

# **Palestinian Handicraft U.S. Export Project Report**

## **Prepared for**

Market Access Program/Development Alternatives Inc.  
Contract #294-C-00-99-00060-00  
USAID West Bank/Gaza Strip

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**March 25/2002**

## Overview

This report details the outlines and present findings of a project commenced in February 2002 by MAP/USAID formulated to: examine the potential for Palestinian handicraft exports to the U.S. market; determine the organizational structure for such an effort; and implement actual marketing and sales efforts of Palestinian handicrafts in the U.S. market.

On the following page is a structural flow chart that details the three different stages that have been defined for the project, the known individual elements or players relevant to each stage, and flow lines depicting how each element/player ties in to related aspects of the total project plan. These three stages are:

Stage 1: Palestinian Handicraft Supply Side Identification and Research

Stage 2: U.S. Market Demand Side Identification and Research

Stage 3: Export Effort Organizational Structure Determination/Implementation

Using the flow chart as a guide, this report will attempt to define the various players, the problems and potentials known and foreseen, and the action steps required to make the project a success.

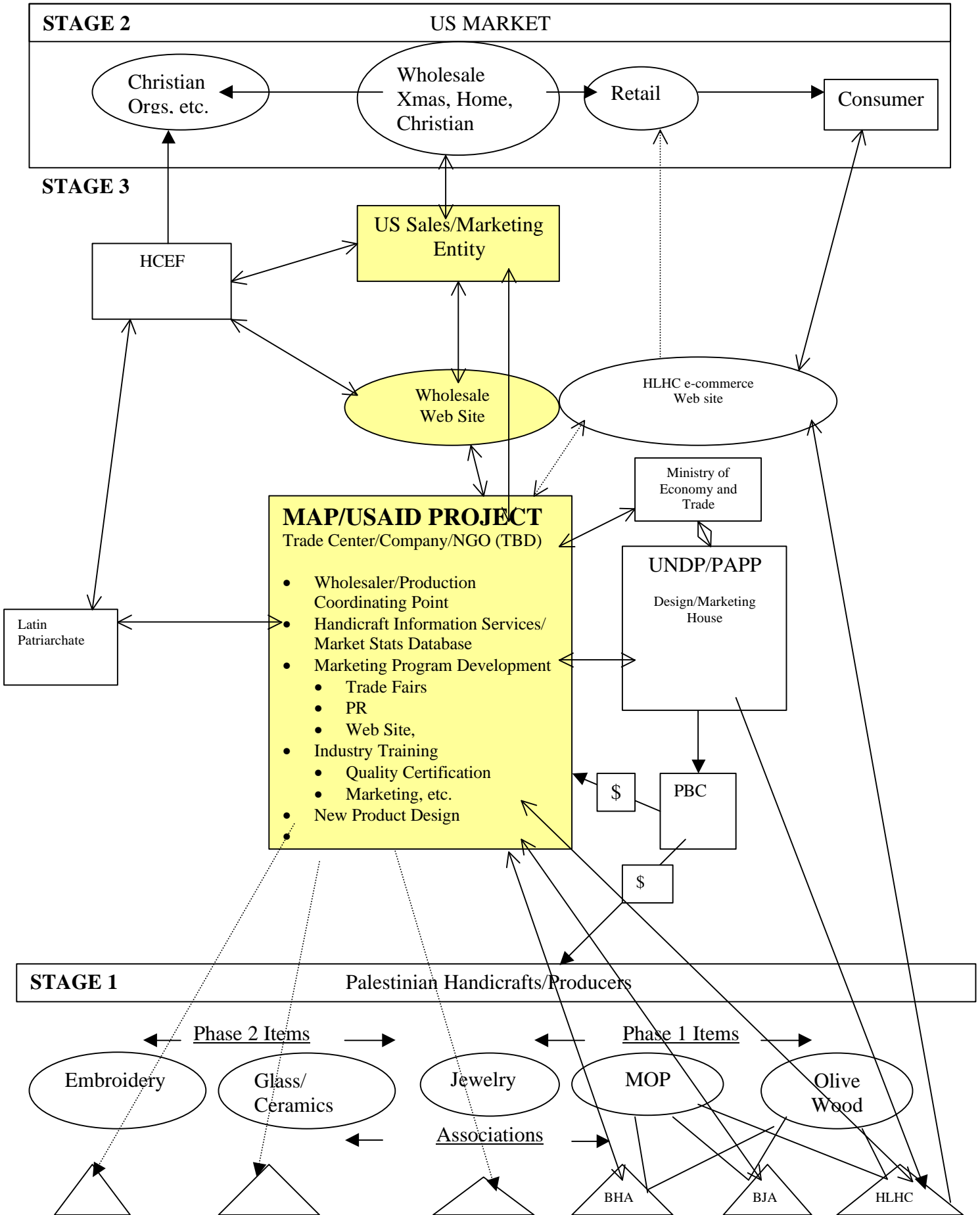
## Project Expectations

Prior to the commencement of this project a preliminary analysis was made of the US market to determine those sectors where Palestinian handicrafts might find responsive outlets. Based on initial assessments it was determined to focus initially on those Palestinian handicraft products that *in their present form* could be marketed in the U.S. Christmas, Christian and giftware/ housewares sectors.

