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HANDICRAFTS MARKET DEMAND ANALYSIS

FINAL REPORT

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FINAL REPORT



USAID JORDAN ECONOMIC DEVELOPMENT PROGRAM

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1. INTRODUCTION

OBJECTIVES AND METHODOLOGY

The purpose of this assignment is to identify the main handicraft sub-sector with the highest demand and identify the main products sold under each category. The analysis of the market demand study is based on interviews with major retailers and on surveying a sample of the largest producers of three main handicraft sub-sectors, which are textile products, ceramics and pottery and mosaic products. The survey forms for handicraft producers and retailers are attached in Annex B and Annex C.

ORGANIZATION OF REPORT

The following describes the organization of the report:

- Chapter 2 defines handicrafts and focuses on global and local trends
- Chapter 3 presents the demand for handicraft products based on the results of the “Handicrafts Producers Survey” and interviews with major handicraft retailers

2. HANDICRAFTS DEFINITION AND TRENDS

Before delving into analyzing the market demand for handicrafts in Jordan, it is important to define handicrafts and observe global trends of handicrafts including the major buyers such as U.S and E.U and handicraft producers and exporters, namely China, India and Vietnam.

Box 1-Handicraft Definitions

“**Handicraft**, also known as craftwork or simply craft, is a type of work where useful and decorative devices are made completely by hand or using only simple tools. Usually the term is applied to traditional means of making goods. The individual artisanship of the items is a paramount criterion, such items often have cultural and/or religious significance. Items made by mass production or machines are not handicrafts.”

Source: Wikipedia, <http://en.wikipedia.org/wiki/Handicraft>

“**Artisanal products** are those produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restriction in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant”.

Source: (Definition adopted for crafts/artisan products at the UNESCO/ITC International Symposium on “Crafts and the International Market: Trade and Customs Codification”, Manila, Philippines, October 1997)

GLOBAL HANDICRAFTS TRENDS

Handicraft products are not identified separately in H.S. Codes and therefore no reliable trade data is available on an international level. According to an extensive study done by US AID in 2006 on the “Global Market Assessment for Handicrafts” it specified that handicrafts are part of a much larger home accessory market, which includes handcrafted, semi-handcrafted, and machine-made goods. The study also examined the global demand of handicraft as part of the home accessory market in the U.S. as an indicator of the size of demand.

The global market for home accessories was estimated to be at least \$100 billion in 2006 according to the study. The U.S. is the largest importer of the home accessories and was valued at \$67 billion, the second largest market is the E.U. collectively followed by Japan and Hong Kong.

The study segments the home accessory market in the U.S. in 2004 according to market share as follows: Accessories and Gifts 22%, Accent furniture 21%, Portable lamps 11%,

Area rugs 9%, Wall décor 9%, Lighting fixtures 7%, Tabletop and tabletop accessories 7%, Collectibles 6%, Soft goods 5% and Permanent botanicals 4%.

The study highlighted the potential buyers of handicrafts in the U.S. as follows:

- 1- **Specialty and lifestyle stores** as this category looks for unique products not available at mass retailers.
- 2- **Catalog and internet retailers**, which is the direct to consumer channel. A high percentage of young consumers in the U.S., including Hispanics and African Americans, are buying home accessories through this channel.
- 3- **Independent retailers**, which are small stores such as tourists' shops, art galleries and museums. This channel has been traditionally a large and constant outlet for handicrafts and there is a growth in the luxury market.

The study lists most common raw materials used by handicraft producers as classified by ITC as follows: Basket, wicker and vegetable fibers, Metal, Leather, Paper, Pottery, Wood, Soap, Textiles, Stone, Glass, Bone, Horn, Shells and a combination of different materials and techniques.

As for price segmentation, the study cites four main handicraft categories and price segments as follows:

- 1- **Functional wares**: items made in a workshop or small factory that mass-produces handmade goods such as pottery, tiles, or furniture for national or export markets. This segment falls into the low-end market and is sold through big-box stores.
- 2- **Traditional art**: ethnic crafts marketed locally by creating interest in the culture and by maintaining high quality. This segment falls into the mid-to-high-end markets and is sold by small chains and independent retail stores.
- 3- **Designer goods**: sometimes based on local crafts but always redesigned by foreigners to suit fashion trends in the export market. This segment falls into the high-end market segment and is sold by specialty stores.
- 4- **Souvenirs**: inexpensive, universal trinkets or simplified traditional crafts made for local retail or sold through international development agencies as tokens of good will. This segment falls into the low-end market and is sold by souvenir and gift shops in resorts and vacation areas.

