

it's all about: the design



The future of Fair Trade handicrafts in Sri Lanka

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Course in Fair Trade
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Summary

The main focus of this report is on the importance of design when it comes to the development of exportable fair trade products at a competitive market. The export market for fair trade products is today very limited, even though rising consumer interest makes the future promising. How to increase the market is a considerable challenge. One option would be to develop the non-existing local market for fair trade products. Possibilities to increase production would mean that the traditional skills and techniques could be preserved and cost for marketing and transportation would be lower. Overall the handicrafts produced in Sri Lanka are of good quality. The raw materials are relatively cheap and labour costs are lower even with fair wages. Skills, techniques and materials are especially suitable for the seemingly insatiable market for interior design. The use of well-known designer names could boost the exports for producers. Marketing as such should focus on promoting the capabilities, skills and techniques of the producers rather than emphasizing on traditional style products.

The future for the Sri Lankan handicraft industry is reliant on how the market can be developed and with whom that development can occur. The mind set of producers, importers and consumers will have to shift towards the facts that the goods are hand made, of good quality and of excellent design.

Introduction

Throughout 2008 the Swedish Red Cross has offered a course entitled Fair Trade (Rättvis Handel). The course has focused on giving a deeper insight into the problems and opportunities, as well as the pros and cons of the international Fair Trade movement. As part of the course a field trip to Sri Lanka has been carried out, of which this report is the outcome. The authors are studying the course on a part time basis and hold regular jobs or conduct parallel studies in conjunction with the course. This report is focusing on the importance of design when it comes to development of exportable fair trade products – especially in the field of Sri Lankan handicrafts. This report will explore the initiatives taken by the different actors on the Lankese handicraft market. The handicraft sector occupies a large number of home based, informal workers with the lowest incomes and of which a larger share are women. Visits have been made to NGOs' and local community producer groups making baskets, coasters, bags of different sorts of palm leaves, brass items, lace, hand loomed cotton and coir mats. In addition visits have been made to retail stores, vocational training centres and The International Fair Trade Association, IFAT, Chair in Sri Lanka.

Objective

The purpose of this report is to explore the importance of design, product development and marketing in order to increase the market share and export opportunities for Fair Trade handicrafts in Sri Lanka. This report will not explore the link between Fair Trade and poverty reduction, since Fair Trade has been developed as a direct response to poverty. We will however reflect upon the impact IFAT certified organisations have had on the producers and their families in comparison to commercial or state owned handicraft initiatives. Our hypothesis is based on the suggestion that some design modifications and marketing efforts can lead to an increased export of Sri Lankan Fair Trade handicraft and therefore benefit a greater amount of people involved in the industry. This in turn will make increasing numbers of individuals everyday life better.

Method

The analysis is carried out on the basis of the IFAT criteria for fair trade goods. Interviews have been carried out with Swedish importers of both conventionally produced and fair trade handicrafts. During the field study visits have been made to various community groups producing goods for both the local market and for exports. The leader of the Sri Lankan Fair Trade Forum (head organisation for IFAT in Sri Lanka) has been interviewed, as well as a member of the governmental handicraft board through their distribution channel Laksala retail stores. As a comparison a successful local designer and private enterprise has been visited. In addition to the qualitative efforts above, some literature studies have been carried out as well as information gathered from the internet.

Fair trade and handicraft

The term handicraft usually refers to articles produced with or without the use of tools, simple instruments or implements operated directly by the craftsman mainly by handⁱ. Handicrafts are usually divided into two groups, utility goods or items primarily of an artistic nature. Handicrafts are part of our heritage, and contain thousands of years of experience and skills. Every country and region has its own unique handicraft tradition. Today most of the items traditionally made by hand are made in industries, and handicrafts people are among the poorest in the world. Today in Asia, Africa and Latin America hundreds of millions of people continue to depend on traditional hand skills to earn a living. The first Fair Traders in the 1950s began trading in handicrafts as a response to poverty in just this sector.ⁱⁱ

Even though handicrafts are one of the first sectors within the Fair Trade movement it has also been the most problematic and complex sector when it comes to scale and profitability. There is an ongoing trend that importers are moving away from handicrafts to more profitable goods such as textiles and food. The reason for the decreased demand on traditional handicraft is due to a number of things such as an increase competition with industrial goods offered at a lower price, slow adoption to trends and problems with quality assurance.