The Christmas and Christian sales markets and channels are largely distinct from that for giftware/ housewares, and will require separate though coordinated marketing and organizational efforts. Phase 1 sales efforts will encompass the Christmas and Christian items, where based on present timelines and sales cycles immediate sales efforts will be required. Although there will be related tie in efforts, the focus for Phase 1 products will be on securing one major wholesaler that can provide immediate blanket coverage of Christmas/Christian retailers throughout the U.S. market. Phase 2 efforts will focus on the housewares/giftware sector and are expected to require broader selling efforts to various wholesalers and major retailers.

After viewing the range of Palestinian handicraft products presently available it is expected that select items can be creatively marketed within the determined sectors in the U.S. in a means that will generate substantial revenues. The marketing themes spring primarily from the critically unique selling advantage of Palestinian handicraft products vs. those from other countries, namely, their ability to be branded and marketed as hand made pieces crafted by artisans based at the core of the Christian heritage, the Holy Land, following a centuries old tradition.

The focus throughout all three stages of this project will be to create or fine-tune the elements that will allow for the successful implementation of this marketing and development strategy and, hence, result in immediate and ongoing substantive export revenue generation for the handicraft producers.



## **STAGE 1 – SUPPLY SIDE IDENTIFICATION AND RESEARCH**

From February 26 – March 15, 2002, field research was undertaken to determine the availability and quality of Palestinian handicrafts and the purchase patterns of American buyers, as well as to evaluate existing handicraft associations and producers to discern their roles in the handicraft industry and identify needed areas of assistance. Meetings were scheduled with souvenir shop retailers and producers of handicraft products, as well as handicraft associations. Due to conditions on the ground it was possible to *successfully* survey only the olive wood and mother of pearl items and manufacturers as well as their related associations in Bethlehem, Beit Jala and Beit Sahour. Further fieldwork will be required prior to Phase 2 marketing efforts in the U.S.

### **The Products and the Potential**

Based on an overview of the items available in Jerusalem and Bethlehem souvenir shops and the buying habits of American tourists who purchased from these locations it was determined that there are numerous Palestinian handicraft items that hold potential for marketing in the U.S. Due to the labor-intensive hand production of Palestinian items they are, for the most part, high cost items vs. similar items mass-manufactured in other regions. Additionally, there is nothing substantially unique in the product range. Despite these drawbacks, the unique hand-crafted by artisans in the Holy Land selling proposition of Palestinian handicrafts should serve to counteract such concerns when coupled with substantive marketing efforts.

As indicated on the structural flow chart, Phase 1 items identified relating to the Christmas and Christian market segments are primarily crafted from olive wood and mother of pearl while also including religious oriented jewelry. Phase 2 items for the housewares/giftware market encompass embroideries, glass and ceramics.

The Phase 1 items made from olive wood and mother of pearl that have been selected for presentation in the U.S. include nativity scenes and nativity grottos, ornaments, crosses, rosaries and religious figures. Olive wood items that fall in to the Phase 2 housewares/ giftware category, e.g., candlesticks and photo frames, will be presented to Phase 1 buyers, but they will be pushed more substantially during Phase 2. While this project has to pursue the sale of jewelry products in an aggressive way at this time, there are jewelry items produced in Palestine that are expected to appeal to the Christian market and which should be presented in coordination with other related products. These items include gold and silver traditional and Jerusalem cross pendants, as well as pendants combining a cross motif with roman glass. A full list of selected Phase 1 sample items can be found in the Appendix, Item 1.

While the olive wood items cover consumer segments from the very high end to the middle and mass market levels, the majority of mother of pearl items fall into the high- to mid-range markets. While it is recognized that American consumers have not been prone to purchasing mother of pearl items to the same degree as olive wood products, there is a growing trend in the U.S. to buy Christmas items that can be used as decorative items year-round. Mother of pearl items would speak to this desire.

Regarding Phase 2 products, embroidered goods that show potential for sales in the U.S. include pillow covers, tabletop items such as tablecloths and napkins, and miscellaneous items such as photo albums. In the glass sector, products that show high marketability include Hebron-produced water and wine glasses sets, along with vases, while in the ceramics line various table-top and

giftware items such as coffee sets, plates and vases of both the mid-and upper price ranges are expected to be successful exports. Specific items from the embroidery, glass and ceramic sectors will be selected in fieldwork undertaken prior to Phase 2 sales and marketing efforts.

## **The Players**

As the structural flow chart on page 2 indicates, the players on the supply side end include the individual producers within the category sectors as well as their representative associations. Following is an overview of these players and the problems and potentials identified with each.

### Handicraft Producers

Initial study of the producers of olive wood and mother of pearl producers indicates that the industry is highly unsophisticated, comprised primarily of a large number of small family workshops. Of the approximately 150 producers of olive wood and mother of pearl items in Bethlehem, Beit Sahour and Beit Jala, about 95% are small workshops of 1-5 people. Past production and marketing has been directed almost exclusively to the previously strong tourist industry and, resulting from the large decline in the Palestine in-bound tourist market, these producers have evidenced, with rare exceptions, a near complete fallout in sales.

