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# The enterprise of craft: constraints and policy challenges in South Africa

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In South Africa a growing policy focus is support for the development of craft enterprises. Policy interest in the craft sector derives from its close linkages with tourism. The aim of this article is to provide a critical analysis of the major constraints that confront the craft sector in South Africa. It is argued that policy interventions must deal with the problems of both those groups of craft enterprises which are oriented to external markets as well as those which are more narrowly focused on local markets.

## Die onderneming van handewerk: beperkings en beleidsuitdagings in Suid-Afrika

'n Groeiende beleidsfokus in Suid-Afrika is ondersteuning vir die ontwikkeling van handewerkondernemings. Beleidsbelangstelling in die handewerksektor spruit uit die noue verbinding van die sektor met toerisme. Die doel van hierdie artikel is om 'n kritiese ontleding te lewer van die belangrike beleidsprobleme wat die handewerksektor in Suid-Afrika in die gesig staar. Daarit word geargumenteer dat beleidryping die probleme van beide groepe handewerkondernemings moet aanspreek, naamlik ondernemings wat georiënteer is tot eksterne markte sowel as ondernemings wat meer gefokus is op plaaslike markte.

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One economic sector which is attracting growing policy attention in South Africa is craft, which is part of the wider category of “creative industries” (HSRC 2008). In South Africa recognition of creative industries began with the influential series of reports produced on “cultural industries” for the (former) Department of Arts, Culture, Science and Technology by the Cultural Strategy Group (1998a, 1998b, 1998c, 1998d & 1998e). The category of “cultural industries” was defined broadly to encompass music; the visual arts; the publishing sector based on creative writing of literature; the audio-visual and media sector; performing arts; the craft sector (including traditional African art, designer goods and souvenirs); cultural tourism, and the cultural heritage sector (Cultural Strategy Group 1998a). Hewitt & Janse van Rensburg (2008) point out that national government views the development of cultural industries as enhancing the country’s identity and distinctiveness within the context of globalisation. In terms of the several segments of creative industries, the craft sector is considered of particular significance because it represents “a potentially powerful means of providing job opportunities to the thousands of previously disadvantaged and marginalised people, the majority of which are women” (Tourism Enterprise Programme 2006). Added interest in the potential for developing the craft sector in South Africa derives from its close linkages with tourism (Rogerson & Visser 2004) and opportunities for development of arts and crafts SMMEs linked to the country’s hosting the 2010 FIFA Soccer World Cup (Tourism Enterprise Partnership 2008).

Since 2005 the Department of Trade and Industry (DTI) has become increasingly active in supporting several initiatives for maximising the development impacts of the craft sector in South Africa.<sup>1</sup> In 2008 the Deputy Minister for Trade and Industry reaffirmed that national government and DTI “have always been aware that the craft industry holds huge potential for job creation and the generation of income” (Thabethe 2008). More recently, in the 2010/11-2012/13 Industrial Policy Action Plan, the DTI states the craft sector to be “a strategic sector because it has the ability to contribute to economic

1 Cf DTI 2007, Thabethe 2007, HSRC 2008, DTI 2010.

growth” (DTI 2010: 75). Against this background, the aim of this article is to provide a critical analysis of the major problems that confront craft enterprises in South Africa. Addressing these problems is essential in order to maximise the contribution of craft for local development, including for poverty alleviation.

## 1. Defining arts and crafts SMMEs

The question of defining the sector of “arts and craft” and of crafting enterprises is described as “a vexed issue” (Marcus 2000: 20). As pointed out by the HSRC (2008: 35), craft products “encompass a vast variety of goods made of diverse materials” which makes “it incredibly difficult to give a satisfactory definition of the material content, technique of production and/or functional use of craft products”. One recent study considers that craft combines expressions of cultural and traditional heritage, artistry and enterprise and extends its linkages across an array of different economic and cultural activities (Hay 2008: 1). Certain investigators define craft as a product that is at least 80% handmade from different materials which can include clay, natural fibre, beads, recyclables and textiles. Typical crafts therefore would encompass homeware, curios, novelties, gifts, fashion wear and “one of a kind” collectables. This group of craft products can be subdivided into “handicrafts” and “traditional crafts” as certain crafts have been pursued for many years in specific geographical localities whereas other forms of craft are modern interventions (Hawkins jr 2007).

