raw materials suppliers
- Speak or hire someone who can speak and write in English
- Know how to calculate FOB and landed prices and monitor actual costs against quoted prices
- Take digital photos of the best products and create a price/photo sheet
- Create a logo and hang tag language
- Have an email address and check it twice a day
- Purchase account management software to produce order confirmations, invoices, packing lists and customs documentation
- Identify and establish an account with packaging suppliers, label manufacturers, printers
- Select a freight forwarder and local transport company
- Understand customers requirements
- Understand US weights and measures
- Seek opportunities to consolidate air and sea shipments

VIII. TRADE WEBSITES

The following websites provide useful information on crafts/accessories/home decorative trends and product lines:

www.style.com

www.accessoriesmagazine.com

www.accessoryweb.com

www.pier1.com

www.lillianvernon.com

www.lnt.com

www.bedbathandbeyond.com
www.potpourricollection.com
www.giftwarenews.com
www.giftbeat.com
www.nordstroms.com
www.uniquelyme.com
www.collectiblestoday.com
www.personalcreations.com

The following websites are samples of references for constructing an African crafts website:

www.miamali.com

www.botswanacraft.com

www.swazicandles.com

www.sizanacraft.co.za

www.karakulia.com.na

www.chifundoartisansnetwork.com

www.kenanaknitters.com

www.utonga.com