With regards to production issues, several key problem areas were noted:

- Given the small size of most enterprises there are virtually no existing statistics/figures relating to the cost of production or potential production volumes, information critical to determining sales price and supply capabilities.
- The majority of producers have no funds of their own to finance substantial levels of raw material supply or production. Further, it is presently difficult for producers' to secure delivery of materials to their facilities due to road blocks and safety concerns.
- While all workshops/factories can produce work at the low to mid-range quality level, only 5% of manufacturers are able to produce the very high quality, completely hand crafted items.
- To date there are no quality control procedures in place by any of the producers. Given the handcrafted-nature of products, consistency in design will be an issue.
- Most producers have used the same production methods for generations, and at some point may require innovation training with regards to new tools, techniques and production efficiency.

Problem areas were additionally identified in the area of sales and marketing, yet while presently undermining *individual* export potential they are not foreseen as being detrimental to the export project being outlined. To exemplify, while producers largely have little or no experience in packaging or marketing and only a handful are equipped with a web site or the minimum of sales and marketing/materials, the wholesalers purchasing their products will handle these functions in coordination with the central organizing enterprise. Minus this burden, producers will be able to focus on their area of expertise, production, in addition to related quality control issues.

With regards to export issues, one key area of concern was identified. On the whole trade fair participation has been limited, with export efforts undertaken largely directed to Arab markets or comprised of small efforts in Europe and the U.S. A recent exception to this are the activities of families from the Beit Sahour area prior to the 2001 Christmas selling season in the U.S., where total sales through individual efforts at malls garnered revenues of \$1-1.2 million. While a positive

in terms of the initiative, in the light of this project such small individual efforts will serve to muddy the waters when it comes to providing needed exclusivity to a wholesaler in the U.S. market. It is hoped that the placement of sizable orders through wholesalers and retailers will replace and extend lost revenues and hence deter these individual export efforts.

There is evidence to warrant this opinion. All producers voiced a high degree of enthusiasm to work with any enterprise that can help them sell their goods in export markets at a fair price. As well, all producers surveyed indicated they were capable and open to producing new designs if needed, with the time frame for implementation required ranging from one week to one month. While not required in Phase 1 where the focus will be on marketing presently available goods to the Christmas and Christian sectors, this capability and readiness is likely to prove of value as further market extension efforts are developed.

### **Handicraft Associations**

As indicated in Stage 1 of the flow chart, the majority of olive wood and mother of pearl producers are represented via the three handicraft associations that encompass their geographical areas, i.e., the Bethlehem Handicraft Association, the Beit Jala Handicraft Association and the Holy Land Handicraft Cooperative (Beit Sahour). While initial contact was made with the ANAT Center of women of Beit Jala/Bethlehem, an organization with expertise in the embroidery area, conditions did not allow for a meeting to take place. As it was similarly not possible to identify or meet with associations related to the glass or ceramics industry, surveys of these Phase 2 associations will be required at a later stage.

Much like their producer members, The Bethlehem and Beit Jala Handicraft Associations are presently unsophisticated and have requested guidance and all possible assistance. Both new ventures, these associations are uncertain as to how to proceed to best benefit members beyond efforts to implement price consistency measures. To note is that while production costs are presently unavailable, the stated critical need to implement price protection by both associations indicates that present wholesale prices may contain only minimal profit margins.

The Holy Land Handicraft Co-operative of Beit Sahour, operational for 19 years, is a proactive association. Aware of its organizational shortcomings and working to overcome them, the Co-operative has been initiating projects designed to stimulate export sales for its members. Efforts include the signing of an agreement with the UNDP to implement an e-commerce site, stipulated to be operational in the next three months, as well as the production of a catalog featuring members' products for distribution at future trade fair efforts. With the UNDP's assistance the Co-operative is additionally in the process of trying to secure the help of an import/export specialist, intended to work with and provide training to the association for a period of 6 months to a year. It has petitioned this project for any kind of sales/export/development assistance and/or direction that can be provided.

All of the associations are hungry to find new means by which to help members generate revenue. While protective of their own members and hence somewhat competitive amongst themselves, all appear individually willing to become engaged in any organized export effort that will help their members to achieve export sales. Each is positioned to serve as the conduit for channeling production orders to members while assisting as well with quality control issues in coordination with any central enterprise.

## STAGE 1 CONCLUSIONS

While not competitive in terms of price and product uniqueness, Palestinian handicrafts are seen as being highly marketable in the U.S. due to their unique selling proposition of having been handmade by artisans in the Holy Land. Products that will be pursued for sale initially are olive wood, mother of pearl and jewelry items which can be pushed to the Christmas and Christian markets and which can take prime advantage of the Holy Land marketing appeal. A second phase of selling will focus on the embroidery, glass and ceramics items that hold sales potential in the housewares/giftware sector.

The critical financial situation presently faced by producers has left them eager to work with any enterprise or organization that can help them sell their goods for export. While they suffer from a lack of expertise in marketing and export experience, the creation of a centralized enterprise to deal with these issues will mean that the producers need only to focus on production issues as well as related steps to implement quality control measures.