The major exporters of handicrafts are China, India and Vietnam. China is the largest exporter of home accessories globally and in April 2005, China produced an estimated 70% of all home accessory products sold in the U.S. India total exports of handicrafts amounted to \$3.5 billion in 2007 and 30% is exported to the U.S. Vietnam Handicraft exports in 2007 stood at US\$824 million.

In terms of main trends in handicrafts, it is growing commoditization of handicrafts production, shorter product lifecycles and an emphasis on creating new designs, the move from indigenous designs towards contemporary minimalism designs, the push to differentiate by focusing on luxury items and a significant growth in online sales.

HANDICRAFTS BACKGROUND IN JORDAN

The Jordanian handicraft sector is an extremely fragmented industry, mainly because by their very nature handicrafts comprise a whole range of art and design variation. It is not possible to measure the handicrafts impact on the economy, as there is no specific "handicraft classification". The government has classified some activities under "tourism" and some activities under the "crafts" sector, along with mechanics and carpentry.

However, not being able to measure the impact of handicrafts does not mean that it does not have an impact on the economy. Handicrafts are part of a larger significant sector, which is Tourism. Tourism accounts for approximately eleven per cent of the country's gross domestic product and is the second source of foreign income after receipts from Jordanians working abroad.

The handicrafts industry is represented by two main associations in Jordan, which are the Handicraft Producers Association (a voluntary association under the Ministry of Culture and has around 150 registered members all of which are producers) and the Jordanian Handicrafts Producers & Traders Association (a mandatory association under the Ministry of Tourism and Antiquities, with around 250 registered members most of which are retailers).

Mr. Ra'ed Badri, chairman of the Handicraft Producers Association explained that he estimates that Textiles products (including embroidery and weaving) are the largest segment of production at 50%, followed by Ceramics and Pottery at 20%, Mosaic at 20%, and 10% for the rest of the products including, jewelry, olive wood products, soaps and bath products, copper items, and others.

Handicrafts production is distributed according to location in Jordan. In the southern region producers specialize in weaving, colored sand, glass painting and jewelry, in the middle region producers specialize in ceramics and pottery and embroidery, in Madaba the specialty area is in mosaic and weaving, and in the area around Amman producers specialize in olive woodcarving.

The main types of handicraft producers are micro-manufacturing enterprises under the umbrella of non-government organizations (NGOs), small manufacturing enterprises in the private sector, retail outlets that have their own workshops, and education and training facilities. Additionally, because there has been a significant input from international and Jordanian donors, the private sector in the crafts community is small.

Mr. Ibrahim Zreiqi, chairman of the Jordanian Handicrafts Producers & Traders association mentioned that retailers import handicrafts from China and India because it is 50-100% cheaper than locally made handicrafts and tourism guides demand a 40% commission on each item purchased by a tourist. Furthermore, supply of local made handicrafts does not meet the demand according to Mr. Omar Afaghani who is the treasurer of the association and he explained that it might take several weeks for a local producer to supply him with an order.

The country lacks a central artists' district where the wide spectrum of original Jordanian products is put on display for tourists and locals alike. These bazaars, akin to a huge warehouse, allow artists, designers and craftsman the opportunity to exhibit their work, whilst also offering tourists the option of one destination for all their purchases

3. DEMAND FOR JORDANIAN HANDICRAFTS

MAJOR HANDICRAFTS BUYERS AND INDICATORS

By far, tourists are the largest buyer segment of handicrafts in Jordan. Tourism in Jordan is affected by many economic and political factors and therefore the number of arrivals fluctuates from year to year as can be seen in Table 1. The number of same day visitors is almost equal to overnight visitors. Same day visitors are tourists who are passing through Jordan on their way to other tourists destinations in the region such as Egypt, Lebanon, Syria or Israel.

Table 1– Tourism Arrivals 2002 - Sep. 2008

Indicators	2002	2003	2004	2005	2006	2007	Jan.- Sep. 08
Total arrivals	4,677,018	4,586,513	5,586,658	5,817,370	6,573,669	6,528,626	5,391,461
Overnight tourists	2,384,474	2,340,357	2,852,809	2,986,586	3,225,411	3,430,960	2,842,226
Same day tourists	2,292,544	2,246,155	2,733,850	2,830,784	3,348,258	3,097,666	2,549,235

Source: Ministry of Tourism and Antiquities

In order to calculate total purchases of tourists of Jordanian handicrafts in 2007, the following indicators are taken into consideration:

- Mr. Badri mentioned that a tourist average spending on handicrafts is 70 JDs and he also estimated the Jordanian handicraft sales to be around 30 million JDs a year.
- An assumption is made that only overnight tourists purchase handicrafts, as same day tourists may not have enough time to make substantial handicraft purchases.
- An assumption is made that average spending of a tourist is per family and not individual, which brings down the spending to about half of tourists visiting Jordan.
- Another assumption is made that retailers display 80% imported handicraft versus 20% local handicrafts although the Tourism Law (2002 amendments) stipulates under the handicraft section that handicraft retailers must display a minimum of 70% local handicrafts¹.