Six set of categories of goods that fall into the arts and crafts economy of South Africa are often differentiated:

- One of a kind or collectables

This category of products emphasises design -traditional or contemporary design-led merchandise. Criteria are the quality of manufacturing, creativity, originality and use of contemporary design as a marketing tool.

- Gifts and novelties

This category includes both corporate and personal gift items. It encompasses creative and unique products branded and packaged for special events, sponsorship activities and other corporate events.

- Homeware

This important category centres on décor products that beautify or are functional for a home or corporate environment. It would range across furniture, floor coverings and lighting accessories to artistic decorative pieces, soft furnishing textiles and wall art.

- Jewellery and fashion accessories

This category includes jewellery designer ware using old and new materials. Other items in this category would be clothing accessories “to dress up and go”.

- Curios or souvenirs

This category is centred on crafts that serve as a reminder of a particular destination and would include curios, novelties and memorabilia.

- Garden and outdoor

This category would be dominated by décor products which are exclusively designed for outdoor use (Hawkins Jr 2007).

In academic and policy work, a functional definition of craft usually is applied. The Cultural Strategy Group (1998b: 8) proposed a definition of craft as “the production of a broad range of utilitarian and decorative items manufactured on a small scale with hand processes being part of the value added content”. In addition, it was stated that the production of such craft goods “utilises a range of synthetic and natural materials”. This functional definition of craft was endorsed in the 2007 Sector Development Strategy for craft issued by the Department of Trade and Industry (DTI 2007). In this instance, the craft sector is defined most broadly as the creation and production of goods on a small-scale basis and using hand processes (DTI 2007: 11). The craft value chain is viewed as including design, provision of inputs, production, services and distribution, retail and consumption.

Finally, in terms of definitional issues, it should be noted that a number of writers choose to use the terminology “non-timber forest products” or NTFPs (Citalli & Shanley 2004). The term NTFP draws from an international set of writings and has been applied in South Africa to examine a segment of craft SMMEs which involve using natural resources harvested for subsistence or commercial use and adding to the livelihoods of especially poor rural dwellers (Shackleton & Shackleton 2003 & 2004). In many sub-Saharan African countries NTFPs provide crucial resources “for local livelihoods where no other social security is provided by the state” (Citalli & Shanley 2004: 6). Typically, the most applied definition of NTFPs is as a generally inclusive term which refers to any wild biological resource (animal or plant) harvested from forested lands by rural households for domestic consumption or small-scale trade, with no or limited capital investment (Shackleton *et al* 2007).

In terms of post-1994 policy development, Marcus (2000: 19) argues that “crafting falls within cross-cutting foci”. At one level, craft is part of a development vision that centres on the stimulation and growth of tourism as an economic sector with considerable prospects (Rogerson & Visser 2004). Indeed, increasingly the promotion of rural handicrafts is considered “an integral element of both rural development and tourism planning in South Africa” (Rogerson 2000: 193). At another level craft is viewed as fitting “with the idea of stimulating economic activity across all sectors by widening the range in enterprise scale through the stimulation of small, medium and micro-enterprise” (Marcus 2000: 19). Finally, craft is considered a potential driver or lead sector for the planning of local economic development (Ndabeni 2005, Rogerson & Rogerson 2010).