In the face of sizable orders, the large number of small producers means that production will need to be organized through coordinating bodies. It is expected that the handicraft associations can fill this role, although some competitive issues are foreseen with regards to the apportioning of orders. These associations can also serve as the ends for obtaining information relating to production costs and potential production volumes, while providing oversight assistance in quality control for orders received through this project. In the meantime, development assistance to help these associations become fully functional and of benefit to their members is needed.

### Stage 1 Action Items - Status

- Identification and selection of olive wood and mother of pearl products to be presented in the U.S. – *Completed*
- Delivery of mother of pearl and olive wood sample items selected to the U.S. – *Underway*
- Identify manufacturers of jewelry items selected for presentation in the U.S., determine production capabilities of items and secure samples – *Required*
- Secure realistic figures relating to the production price and potential production volume by total producers in Bethlehem, Beit Jala and Beit Sahour of sample items selected – *Underway*
- Meet with producers and associations from the embroidery and glass/ceramics sectors to select products and determine production capabilities, pricing, industry structure, etc. – *Required in May/June 2002*
- Provide developmental assistance to associations to promote their efforts/ensure their cooperation – *LOA pending with the Holy Land Handicraft Cooperative on web project/development assistance*
- Secure commitment from associations to cooperate in centralized effort and oversee production and quality control of orders upon finalization of project plan - *Required*
- Initiate training program in quality control aspects for associations/members – *Required*

## **STAGE 2: U.S. MARKET DEMAND SIDE IDENTIFICATION AND RESEARCH**

Stage 2 efforts will be focused on identifying buyers in the U.S. marketplace for those items selected in Stage 1, as well as the creation/initiation of marketing strategies necessary to successfully generate sales. As indicated in the Stage 2 portion of the structural flow chart, for the purposes of this project it is possible to define the critical U.S. market players for Palestinian handicrafts as relevant *Wholesale* sector participants, *Retailers*, and *Consumers* and *Christian Organizations/* related market entities. The role of these players will be defined further in this section as sales and marketing plans are outlined.

As noted previously, the Christmas and Christian sales markets and channels are largely distinct from those of the Phase 2 housewares/giftware sector. While marketing efforts will be coordinated across the two Phases, product presentation and sales efforts will be undertaken separately. It is expected that Phase 1 presentation/selling efforts will initially take up to six weeks from the point of project authorization, while Phase 2 efforts will require up to two months initially with ongoing targeted efforts necessary after this period.

### **Phase 1 Sales/Marketing Plan Outline**

Again, Stage 2, Phase 1 efforts will be geared towards the presentation and marketing of Palestinian handicraft products that have a Christmas or Christian orientation. It has been estimated that there are over 50,000 retailers that sell Christmas products in the U.S. market, 1,600 alone that sell such products year-round. The majority of major retailers purchase Christmas products from January – March, and smaller retailers from May through July. Trade shows featuring Christmas products that provide reach of relevant retail purchasers are typically held from January – March.

*Due to present time constraints coupled with the aim to secure immediate orders for the handicraft producers, the goal for Phase 1 selling will be to secure a contract with one major wholesaler in the Christmas/Christian sector that can provide blanket coverage of the U.S. market.* Wholesalers that will be approached include Roman Inc. of Illinois; Kurt Adler Co. and James A. Cole, both of New York; Raz Imports and Silvesteri, both of Texas; Gallerie II of Virginia; Sterling Inc. of Missouri; and Midwest of Cannon Falls, from Minnesota. .

### Marketing Strategy – Wholesale to Retail Market

The sales pitch to the wholesalers, and the subsequent marketing angle to be adapted for the retailers and consumers, will be as follows. There is a present trend towards increased spirituality in the U.S. following the events of 9-11, indicated in increased sales of inspirational books, gospel music and similar items. While the Christmas and Christian products crafted in Palestine are not essentially unique, with numerous items such as nativity scenes and ornaments presently on the market, these are items that were hand made in the Holy Land - in Bethlehem - by Christian artisan families - who have passed the crafts tradition down from generation to generation.

For the olive wood items, the fact that these products are crafted from trees grown in the land of Jesus, of appeal to the Christian market, will be a further selling point. For the mother of pearl items, focus can be given to the fact that such carving has existed in Bethlehem for over 200 years, and early items can be found in museums around the world. Mother of Pearl items can also be turned into collectibles, with different ornaments offered every year, and this possibility will be presented in addition to stressing mother of pearl's year-round decorative value.



It will be proposed to the wholesaler that these products showcase the individual artisan that crafted the item, along with their locale, with labeling on each item such as, “Made by the Zacharia Bros. in Bethlehem for (wholesaler name)”. To further this selling point, it will be proposed that Palestinian artisans practicing their craft might be featured at trade shows or at major retailers.

Whatever wholesaler is given/takes the line must be ready to promote and push the line to their maximum capabilities, and put substantial moneys behind the launch. However, it is expected that an important selling point to the wholesalers will be the fact that USAID and bodies such as the UNDP are supportive of this project, serving to lend the effort credibility while providing additional funding to maximize the success of efforts.