¹ Traditional and Popular Crafts and Industries and Trading therein regulation No. (36) for the year 2002 issued under article (16) of Tourism Law No. (20) for the year 1998.

Then the following calculation can be made:

Overnight tourists in 2007 X average spending of tourist X 0.5 X 0.2 = Total value of Jordanian handicrafts purchases in 2007

3,430,960 X 70 JDs X 0.5 X 0.2 = 24,016,720 JDs

As for the distribution of Jordanian handicraft purchases by location, then handicrafts is sold the most in Petra which receives the lion's share of tourists according to the below table. Furthermore, foreign visitors nearly doubled to Petra from 271,017 in 2006 to 458,466 in 2007 because of Petra was voted one of the seven world wonders in 2007.

Table 2- Number of Visitors to Sites 2007

Site	Foreign Visitors	Jordanian Visitors	Total
Petra	458,466	122,679	581,145
Jerash	193,354	34,521	227,875
Mount Nebo	199,402	674	200,076
Madaba	162,382	1,662	164,044
Qal'a Castle	111,466	12,852	124,318
Ajloun	64,862	57,387	122,249
Karak	107,455	14,145	121,600
Wadi Rum	98,030	3,109	101,139
Um Qais	49,969	37,688	87,657
Baptist Site	83,096	9,551	92,647

Other popular sites include Jerash, Mount Nebo, Madaba, Qal'a Castle, Ajloun, Karak, Wadi Rum, Um Qais and the Baptist Site.

Location of the handicraft retailer outlets plays a major role in the distribution of handicraft purchases according to the nationality of tourists, according to major handicraft retailers such as Afaghani in Amman and Mr. Zreiqi owner of Petra Tourism Complex in Petra. For example, Mr. Omar Afaghani mentioned that in the Afaghani Amman store most of the sales 85% is to Arabs (70% Jordanians and 15% Arab nationals) and the rest 15% is sold to foreigners. Arab tourists make up a large percentage of the tourists according to be the below Table 3.

Table 3- Tourists by Nationality 2007

Region	Same Day Visitors	Tourist Overnight	Total
Arab Countries	2,753,111	1,731,990	4,485,102
European Countries	298,256	570,861	869,117
Jordanians Residing Abroad	5,852	744,202	750,054
North and South American Countries	30,595	177,783	208,378
Asia & Pacific Countries	4,937	126,069	131,006
South Asia	2,431	64,895	67,325
African Countries	1,515	12,253	13,768
United Nation	969	2,907	3,876
Grand Total	3,430,960	3,097,666	6,528,626

Source: Ministry of Tourism and Antiquities

Mr. Zreiqi owner of a handicraft retail store in Petra said that most of the buyers are foreign tourists and a small percentage is Arab nationals. This spilt in nationality of buyers according to location influences the nature of handicraft products sold in retail outlets in different locations.

Jordan tourism season starts from March until September and Jordan receives most of the foreign tourists in April and May and end of November and December. Most of the Arab nationals visit Jordan from June until September, according to both Mr. Afaghani and Mr. Zreiqi.

As for the most sold handicrafts products, textile products followed by ceramics and mosaics are the most sold inside Amman and in tourist sites around the Kingdom. The percentages may vary but overall these three product categories are the most sold on a national level according to the producers and retailers.

In addition to tourists, handicrafts are sold locally to Jordanians and to local companies and governments as gift items and a small percentage of handicrafts are exported mainly to Saudi Arabia and the Gulf region.

In 2008, the prime minister sent out an official circulation to the government's 48 institutions (ministries, departments, etc) to use Jordanian made handicrafts and products as official gifts. This creates an opportunity for local handicraft manufacturers to upgrade its products and designs.

HANDICRAFTS PRODUCTS AND MARKET SEGMENTS

In this section, textile products, ceramics and pottery, and mosaic products will be analyzed in terms of major products sold and segmentation of markets based on feedback from surveying major producers of these three product categories. Market segments in the handicraft industry tend to vary with individual products.