## 2. Craft and development in South Africa

Until the 1980s the handicraft sector in South Africa was under-researched and little was known or understood of its essential characteristics, dynamics or development potential. During the 1980s a number of humanitarian agencies and NGOs began to promote craft production as a source of income and employment, particularly

in the economically undeveloped Bantustans (Rogerson 1986, Preston-Whyte & Rogerson 1991). In addition to this growing interest in the potential of rural crafts there appeared the first detailed academic investigations into the South African craft economy by Preston-Whyte and her colleagues who documented the growth of a range of craft self-help schemes or development projects in rural Bantustan areas (Preston-Whyte 1983, Preston-Whyte & Nene 1991). In particular, craft development in KwaZulu was the basis for this research. Through the lens afforded by these earliest investigations the first picture began to consolidate of the characteristics and issues facing craft enterprises. It emerged that craft enterprise or business models in South Africa were variable. These ranged

... from the individual on the side of the road hawking crude hand-carved wooden sculptures to the artist charging thousands of Rands for an over-fired ceramic vase; from informal trader to sole proprietor to closed corporation to cooperative to publicly listed company (Hay 2008: 1).

During the democratic era, the characteristics of the craft industry have been further analysed with the appearance of a steady stream of mainly rural-focused works which highlight the close relationship between the craft sector and the expanding South African tourism economy.<sup>2</sup> Notwithstanding the diverse nature of the population of craft enterprises, it was argued that those found in rural areas evidenced certain common characteristics and attributes. The key features of small rural craft enterprises are well-summarised by Hay (2008: 2):

They dream of turning over R1 million per annum; many dream of turning over R100 000, and for many the reality is R10 000. They regularly comprise a group of women, many of whom are illiterate and innumerate. They have little or no infrastructure. Participants meet at homesteads or at a community centre. Production equipment, if any, is usually located in individual homes. Communal harvesting or cooperative buying of raw material reinforces social bonds and reduces costs. The business is informal – it is not formally registered [...] The market is usually an intermediary ‘middleman’ located in an urban centre – a single market channel

2 Cf Memani 1999, Mathfield 2000, Rogerson & Sithole 2001, Ndabeni 2002, Gaylard 2004, Elk 2005, Migiro & Adigun, 2007.

is the norm. Product development and innovation is driven by this 'middleman' as is quality control. The primary mode of communication is cellular telephone.

Several benefits are acknowledged concerning development of the craft sector in South Africa. First, it is stressed that crafts provide a critical source of employment for vulnerable segments of society, in particular for rural women and increasingly for AIDS-affected households.<sup>3</sup> Secondly, the craft economy often builds upon traditional skills; its flexibility and home-based nature means that "women can integrate their economic activities with household duties" (Cultural Strategy Group 1998b: 3). As noted by one researcher, craft "is a transferable skill that is relatively easy and cheap to acquire" (Marcus 2000: 34). Thirdly, craft can be viewed as an important "entry point" into the economy, especially for people with poor levels of education and literacy skills (Rogerson 2000). In many respects "craft activity acts as a low cost training 'school' for skills which can be later utilized in the formal sector" (Cultural Strategy Group 1998b: 3). Fourthly, the craft sector is considered a potentially significant source of potential innovation, functioning as an incubator and test marketer of certain manufactured goods which later could be produced on a mass scale. In the fifth instance, the craft sector is viewed as integrated into other growing sectors and value chains of the South African economy, most importantly the tourism sector (Mathfield 2000, Rogerson & Sithole 2001, HSRC 2008). Finally, crafting is regarded "as a route through which the history and culture of individuals, their kin and communities could be kept alive and vibrant" (Marcus 2000: 34).