A number of marketing tools/means will strenghten this effort, and these are detailed below:

#### *Product Information Leaflets/Authenticity Certificate*

Created in coordination with the wholesaler, all products should come with a small leaflet providing details on the product and its origins, accompanied by a certificate of authenticity verifying the products production in the Holy Land. Separate leaflets should be made to correspond with each product based upon whether crafted from olive wood or mother of pearl, and whether of a Christian or a Christmas orientation. Regarding the certificate of authenticity, the Latin Patriarchate of Beit Jala has planned the preparation of one for its own needs and has offered this project use of the certificate as needed.

#### *Press/PR:*

It will be important to seek publicity in trade magazines as well as general consumer newspapers and magazines to highlight the products and their background and gain maximum exposure prior to the Christmas selling season. Media connections of the wholesalers, the U.S. coordinating rep and the supporting organizations of the producers will need to be coordinated and leveraged. Related efforts to generate coverage will be pursued, e.g., providing the White House with a Christmas nativity from Bethlehem to be featured in their Christmas display.

#### *Trade Fairs*

The wholesaler selected will be responsible for trade fair presentations and, via agreement, will need to guaranty showcasing at central relevant events. Assistance from this project should be given in terms of product supply and background material and via means such as providing artisans for appearances.

#### *Web Site - Wholesale*

As some wholesalers do not feature products on their Internet sites due to the wide and changing range of their lines, if the selected wholesaler is not in agreement to create a web site for the Palestinian products it is suggested that one be built as part of this project. This site would be linked to the wholesaler’s own site and would feature only those products carried by the wholesaler. For the benefit of the wholesaler’s retailer clients and the end consumers, the site would provide content such as detailed product information, the background of the products and their producers, and a look at the Christian tradition in the Holy Land and the craft culture in Palestine.

#### *Web Site – Retail*

In light of potential exclusivity issues in relation to the wholesaler and its retail clients, it is not suggested that a wide-ranging consumer web site be introduced. However, it is understood that the

Holy Land Handicraft Cooperative is presently undertaking the design of an e-commerce site, intended for launch within 3 months. It is suggested that, if possible, the HLHC web site be made to coordinate with the efforts of this centralized project. One means to do this is to have the website being created by the HLHC be *the* wholesale web site or, if unacceptable to the HLHC/UNDP, feature only those products that will be available through the wholesaler. Erasing the need to implement a payment system and undertake product delivery from Palestine, the web site could feature a system whereby consumers input their address/zip code and are directed to a retailer in their neighborhood which carries the product they are interested in purchasing.

### Marketing Strategy – Christian Market Sales

While some of the major Christmas wholesalers that will be approached provide reach of the Christian retailer/consumer market as well, and certainly will be finessed to promote sales to these outlets, an additional side market sector which requires targeting is that of Christian organizations and their member churches. Given their interest in the Holy Land as a background to their religion, these entities offer considerable potential for sales of Christian and Christmas handicrafts from Palestine.

The Holy Land Christian Ecumenical Foundation (HCEF), based in Maryland, is an organization in place whose mission is to support Christians in the Holy Land via various efforts in the U.S. One of their initiatives is a project designed to sell Palestinian Christian and Christmas goods to its member churches in the U.S.. A worthy effort lacking organizational resources, the HCEF has no support structure on the ground in the U.S. for this effort while at the same time uses the Latin Patriarchate and its overloaded manpower as its organizing point in Palestine.

Rather than duplicating the HCEF's selling efforts in the U.S. when they better know this specific sector, it is proposed that this project instead serve as a support to HCEF efforts and make its services available to them. Dependent upon the agreement with the wholesaler and the specific purchase rules of HCEF member churches, one possibility would be to have the designated wholesaler supply items to HCEF members at a favorable price. If not possible due to HCEF purchase guidelines, a separate arrangement could be made to work around the wholesaler for this sector, whereby this project via its U.S. coordinating contact point or the enterprise in Palestine would serve as the supplier for HCEF goods. Further support could be provided by way of background materials, product showcasing via web site links, etc.

### **Phase 2 Sales/Marketing Plan Outline**

Phase 2 efforts will focus on housewares/giftware items. Given the broader range of product items in Phase 2 it is expected that presentation and sales efforts will need to be more far reaching than those of Phase 1, requiring contact and potential dealings with multiple wholesalers and potentially individual large retailers. These activities may be required on a continuous basis rather than in one burst of initial presentation/sales efforts, further differing from efforts in Phase 1.

### Marketing Strategy – Wholesale to Retail Market

One selling points that Phase 2 products have is their hand-crafted nature. As with Phase 1 items, Phase 2 items can be promoted using the marketing angle of being hand made by artisans in the historic tradition, with attention given to the history of the craft, the background of the items, and

the artisans producing them. Given though that Phase 2 items are more generic in nature, e.g., housewares and giftware such as pillow covers and table tops items, they will not benefit from the Made in the Holy Land, or Bethlehem, tag to the same degree as the Christmas or Christian items.

While it may seem a risky proposition based on conditions at the moment, given that Phase 2 presentation and sales efforts are proposed to be conducted around the July/August 2002 time frame there stands the chance that there will be improvements on the ground in Palestine by that time. As such, *it is suggested that the branding/marketing theme for these products be along the lines of "Jerusalem Home Collection" or "Palestine Home Collection."* As with Phase 1 marketing efforts, it is expected that credibility will be heightened by the fact that USAID and bodies such as the UNDP are supportive of this project.