The surveys of Jordanian handicraft producers revealed that in general there are two main target markets for the producers which are the tourists market and the second market is the local market that includes individual buyers and corporate and government buyers.

1-Textile Products

The most sold embroidery product is small gift items (coasters, tea cozy sets, soft toys, make-up bags, etc) which are predominantly sold to tourists through duty free shops, gift shops at hotels, producers own showrooms, and retailer's outlets at tourist's sites. Other embroidery items that are popular with tourists are cushion covers, runners, shawls and tablecloths amongst others.

Examples of the retail price range for small gift items sold by a successful private business is 22\$ - 25\$ for a tea cozy set. Therefore, gift items that are under 30 USD\$ are the most sold embroidery product and tourists is the largest buyer segment.

Besides tourists, embroidery products are also sold to local buyers as corporate or governmental gifts (embroidered wooden boxes), to hotels (tablecloths and wall hangings) and to individual local buyers. Export markets for embroidery products make up 20% of production and sales are concentrated in the Gulf region and Saudi Arabia.

As for weaving products, the main products are rugs, runners, wall hangings and pillows. The largest buyers in descending order are governmental gifts, local buyers, tourists and corporate gifts.

2- Ceramics and Pottery Products

There are two main buyer segments for ceramics and pottery products, which are tourists and local buyers. The largest buyer segment is the tourist market, and the most sold ceramics and pottery products for tourists are small gift items and ornaments. Products are sold through retail outlets at tourists sites.

Ceramics that are targeted at the local market are ceramic art ware and the most sold products in descending order are (salad bowls, nut bowls, amphorae, plates and pencil holders). In addition ceramics and pottery are sold as corporate and government gift items. These products are sold either through the producers own showrooms or through retailers.

Around 70% of ceramics are sold locally and 30% is exported. Export markets for ceramic and pottery products are concentrated in the Gulf region and Saudi Arabia.

3- Mosaic Products

According to the retailers, there is a high demand for mosaic products, which is not being met by local production. In fact, it was mentioned by one of the large retailers that 80-90% of mosaic sold in Jordan is made in Syria. The reason for low production in mosaic is because it is very labor intensive and Jordan lacks the labor pool that will ensure sustainability of the business for local producers.

The most sold mosaic products is small gift items for tourists (retail price from 2-45 JDs), floor tiles (500 JDs per square meter), wall to wall artwork 500 JDs per square meter), pictures (45-1000 JDs) and furniture (350-1500 JDs).

The largest buyer segments in descending order are tourists, local buyers, hotels, export orders, corporate and government gift items. Most mosaics are sold in the local market and around 30% is sold to international markets including the U.S., France, the U.K. and the Gulf region.

4. CONCLUSION

In conclusion, the highest demand for handicrafts is concentrated in three main sub-sectors, which are textile products, ceramics and pottery and mosaic. The products with the highest demand under the sub-sectors are mainly small gift items and the largest buyers are the tourists segment.

The surveys revealed that handicraft producers design and develop the products according to the target market. Handicraft producers target different products at different buyers according to the season. For example, small gift items are made for tourists in the high season, which is from March until September, special handicrafts are made in Ramadan month for the local and export markets and gift items for government and companies are made at the beginning of the calendar year.

ANNEX A. LIST OF SURVEYED COMPANIES

No	Sub-Sector	Company
1	Ceramics and Pottery	Silsal Ceramics
2	Ceramics and Pottery	Arabesque Ceramics & Mosaics
3	Ceramics and Pottery	Sarab Ceramics
4	Ceramics and Pottery	Pottery Hut
5	Ceramics and Pottery	Iraq Al Amir Women's Association
6	Ceramics and Pottery	Zalloum and Tamimi
7	Textile Products	Al Burgan Handicrafts
8	Textile Products	Al Karma Center
9	Textile Products	Bani Hamida/ Madaba
10	Textile Products	Raghad Hatahet
11	Mosaic	Al Gadara Factory

ANNEX B. JORDANIAN HANDICRAFTS PRODUCERS SUREY

Jordanian Handicrafts Producers Survey

Date: _____

Company Name:

Address:

Website:

Please check type of organization:

- Private sector enterprise
- Manufacturing project supported by funding organization
- Studio based artists
- Education and training facility
- NGO

Person filling out this form:

Name:

Title:

Telephone number:

E-mail:

Q1. Please list your main product categories and retail prices (Please attach the list if needed)

1. _____
2. _____
3. _____
4. _____
5. _____

Q2. How many employees do you have?