In terms of the existing knowledge base of South African craft, the most influential recent national study is the 2007 DTI Sector Development Strategy (DTI 2007). This customised sector development strategy represents a landmark policy investigation as it reflects the significance accorded to the craft sector in contemporary national government planning. Under the Accelerated Shared Growth Initiative for South Africa, craft is one of the identified "priority sectors" for policy attention (DTI 2005). In 2007 the (then) Deputy Minister of Trade and Industry stated that the "creative industry is one of

3 Cf Marcus 2000, Kruger & Verster 2001, Marschall 2004, Shackleton 2005.

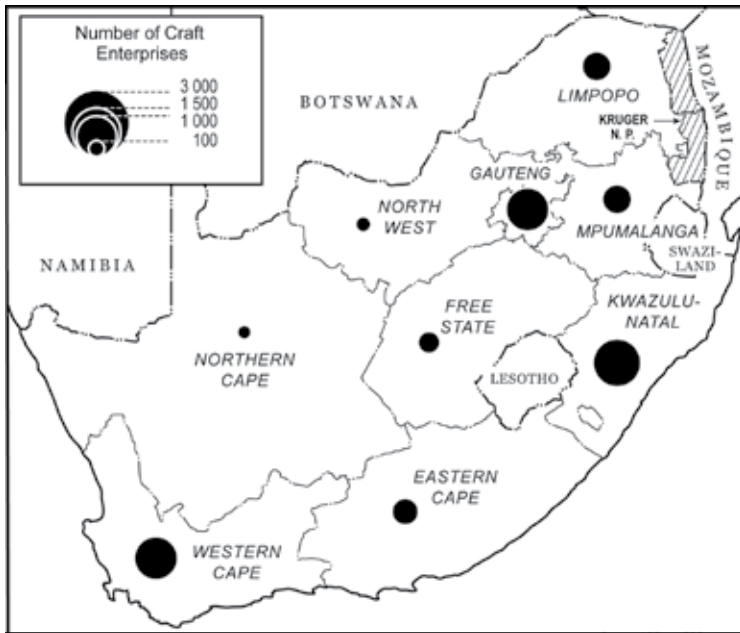
the key labour intensive sectors prioritised by government to create new businesses and massive job opportunities, owing to its very low barriers of entry and the lowest comparative cost of creating a job” (Thabethe 2007). The expansion of the craft sector is particularly important as it represents “a potentially powerful means of providing job opportunities to the thousands of previously disadvantaged and marginalised people, the majority of which are women” (Tourism Enterprise Programme 2006: 38).

One critical issue is poor statistics and the absence of reliable data to understand the changing dynamics of the craft economy (ECI Africa 2004, DTI 2007). Accurate information on craft is limited because of “the informal nature of the sector, which is considered a home-industry sector” (ECI Africa 2004: 3). In 2004 it was estimated for the province of KwaZulu-Natal that there were at least 89 660 crafters who generated a cumulative total of R994 million annual sales (ECI Africa 2004: ii). At the national scale, the most recent estimates are provided by DTI that the sector contributes approximately R2 billion to GDP in retail sales, of which R150 million is in export sales (DTI 2007). According to the DTI, the sector comprises approximately 7028 enterprises across the entire value chain from raw material suppliers to retailers. In total these enterprises derive an annual income of R1 145 million which supports an estimated 380 062 persons. It is cautioned, however, that this data must be treated with caution as the figures represent a radical lowering of previous estimates by the Cultural Strategy Group of the size and numbers of employees working in the craft sector of South Africa.

The two major components of the craft sector – production and retailing – are overwhelmingly dominated by small, micro- or informal enterprise (Elk 2005, Hay 2008). Of note is the fact that the craft sector is markedly segmented along racial lines. One study records that the “majority of black crafters tend to be producers while the white and Indian crafters are involved in supplying raw materials, providing product designs, wholesaling, retailing and exporting products” (ECI Africa 2004: 1). Geographically, it is evident that