Once fieldwork has been undertaken to survey and select items and determine production costs and production volumes, presentation and sales initiatives will be made at major housewares/giftware wholesalers and to major retailers themselves. Proposed will be to create a distinct area in retailer outlets where "Palestine/Jerusalem Home" products are featured year-round, although individual item sales in appropriate store locations will not be discouraged, e.g., pillow covers in the home accessory section, etc. If successful in creating these branded areas, these designated spaces can be extended during the Christmas holiday season to include items from the Phase 1 Christmas product line, as well as further consumer/giftware goods from Palestine such as soaps and body creams.

To successfully undertake Phase 2 sales it is projected that marketing tools similar to those mentioned in the Phase 1 outline would be required. These include:

*Product Information Leaflet*

Highlighting the hand-crafted nature of the product, how it is produced, where, and its place in Jerusalem/Palestine culture.

*Press/PR*

As with Phase 1 products, extensive efforts should be undertaken to highlight the launch of these products and their background story.

*Trade Fairs*

If substantial contracts can be signed with major wholesalers, trade fairs will be largely be managed by their marketing divisions, with support provided by this project. In the event that no exclusivity deals are reached, this is an area that will need to be directed and funded by this project.

*Web Site – Wholesale/Retail*

It is projected that a web site will be required, primarily targeted at the wholesale and retailer bulk purchase markets, to feature the products available in the Jerusalem/Palestine Home line. That said, the site should also be designed to appeal to the consumer market, providing background on the products and their place in the Jerusalem/Palestine culture while offering an engine that directs consumers to the retailer nearest them carrying the products/product line.

## STAGE 2 CONCLUSIONS

The presentation of samples in the U.S. market will require two distinct phases. It is expected that Phase 1, dealing with the Christmas and Christian products and directed at securing one major wholesaler, will take approximately six weeks to implement. Phase 2 efforts, likely to require a broader range of sales contacts, will require an estimated two-month initial presentation period with the possible need for ongoing efforts.

Until samples are presented to wholesalers and/or retailers in the individual phases and agreement discussions are underway, it is difficult to gauge the exact outlines of what marketing and sales requirements will need to be undertaken by this project and which will be undertaken by the wholesalers/retailers themselves. That said, Palestinian handicraft products offer unique selling propositions, whether the made in the Holy Land appeal or the marketing angle of Palestine/Jerusalem Home branding. It is believed that these selling points can be presented to wholesalers/retailers in a way that will underscore the market and revenue potential of Palestinian handicrafts. If correct, it is expected that leverage can be applied to ensure buy-in on proposed plans outlined here as well as substantial involvement in the area of marketing support for both initial product launch and ongoing efforts.

### Stage 2 Action Items - Status

- Identify wholesalers for Phase 1 sales/presentation efforts – *Completed*
- Undertake sales trips to present Phase 1 samples to major Christmas/Christian wholesalers – *Pending sample receipt and project authorization*
- Work with Latin Patriarchate to create/obtain sample Certificate of Authenticity for products - *Required*
- Speak/meet with HCEF regarding their present holy land product marketing project to member churches, and discuss ways to coordinate efforts with this project – *Required*
- Following meetings with wholesalers, work with the Holy Land Handicraft Cooperative to ideally design their consumer web site to serve the needs of the wholesale effort – *Structure of involvement by DAI created*
- Design leaflets to go with olive wood and mother of pearl items, with different versions dependent upon whether of a Christmas or Christian orientation – *Required.*
- Draw up a Press/PR list of media to be contacted, create press release, and plan proposed activities which can be undertaken to receive substantial coverage, e.g., White House nativity – *Required*
- Get buy-in from handicraft associations and/or actual producers to supply artisans for promotional efforts, funding provided by project – *Required*

- Undertake fieldwork to determine exact Phase 2 products to be presented in the U.S. – *Required in May/June 2002.*
- Identify Wholesalers/Retailers for Phase 2 presentation/sales efforts – *Partially complete; final list dependent upon items selected during Phase 2 fieldwork*

### **STAGE 3: EXPORT EFFORT ORGANIZATIONAL STRUCTURE DETERMINATION/IMPLEMENTATION**

Stage 3 of this project entails defining and creating the operational structure needed to successfully drive an ongoing handicraft export effort. The exact nature of the operational structure to be implemented will be based on further discoveries on the ground in Palestine over the next months, research on similar ventures, and identified needs uncovered during Stage 2 presentation and sales efforts. Yet while further discovery efforts are required, known roles which the centralized organization will need to assume have been identified as can be seen via the structural flow chart on page 2. These responsibilities will be defined in the following section, which will also provide summaries of the entities in Palestine who have voiced interest in assisting the handicraft sector and a present read on the potential scope of involvement by these entities.

#### **U.S. Sales/Marketing Entity**

As detailed in the Stage 2 section of this document, Phase 1 presentation and sales efforts are expected to be limited in nature. Once an initial agreement has been reached with a major Christmas/ Christian wholesaler, it is believed that ongoing production issues can be conducted between the wholesaler itself and the centralized operation on the ground in Palestine.