In the handicrafts sector most producers work informally either on their own, in small family enterprises, in large cooperatives or in village group. The sector is poorly defined and is lacking reliable statistics. One thing that characterises the sector is that the majority of handicrafts producers are women working in their homes to complement their earnings in order to improve the situation of their families. People in this informal sector are a easy targets of exploitation by middlemen, have no insurance or social support.ⁱⁱⁱ The international organisation, HomeNet International, has been raising this issues and is trying to organize the home based workers in the world. Siayth Foundation in Sri Lanka is organizing a HomeNet awareness movement and trying to organize the handicrafts groups around Sri Lanka.

Since handicrafts are involved in such a complex value chain it is not possible for them to be certified as FAIRTRADE. Instead the organisations/producers are members of IFAT. Through the membership IFAT producers get a framework to organise themselves, to fight exploitation, to adapt traditional designs to consumers requirements and develop new products, to provide information and training and to find markets. (See IFATs 9 standards.) One of the key differences between Fair Trade and conventional trade in handicraft is the comprehensive relationship between the producer groups, the local Fair Trade organization and the importer.

IFAT's 9 STANDARDS

- 1. Creating opportunities for economically disadvantaged producers**
- 2. Transparency and accountability**
- 3. Capacity Building**
- 4. Promoting Fair Trade**
- 5. Payment of a Fair Price**
- 6. Gender Equity**
- 7. Working Conditions**
- 8. Child Labour**
- 9. The Environment**

Fair traded handicrafts in Sweden

This section will describe some of the Fair Trade initiatives within the handicraft sector in Sweden. The focus will be on design and product development. (For more information see the various producer/organisation reports listed at the end of this document.)

A Specific Design Project

There is also one Swedish initiative that is worth mentioning that clearly put Scandinavian design in focus and at the same time use local knowledge, techniques and materials. FORMISSION is a project introduced by the Swedish Chamber of Commerce in collaboration with the Norwegian Commercial and Service Enterprises. FORMISSION is taking advantage of existing skills, materials and the high quality of handicraft in Vietnam to develop new products, with potential on the international market. The project is a result of craft exchange between Scandinavian designers and Vietnamese producers. The project is based on the promise that a sustainable handicraft industry in the country will help exporters and their families to achieve economic independence and increased quality of life.

A glance at the Fair Trade Sector in Sweden

Before our field study we interviewed some of the importers (retailers and wholesalers) within the Swedish fair trade sector about their product development, how they co-operate with the producers about design and what kind of values their products should promote. We interviewed four businesses that focus on design; Minh – Made in Vietnam, Afroart, North & South and Emosa. Three of them see themselves as part of the fair trade movement in Sweden. One actor sees himself more as an extension of the country of origin for their products. As a complement we also interviewed a big fashion and interior company, Indiska.

Design and Product development

All of the Swedish importers start the work with design and product development focusing on the skills of the producers. Their strengths, capacity and handicraft techniques are the starting point of the co-operation. Sometimes the producers send ideas to Sweden and vice versa but most common is a combination of an existing product with some changes in colours, size, techniques or buttons etc or a new product that is a complement to an existing product. It is very important for the Swedish retailers that the traditional handicraft sustains, improves and develops.

Communication is mainly through e-mail and phone calls, but the Swedish importers try to visit the producers at least once a year. Many pictures and blueprints are travelling back and forward before the first sample is sent to Sweden. The quality is also an essential task for the importers. The time can vary from a few weeks to almost a year to create a new product, taking into account natural disasters, political

turbulence in the region, lack of raw material etc in the producers' country. Sometimes the communication goes through the export organisation in the country of production and they handle the communication with the producers. This is a matter of illiteracy, limitations of language, business skills and access to internet, computer etc.

Long Term Relationships and Value Added Products

The importers strive for a long-term relationship with the producers. If a product doesn't sell they try to reorganise so that the group can produce something else instead of closing down the co-operation. North & South has agreements that run a minimum for five years. Several of the importers stress that the personal relationships are extremely important and have a decisive role to play. The dialogue between the partners should be open, trustworthy, transparent and with joy, according to the importers. For some smaller importers it is important to work with producer organisations that have a stable organisation, because the Swedish businesses are too small to support the organisation. Quality is one of the key principles that the Swedish importers want to promote. Another key principle is to preserve the traditional handicraft and to show the people behind the product. Several of the importers create tags, boxes etc to tell a story about a special person or group of producers. All of the importers try to choose materials that are sustainable for the local environment. Some have difficulties with colours and the process of dyeing. The essence is of course that the producers should have decent working conditions and salaries and the ability to improve their situation and to demonstrate a positive image for their country. The communication with customers is also an important aspect for the importers. The Swedish businesses want to have a verbal dialogue and to tell the story about a certain product.