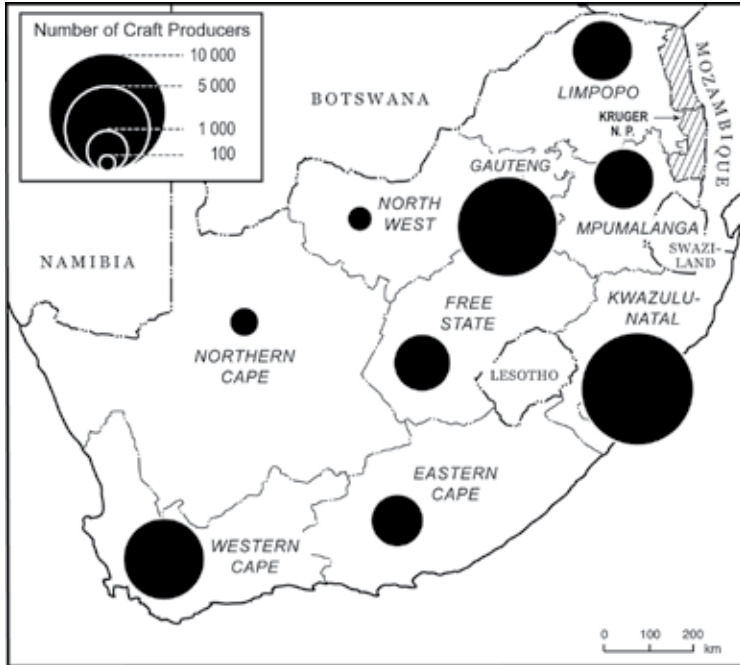
Figure 1: Spatial distribution of craft enterprises by province



Source: Data from DTI 2007

The craft industry is unevenly distributed across South Africa. Figure 1 discloses that the leading provinces in terms of numbers of craft production enterprises are Kwazulu-Natal, Gauteng and the Western Cape. The importance of the craft industry for these three provinces is again apparent if data is analysed concerning numbers of craft producers (Figure 2).

Figure 2: Geographical distribution of craft producers



Source: Data from DTI 2007

As is shown in Figure 2, the Western Cape, Gauteng and KwaZulu-Natal are the leading areas for full-time craft producers. It must be appreciated that while the South African craft industry is of particular significance in spatially remote rural areas, it also includes a notable segment of urban-based enterprises.

Despite limited statistical information, an important trend is the obvious existence of signs of sector growth. One estimate made by the DTI estimates an average 40% growth in a five-year period since 2000. This growth can be attributed in part to the impact of the surge in long haul international tourism arrivals which has taken place in South Africa (Rogerson & Visser 2004). Nevertheless, domestic demand remains a significant driver for craft enterprise growth (HSRC 2008), a finding which was confirmed by a recent national survey of external market-oriented craft enterprises (Rogerson & Rogerson 2010).

With the hosting of the FIFA World Cup in 2010 a further tourist-driven expansion of South Africa's craft sector was anticipated (Tourism Enterprise Partnership 2008). A number of local micro-studies, however, point to structural challenges faced by craft entrepreneurs in developing successful businesses. For example, ECI Africa stress that considerable potential exists for further growth of the crafts economy provided that a number of constraints are addressed through appropriate policy intervention (ECI Africa 2004). The next section analyses critically the debates concerning enterprise development and challenges confronting craft enterprises in South Africa.

### 3. Developing craft enterprises: key challenges in South Africa

In reviewing the multiple and complex issues that challenge the growth of craft enterprises in South Africa, three sets of material can be drawn upon. First, there are a limited number of studies which situate the issues facing South Africa's crafters in comparative international context. Secondly, there is a wider body of research that unpacks the constraints facing craft enterprises and offers relevant policy suggestions. Lastly, an emerging cluster of research tracks the somewhat neglected issue of the importance of local markets for craft enterprises.

### 3.1 Lessons from international experience

In learning lessons from the experience of handicraft development in other countries, a critical review of a large volume of comparative international research material on enterprise development in rural handicrafts was undertaken. The findings of this research disclosed six key sets of constraints as significant in blocking employment and income opportunities for rural households involved in handicraft production. It was suggested that in many respects the constraints identified in rural handicraft activities are a mirror of the problems of rural small enterprise development as a whole in the developing world (Rogerson 2000, Kamara 2006, UNWTO 2008).