Q3. What was the total production size for your company in 2008? Please mention total number of units/pieces

Q4. What were your total annual sales for 2008 in volume? Please mention total number of units/pieces

Q5. What were your total annual sales for 2008 in value (Jordanian Dinars)?

Q6. Please list in descending order the top five selling products (Please indicate volume and value of annual sales for 2008)

1. _____
2. _____
3. _____
4. _____
5. _____

Q7. Please list the raw materials used for each of the top five selling products and its sources

1. _____
2. _____
3. _____
4. _____
5. _____

Q8. Where do you get the designs for your top five selling products? Please list design sources for each of the products in descending order

1. _____
2. _____
3. _____
4. _____
5. _____

Q9. Please list in descending order the average profit margin for the top five selling products

1. _____
2. _____
3. _____
4. _____
5. _____

Q10. Please list the primary categories of buyers for the top five selling products (e.g. local buyers, tourists, corporate gifts, government gifts, local hotels, export orders, etc)

1. _____
2. _____
3. _____
4. _____
5. _____

Q11. If you export your products, what are the export markets? Please indicate what products you sell in each market

1. _____
2. _____
3. _____
4. _____
5. _____

Q12. Please indicate the percentage of annual sales in value for the export countries (e.g. 80% U.A.E., 20% Saudi Arabia)

Q13. Please indicate the percentage of annual sales in value for local, regional and international markets (e.g. 70% local, 20% regional and 10% international)

Q14. How do you sell your products? Please list your marketing outlets (e.g. own showroom, retailers, online orders, bazaars and exhibitions, etc)

1. _____

2. _____

3. _____

4. _____

5. _____

Q15. Do you package your products for presentation?

Yes, please specify type of material used and packaging company No

Q16. Do you package your products for export?

Yes, please specify type of material used and packaging company No

Q17. Do you have a brand label for your product?

Yes No

If Yes, please specify name of brand and information on the label

Q18. Please list the machines and equipment used in production of main product lines

1. _____
2. _____
3. _____
4. _____
5. _____

Q19. Please check the most important challenges facing your product?

- Marketing and market access
- Lack of innovative design
- Quality control
- Availability of raw materials
- Lack of branding and labeling
- Lack of packaging ideas and materials
- Lack of information on market demand
- Lack of technical skills
- Lack of business skills
- Other, please specify

Q20. Please check the type of existing skills of your employees

Technical Skills

- Embroidery
 - Cross stitch embroidery
 - Hand sewing
 - Machine sewing
 - Fabric painting and dyeing
 - Silkscreen
 - Knitting
 - Doll making
 - Weaving
 - Candle making
 - Paper making
 - Silver Jewelry making
 - Copper items making
 - Basket making
 - Straw Binding
 - Soap Making
 - Carpentry
 - Pottery and Ceramics
 - Mosaics (glass and stone)
 - Fabric covered boxes and home accessories
 - Resin Mold making (for jewelry)
 - Resin Mold Making (for home accessories)
 - Puppetry
 - Glass painting
 - Developing new designs
 - Others please specify
-

Business Skills

- Marketing
 - Costing and pricing
 - Volume production methodologies
 - Small business management
 - Financial management
 - Merchandising
 - Packaging
 - Others please specify
-

Q21. Please list the type of skills needed by your employees (Technical and Business Skills)

1. _____
2. _____
3. _____
4. _____
5. _____

Q22. Do you have any other comments?

ANNEX C. JORDANIAN HANDICRAFTS RETAILERS SURVEY

Jordanian Handicrafts Retailers Survey
Date: _____
Company Name: Address: Website:
Person filling out this form: Name: Title: Telephone number: E-mail:

Q1. Please list your main product categories and retail prices (Please attach the list if needed or put the range of prices, e.g. from 1 JD – 10 JD for ceramics)

1. _____
2. _____
3. _____
4. _____
5. _____

Q2. Please list in descending order the top five selling products (Please indicate volume and value of annual sales for 2008)

1. _____
2. _____
3. _____
4. _____
5. _____

Q3. What were your total annual sales for 2008 in volume? Please mention total number of units/pieces

Q4. What were your total annual sales for 2008 in value (Jordanian Dinars)?

Q5. Please list the primary categories of buyers for the top five selling products (e.g. local buyers, tourists, corporate gifts, government gifts, local hotels, export orders, etc)

1. _____
2. _____
3. _____
4. _____
5. _____

Q6. Please indicate the high seasons for your top five selling products (e.g. embroidery sold most in June and July).

1. _____
2. _____
3. _____
4. _____
5. _____

Q7. Do you have any other comments?

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