Finally we noticed a big involvement and devotion for the producers among the importers. Regarding Indiska, they work in a similar way with long-term relations and product development but their organisation is so much bigger.

the handicraft sector in Sri Lanka

During our field study we visited three IFAT certified organisations, one state owned initiative, and one private non IFAT company working with export of handicrafts. We have met both the head offices and the producer groups. Below follows a short presentation of the organisations and some highlights regarding their view on design, product development, market communication and upon the future for the exports of handicrafts. For more information see the producer/organisation reports.

Laksala “For a Prosperous Crafts Community”

The governmentally initiated Laksala organisation produces and sells traditional tourist items such as painted masks, dolls, leather items and baskets in their own stores. In their craft training division one learns how to carve wood, make rush and reed products, lace, pottery, bamboo and cane products and to make artificial flowers. According to information provided by Laksala one of the purposes of their crafts training is to upgrade the traditional handicraft products to suit the modern markets in order to be the export leader.

But of this there is little evidence. It might take more than a century before carved and printed elephants are a la mode and dolls dressed in traditional clothing will probably not be a bestseller at Christmas this year or the next.

Laksala's homepage shows that they are aware of the rise of conscious consumption. "Since there is a big demand for eco-friendly products in the modern society, an emerging tendency for a good market for handicrafts is visible". (www.laksala.lk) Yet, they do not express any action taken towards a more eco-friendly production as in the use of recycled materials and the avoidance of chemicals. If Laksala's ambition really is to be the leader in exporting Sri Lankan handicrafts they need to make some serious adjustments and develop their products' design in order to compete on the international market.

Sarvodaya “Peace Builds the Nation”

Sri Lanka's largest people's organization has been described as an international role model but their role as an IFAT member might be questioned.

Sarvodaya relies on the importers' own initiative when it comes to design and product development. Within the basket production they buy their products from producers belonging to Laksala and according to Sarvodaya, Laksala are the ones who should organise capacity building activities (but they do not). The producers rarely take own initiatives to new products and designs.

Sarvodaya has had some design liaisons during the past years, but unfortunately none have been sustained. During these periods exports have temporarily increased, but as cooperation has ended no product development has taken place to replace outdated products. Some designs have also been limited to a very specific market resulting in a short life cycle for the products.

The only designer continuously working with Sarvodaya is Katarina from the Swedish importer North and South. Katarina sends her designs on paper by mail. Paul Fernando, until recently manager of the export division at Sarvodaya (he is now retired), does not have very high thoughts regarding the increase of export or the range of handicrafts. Much could be done but it seems like Sarvodaya does not have the capacity required to make the needed adjustments. Peace builders indeed, but the export and development of handicrafts as an IFAT member might not just be their cup of tea.

Siyath Foundation “Empowering Individuals”

Siyath Foundation has high ambitions and they have a sufficient ‘know how’ in order to really make things happen. Empowerment as a organisational motto, goes hand in hand with the ideas of Fair trade. In the economic development division the work with Fair trade is of great importance.

The opening of the fair trade shop in February 2008 is a good example of how Siyath is keen to broaden their business when selling fair traded goods at the local market in order to create awareness and target the upcoming middle-class in Colombo. It is a shame however that the tight budget does not allow any marketing expenses, which leaves the shop without any frequent customer flow. It could be that Siyath does not understand the importance of the extensive marketing needed as a result of the somewhat hidden location of the shop.

Siyath is positive to design collaborations and have some early and ongoing examples of successful ones. It is easy to get the impression that ‘everything is possible’. As any business eager to make a profit, Siyath wants to make products that sell. Better than other organisations it has been able to follow trends regarding product design, for example with regards to sustainable materials, utility potential and added value rises within the division.

Siyath can see some potential in the future of exports of handicrafts. They are aware of the competition and hope to develop some extraordinary products that can compete on the international market. Their biggest expectations seem to be towards the local market as the purchasing power increases.

Barefoot “Design is our Commodity”

The key for Barefoot is design and weaving “a philosophy of life”. Barefoot’s unique confidence and style has made them legendary in Sri Lanka and successful abroad. Barefoot repeatedly express their concern for the workers situation, for example by indicating how they are not cheap substitutes for machinery. They also claim that their fabrics are eco-friendly which automatically gives the impression that they are both Fair Trade and organic. They are not. But somehow they manage to stay credible due to the loving and caring philosophy they communicate. In other words; an example of great advertising that in turn help them justify a higher price.

Central Council of Disabled Persons “We Have Done it Ourselves”

The organisation did not have any activities ongoing at their central premises at the time of our visit. It is uncertain for how long this has been the case; machine halls and the printing workshop was deserted and there was no vocational training going on. Despite the lack of activity the Central Council of Disabled Persons, CCoDP, seemed fairly interested in importing organic cotton for their t-shirt production. Their showroom contains a large number of products, some of export quality, like educational toys. The centre claims to develop custom made designer products, but there was little evidence of this. The main part of the product range are still of traditional Sri Lankan design, such as masks and ornaments purely for decorative purpose. Overall, the products seemed to be of relatively good quality.