The first set of constraints relate to markets and marketing. The international experience shows that core issues for handicraft enterprise development are the existence of small and insecure markets as a result of low rural incomes, seasonality, poor access to external markets and severe competition among producers (UNWTO 2008). Many handicraft producers confront a number of market problems which makes it difficult for them to achieve market size for bulk production or product quality. These problems are compounded often by low entry barriers which precipitate often severe levels of competition between local producers, causing reduced profits to the extent that it becomes difficult to generate surpluses necessary for re-investment in improved productivity and growth (Giron *et al* 2007). In addition, with enhanced rural road infrastructures, the markets of certain traditional rural crafts become exposed to external competition from the products of larger, often urban-based, producers. In several developing countries, for example, factory-made furniture displaces its artisanal alternative or bags and hats made from synthetics may displace those produced from natural raw materials as a result of changing consumer tastes.

The international record points to the need of rural handicraft producers for improvements in both access to markets and improvements in marketing (including design) of their products. Recent evidence from The Gambia, Laos and Thailand points to strengthening the linkages between craft producers and tourism value chains as one promising sphere for policy intervention which would be designed

to enhance craft producers' access to markets (Ashley 2006, Mitchell & Faal 2006, Lacher & Nepal 2010).

A second set of constraints found in the international experience relate to raw material costs and shortages. Commonly, the problem of shortages of certain raw materials can be an important constraint upon the development of many handicraft enterprises (Panda 2009). Of considerable significance therefore is research to monitor and understand the structure and markets which impact the supply of raw materials to the handicraft sector. In many developing countries this control is linked to exploitative practices of intermediaries (middlemen and moneylenders) who frequently control the supply of raw materials to "cottage industries" and handicrafts and thus determine the costs of raw materials.

The third set of constraints that emerge from the international experience relate to the critical issue of access to finance or more specifically access to micro-credit. From the international experience of rural handicraft enterprises it is evident that access to finance and, in particular, finance as working capital, is often a major problem. The international experience recognises that in order to enhance access to finance by rural craft entrepreneurs there is a need, *inter alia*, to improve rural finance market performance as a whole, to improve the mobilisation of rural savings, to augment the competitiveness and institutional diversity of the financial market, and to increase the use of innovative financial structures (Rogerson 2000).

A fourth set of constraints upon rural handicraft enterprise development surrounds access to technology. The international craft record shows that access to and application of appropriate technology is crucial for the upgrading of rural handicraft enterprise. The non-availability of appropriate technology in the form of suitable tools and equipment has been found to be a vital blockage for rural producers, especially in Asia.

A fifth common set of problems of rural handicraft producers, as reflected in the findings of the international experience, relates to questions of managerial weakness or capacity. The absence of management or business skills is a factor that will aggravate all the other

problems faced by rural producers as entrepreneurs lack the capacity to analyse situations and to chart ways forward to minimise the adverse effects of other constraints upon their business. In Mexico when artists and crafters define success often they do not consider profits and financial growth; rather they consider their independence, creativity or cultural identity (Giron *et al* 2007: 17). Key policy issues for developing rural handicrafts are thus improved and appropriate education and training for rural handicraft entrepreneurs in terms of enhancing their ability to “learn and compete”, especially in external international markets (Kamara 2006, Hewitt & Janse van Rensburg 2008).

Finally, the sixth set of constraints that are viewed as impacting upon enterprise development relate to weaknesses in institutional support structures and to considerations of weak or absent institutional frameworks and inadequate support systems. In many countries there is still a lack of awareness on the part of the general public and policymakers regarding the importance of craft for rural livelihoods and rural development (Citalli & Shanley 2004: 7). Inadequate or fragmented support systems for enterprise development are a widely observed feature of the international landscape of handicrafts. It is argued that for the smallest size of handicraft enterprises assistance can usually be most effectively delivered on a group basis. Although this requires that groups be well-organised and motivated, a common finding from the international experience is the lack of organisation or the poor organisation of rural enterprises in a manner that might enable them to make effective use of available support services.