This being stated, it is presently expected that further project needs will dictate the need for a sales/marketing entity to be created or enlisted in the U.S. for operational needs of an ongoing nature. Responsibilities of this entity are seen to include:

- Initiating sales activities on the ground related to Phase 1 and Phase 2 presentation/sales efforts
- Coordinating/conducting ongoing Phase 2 sales efforts
- Defining and coordinating the U.S. end of Phase 1 and Phase 2 marketing activities (e.g., PR, marketing materials, web sites, etc.) in conjunction with the wholesalers/retailers in the U.S. and the centralized operation in Palestine

As a means to fulfill the first two responsibilities, the hiring of a commissioned agent/representative is one option that might be considered. The downside of this option is that the focus of such agents is almost exclusively on sales activities, while marketing activities are viewed as equally critical to the success of this project.

To fulfill the marketing as well as the sales aspects of this project, it is proposed that a marketing/sales firm or representative be hired or contracted. Various payment/fee arrangements could be explored, including a straight salary if a strict employee arrangement. If defined as a contracted representative arrangement, compensation options include the payment of an agreed upon retainer fee, commission on sales á la the broker system, or a per project fee for work done. To be noted is that given the ongoing nature of the project, the latter alternative may create difficulties in project definition.

#### **Palestine-based Central Organizational Entity**

At the core of the entire project will be the central organizational entity based in Palestine. It is proposed that this entity be based in Bethlehem, with reasons for the city's selection it's prominence as a Christian and Christmas center; it's centrality to the production of olive wood and mother of

pearl items; and its geographical proximity to centers for glass and ceramic production in Hebron and also to embroidery production in Bethlehem itself, Ramallah and Gaza.

While the nature of this organization remains to be determined, e.g., a new cooperative, company, or NGO, it is intended for this organization to be self-sustaining within two years of its creation. While the full scope of this entity's activity will only be known based on information discovered in Stage 2, market research and coordination efforts over the next few months in Palestine, certain critical responsibilities have presently been identified. These include:

*Providing Handicraft Information Services*

In coordination with the producers and their associations, this entity will act as a resource center for information pertaining to handicraft producers and production. A wide range of information will be available through the entity including a complete list of producers and their production capabilities, specific and comprehensive product information, production volume potentials per item, and more.

*Serving as the Wholesaler/Production Coordinating Point*

Once agreements are in place with wholesalers this entity will serve as the clearinghouse for orders. Related responsibilities include handling paperwork required by the U.S. buyers, filtering orders to the associations for production fulfillment and coordination of quality control prior to shipping in conjunction with the associations.

*Developing Marketing Programs and Materials*

Working in conjunction with the U.S. based sales/marketing entity and wholesalers, this office will act as a marketing resource and center. Potential project activities in this area include: creation/coordination of the wholesaler website and involvement in the HLHC web efforts; securing photos or background materials for marketing tools devised in the U.S.; securing certificates of authenticity from the Latin Patriarchate; coordinating participation of handicraft artisans for trade fairs or retail outlets, and more.

*Providing Industry Training Services*

This body would serve as a coordination point for development training required by handicraft producers, securing funding, instructors and working with the associations/producers to ensure industry attendance. Sample projects include providing producer training in quality control or seminars on new wood carving equipment and methods.

*Coordinating New Product Design*

By using input from partners in the U.S. market as well as by compiling trend information and initiating test products on its own, this central organization will serve as a coordination point for new product design.

**Other Entities That Can Play a Role in Project Plans**

While MAP/USAID is taking the lead on this effort to drive handicraft export sales in the U.S., other parties have similarly identified the need for industry assistance projects and have voiced their willingness to participate in any program developed according to their respective capabilities. While other entities are likely to be added to the equation as the project proceeds, e.g., Pal-Trade and the Islamic Development Bank, the following details those entities identified to date along with their expected scope of involvement.

### *The Palestinian Banking Corporation*

While having a long-held interest in assisting the industry, the bank has remained inactive in the absence of the presentation of a fundamentally sound plan. If provided with a feasibility plan showing that the small producers will benefit from such an effort, the bank has indicated it will provide micro financing to producers to cover operational costs and material purchase. Additionally, the bank has stated its willingness to finance the main organizational entity itself, whether through a shareholder position or a no/low-interest loan.

### *The United Nations Development Programme/Programme of Assistance to the Palestinian People*

Initially interested in creating a Women's Handicraft Center to provide funding for women producers, the UNDP/PAPP extended its efforts towards assisting the industry as a whole. Following two years of on and off research the organization has come up with the idea of creating a central organizing body designed to help the industry coordinate new sales efforts. The UNDP/PAPP views its own role in this project as providing the supporting infrastructure for its implementation as well as arranging necessary funding. The entities they view as central to the creation of this effort are the Ministry of Economy and Trade, MAP/USAID, the PBC and themselves. At the heart of this effort is the intended creation of a marketing/design house. Manned by a Palestinian expat trained in the field, the creative house will produce new designs, provide these to producers for production (paid), and then test these samples in the markets where they have strong representation, e.g., Italy, Japan, and the U.S.

Prior to the implementation of this project the UNDP/PAPP has been providing soft moneys to parties requesting assistance, such as the funding of the HLHC's e-commerce web site. In addition, it has been helping match donor countries with needs, and one project expected to be undertaken is an effort by the Swedish government to provide moneys to handicraft producers to produce goods in order to restock their product supplies.