Discussion

Why IFAT?

Clearly there is a reason why organisations want to seek the membership of IFAT. There is a view that it would mean a competitive advantage in some customer segments to offer goods that is ethically produced. The IFAT standards ensures the customer that at least some minimum criteria are being adhered to when it comes to socially and economically disadvantaged producers. Another reason is the opportunity to reach traders and importers in more economically developed countries. The prospect of reaching new markets is an important incentive to become a member of IFAT, thus taking advantage of the IFAT network of members. The introduction of a labelling system will mean that IFAT takes up competition with FLO when it comes to marketing the fair traded products with a specific logo. However there is a big difference; FLO uses independent surveyors in order to evaluate members' adherence to criteria, while IFAT depends on self-assessments as mentioned earlier. The method of self-assessment combined with the opportunity to gain positive effects from an IFAT membership could mean that the labelling is at risk of being misused, as mentioned in the case of CCoDP.

Continuity and Competition

There is evidence when looking at successful enterprises such as Barefoot in Sri Lanka and North & South in Sweden, that long-term relations are essential for a sustainable business. Many of the handicraft trades have been passed on through generations, but modern lifestyle and diminishing demand for traditional goods have meant that younger people's interest for hand made products have decreased considerably. Both Barefoot and North & South are emphasizing the importance of long term relationships between producers and importers in order to maintain a continuous inflow of orders and sales. They fear that in the future there will be a lack of skilled labourers. Also, the traditional designs have proved hard to export. Many producers are not familiar with what the export market demands in terms of design, colour and materials. Both Sarvodaya and Siyath Foundation stress the importance of getting external help with the design of products. However, the use of external designers makes the business vulnerable – as designers move on to new challenges the producers soon get stuck with products that are not updated for the fast changing market in the North. The Moratuwa University is trying to come to terms with this problem by introducing a local design programme which will educate Lankese students in art and design.

Another problem for Sri Lankan producers is the cost of production. Hand made items are more expensive, even though produced in a country with relatively low wages. An example of this is the lace industry that has ceased to exist other than as a hobby for a few skilful women. The competition from machine made high quality Chinese lace has made the Lankese market unprofitable.

Conclusion

During our visits to the various handicraft groups the one thing that comes to mind is the vulnerability of their businesses. They rely on personal contacts with importers that they must hope have a serious intent and that see the advantages in building long-term relationships. There is more than one story to tell about fiery spirits that have disappeared together with export opportunities.

In order to nurture long-term relations and to increase these export opportunities it is essential that the producers adjust to the market they want to reach out to. One way of doing this is by capacity building within the field of contemporary design. The initiative by the Moratuwa University to start a higher education for this purpose will serve as an effort in the right direction. In addition there is of great importance to set up networks within the fair trade movement where designers from both the producing as well as the importing countries can connect and exchange knowledge and experience. Cooperation between designers and producers would lead to development of more market adjusted products.

The importers and traders have a large responsibility not only for maintaining the long-term relations, but also for the continuous development of new designs and products. It is also essential that they closely monitor product quality, since fair trade goods are usually sold at a higher price and therefore the consumers expect high quality products. If the producers explore the possibility to add value to their products by giving them some sort of “edge” or “exclusiveness” even more can be gained.

The Lankese handicraft production often has good quality, relatively cheap raw materials and low labour cost even with fair wages. Skills, techniques and materials are especially suitable for the seemingly insatiable market for interior design. The use of well-known designer names could boost the exports for producers given the opportunity. Successful products or projects should be used as reference when attracting new customers. Marketing as such should focus on promoting the capabilities, skills and techniques of the producers rather than emphasizing on traditional style products.

The export market for fair trade products is very limited today, even though the rising consumer interest makes the future promising. It is still a small share of production that can be sold as fair trade. How to increase the market is a considerable challenge. One option would be to develop the non-existing local market for fair trade products. This would be valid especially for toys and educational material. Possibilities to increase production would mean that the traditional skills and techniques could be preserved and cost for marketing and transportation would be lower.

The future for the Sri Lankan handicrafts is reliant on how the market can be developed and together with whom. The mind set of producers, importers and consumers will have to shift towards the facts that the goods are hand made, of good quality and of excellent design.

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ⁱ Laksala's 40th Annivertisy Report

ⁱⁱ Business Unusual

ⁱⁱⁱ Business Unusual