### 3.2 Local research: external markets and internal problems

Local empirical research confirms the relevance of many of the above issues profiled in international work. Studies conducted during the 1980s underscore the point that the most common constraint facing South African craft producers was of accessing markets and of inadequate product marketing (ECI Africa 2004, Ndabeni 2005, Hay 2008). In light of the often highly competitive markets for

craft products, the results of several assessments of the development potential of rural handicraft production during the late apartheid period were unpromising. Detailed research conducted in KwaZulu-Natal demonstrated that the vast majority of craft producers were “survivalist enterprises” (Preston-Whyte 1983, Preston-Whyte & Nene 1991). Other research also showed that where capital accumulation was taking place it was primarily into the hands of retailers and craft wholesalers rather than rural producers (Rogerson 1986).

The work of the Cultural Strategy Group (1998a & 1998b) is valuable because it unpacked the problems and potential support needs of several different segments of the craft economy. In particular, useful distinctions were drawn between the issues concerning traditional art, craft art, designer goods, functional wares and souvenirs. Notwithstanding the unique aspects and problems of these different subcomponents of the arts and crafts economy, a number of generic issues were highlighted that affect the success or failure of all enterprises in the national craft economy. Seven key issues were identified, the majority reflecting points already identified: shortage of capital; access to information; lack of demand for products; the need for product development support; availability and cost of inputs and production equipment; education and training, and inappropriate legislation.

Overall, the most commonly identified constraint for enterprise development related to the issue of capital shortage, albeit it was conceded that “lack of capital is due to the inappropriate usage of existing resources” (Cultural Strategy Group 1998b: 72). Equally significant was the problem of lack of demand or of increasingly competitive markets, which pointed once more to the critical issue of market access and improved marketing. It was suggested that lack of demand was a reflection of a combination of factors, including entrepreneurs’ lack of marketing skills, product quality, market saturation, education levels and the general “fickleness” of markets for craft goods.

Further research on the enterprise of craft produced in the 1990s provided added confirmation of the key arguments and constraints as revealed by the Cultural Strategy Group. In studying crafters in

the Richards Bay area, Memani (1999: 22) showed that the majority of rural crafters were committed to the business of craft in the long term but faced certain severe constraints particularly of low market demand, lack of access to credit, and poor infrastructure. In rural Mpumalanga distinctions were drawn between the problems that faced groups of male wood carvers as opposed to women grass weavers (Rogerson & Sithole 2001). In KwaZulu-Natal, the limited access to markets was highlighted for groups of local crafters working close to the Midlands Meander, one of the most successful route tourism initiatives (Mathfield 2000). As Marcus (2000: 30) observes: “crafters in the study sites generally do not supply or have access to the established tourist and hospitality outlets on the Midlands Meander, with the possible exception of those who supply buyers”. Some critical policy-relevant suggestions resulted from this investigation:

... access to small amounts of capital that allow people to buy more materials, or improve the technology they use, can have a significant impact on the income individual crafters are able to generate. Low risk micro-credit that is interest capped can contribute fundamentally to sustained horizontal and vertical expansion in production and income for many poor households (Marcus 2000: 32).

In addition, it was argued that in addressing the lack of variety, variability in quality of output, limited production flexibility and narrow spatial markets such limitations might be dealt with “through a systematic training initiative, which both enhances and elaborates existing skills and creates new ones where these are needed” (Marcus 2000: 33).

The most recent wave of craft research post-2000 highlights the constraints that challenge the upgrading and competitiveness of enterprises in the craft sector, including, *inter alia*, inadequate information on the sector, inadequate linkages with design skills, a tendency for production of certain crafts to be supply- rather than demand-driven, lack of reliability of producers on quality/time criteria, inadequate access to raw materials and finance; weak business skills of entrepreneurs; inadequate alignment of SMME support ser-



vices to the craft sector; the inadequate outreach of interventions into marginalised and rural areas, and the fragmented nature of support interventions towards the craft sector.<sup>4</sup>