With regards to this MAP/USAID project, possible UNDP/PAPP participation includes transferring their infrastructure, funding efforts and Ministry support to this project, making it the realization of the organizing body that they have begun to define. This would include rolling their marketing/design house into the organizational structure being designed by this project, and potentially providing funding not only for their designated designer's salary but other staff required by the Palestine organizational center and the U.S. marketing/sales entity. As well, funding could be coordinated by the UNDP/PAPP so that donor country efforts directed towards the industry work to support this projects needs, e.g., by paying producers to manufacture those items needed for this effort rather than merely producing general restocking items.

### *The Latin Patriarchate*

The coordinating point in Palestine for the HCEF, the Latin Patriarchate has offered this project use of its Certificate of Authenticity once designed. It additionally has 4-color printing facilities that it has further offered to this project for use at cost, which may prove useful for the creation of select marketing materials.

### *Ministry of Economy and Trade*

While the full scope of its interest is not yet know, based on interests expressed to the UNDP/PAPP the Ministry is expected to give a handicraft development program "favored" status, assisting when needed on regulatory issues while providing legislative and other support to the industry.



### STAGE 3 CONCLUSIONS

At the heart of this projects success will be the creation of a centralized operational entity to serve as a coordinating point between wholesalers and other buyers in the U.S., producers and their related associations, and other entities interested in aiding the handicraft industry. While it is proposed that the core of this organizational entity be based in Bethlehem, some form of off-shoot in the U.S. will be needed to handle ongoing sales and marketing efforts/coordination in that market. While numerous key roles have been defined for the organizational entity, actual determinations will depend upon a further understanding of the contribution of players in the effort, research on similar ventures, and information garnered during Stage 2 sales efforts in the U.S.

#### Stage 3 Action Items - Status

- Meet with the Ministry, UNDP/PAPP and PBC as a group to better understand potential contributions to the project from all sides and coordinate efforts – *Pending*
- Conduct research on similar group handicraft ventures to determine successful organizational structures - *Required*
- Determine the precise needs required to be met by U.S. buyers for the U.S. sales/marketing entity as well as the central organizational structure in Palestine - *Required*
- Outline staffing requirements based on information discerned from further discovery processes – *Required once information has been discerned*
- Coordinate the Certificate of Authenticity with the Latin Patriarchate - *Required*
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## **APPENDIX**

### **Item 1: Phase 1 items to be presented in the U.S.**

#### **Olive Wood:**

##### **Olive Wood Nativity Sets**

- HIGH Quality, completely hand carved nativity set with Crib
- REGULAR Quality, carved face nativity set with Crib
- REGULAR Quality, carved face nativity set with Crib - UNVARNISHED
- REGULAR Quality, smooth face nativity set with Crib

##### **Olive Wood Grottos**

- HIGH Quality nativity grotto, approx. 17 cm
- MED Quality nativity grotto, approx. 15 cm
- Holy Family carved from one piece, tree bark showing as crib, 15x12cm

##### **Olive Wood Ornaments**

- Bell shaped with nativity, glued, 9cm
- Bell shaped with nativity, glued, 6cm
- Nativity shaped, glued. 6.5 cm
- Various shapes, nativity/bell/star, no glue, 8.5cm
- Various shapes, round/bell, no glue, 6cm
- Jerusalem cross, 4 cm (make as ornament)
- Camel, 6 cm, possible
- Christmas Star Pendant, 14cm, star with holy family

##### **Misc. Olive Wood Religious**

- Jerusalem Crosses, glued
  - 4cm
  - 8cm
  - 15.5 cm
- Holy Family Figurine, smooth faces, all standing, 25cm
- Holy Family Figurine, smooth face, 20cm
- Noah's Ark Figurine
- Bible covers with bible
- Rosaries, BEST quality of MED range, with silver

##### **Misc. Olive Wood**

- Candle holder, swirled hollow design, with metal insert, 23-26cm
- Picture Frame, no glue, 10 x 12cm
- Picture Frame, no glue, 12 x 18 cm
- Camel
  - HIGH Quality, completely hand carved, 25cm
  - HIGH Quality, 12cm
  - REG Quality, 25cm

**Mother of Pearl:****MOP Nativity Sets**

- HIGH Quality, multi-piece Australian shell

**MOP Grottos**

- HIGH Quality nativity grotto, Australian shell, approx. 15cm
- HIGH Quality nativity grotto, Australian shell, approx. 10 cm
- HIGH Quality nativity grotto, Australian shell approx. 7 cm
- HIGH Quality, nativity grotto, Mexican shell with Australian shell insert, 12cm x 17cm

**MOP Religious**

- Cross, hand carved, Australian shell, approx. 9 cm
- Jerusalem crosses, Australian/Mexican shell, various sizes
- Crosses, various sizes
- Bible covers with bible, 8.4cm x 14.4cm
- Cross Pendants, 2.5 cm to 8cm
- Rosaries, 50cm

**Jewelry:****Pendants**

- Mid range Jerusalem Crosses, both gold and silver varieties
- Mid range regular crosses, both gold and silver varieties
- Higher range crosses, Roman glass and gold