The craft value chain includes design, provision of inputs, production, services and distribution, retail and consumption. The study by Kaiser Associates (2005a: 1) asserts that “value chain relations in the sector tend to be complex and contested, as producers do not necessarily have the skills to manage non-production activities such as distribution and marketing; intermediaries are often necessary, but resented, with perceptions of inappropriate distribution of margins”. Materials, specific techniques and product types vary significantly, resulting in great diversity in the sector. In addition, it is revealed that craft products may have different quality standards and scales of production as well as be positioned differently within markets (Elk 2005). Research in the Western Cape research disclosed that market positioning includes predominantly functional items, fashion-led items, gift and novelty items, corporate gifts, collectables or craft art, souvenirs and socially responsible or fair trade items (Kaiser Associates 2005a & 2005b).

In the ECI Africa (2004) investigation the strengths and weaknesses of the arts and crafts sector were mapped out in detail. The major strengths or foundations for growing the craft sector were as follows: existence of a rich cultural heritage of crafting skills; craft skills inherent and in abundance in the craft producing population (especially of women) in rural communities; the labour-intensive nature of the sector underscores its role for job creation; gaps in the existing value chain(s) which can be filled by fee-based business development services; high product quality; many different resources are involved in the sector – government, private sector and NGOs, and craft retail outlets centred in urban areas, major focal points in the tourism economy (ECI Africa 2004).

Key cross-cutting issues for enterprise growth are recognised as the lack of adequate skills, difficulty of market access, and a lack of

4 Cf Elk 2005, Kaiser Associates 2005a, 2005b, 2005c, 2006, DTI 2007, Hay 2008, HSRC 2008, DTI 2010.

innovative product development. In particular, as highlighted from research findings from the Eastern Cape, “the main factor limiting the success of craft traders in this area is the lack of access to markets” (Pereira *et al* 2006: 492). Further issues are raised concerning access and control of the raw materials used in certain craft products (Kepe 2003, Shackleton & Steenkamp 2004).

Table 1: Key markets for the KwaZulu-Natal arts and crafts economy

Key market segment	Description	Value of annual sales	Percent of total annual sales
Local markets	Open markets, road side markets, informal markets found in urban and rural areas	R 72 million	7
Tourist craft markets	Retail outlets, specialist craft stores or shops	R 680 million	68
Tourist boutique shops	Hotel stores, game lodges and designer high end retail outlets	R 168 million	17
International (export) markets	Home décor outlets mainly in major North American and European cities. Niche products are high design and high innovation	R74 million	8

Source: ECI Africa 2004

In the ECI Africa study, the important observation is made that understanding of markets is crucial as they drive sector growth in the craft economy (ECI Africa 2004). The demands from and trends within the domestic and international markets determine which craft products will sell. A useful breakdown is provided in terms of the importance of different forms of market for the KwaZulu-Natal arts and crafts sector. As shown in Table 1, tourist craft markets and boutique shops together account for 85% of sales for arts and crafts producers. This finding underlines the critical inter-relationship be-

tween tourism growth in South Africa, on the one hand, and the expansion of markets for the craft economy, on the other (DTI 2010).<sup>5</sup>

It is argued that strategic interventions must be customised and differentiated according to the needs of specific segments of craft enterprises. Based upon the experience of KwaZulu-Natal, the growth of craft enterprises is uneven and affected by the particular market segment with which that business is involved. Some segments of craft production are of a survivalist nature because there is an over-supply of products which do not meet market demand. By contrast, others which are commercially driven and linked to rising demands are growing in size and returns to crafters. In terms of market access, locational issues are of critical importance for tourism markets. One distinctive group of arts and crafts SMMEs that can benefit from their location are producers linked to route tourism. In several tourism route initiatives across South Africa, the attractions of arts and crafts producers have been marketed as an essential aspect of the route tourism package. The best examples of such route tourism initiatives are the Midlands Meander in KwaZulu-Natal and the Crocodile Ramble in Gauteng (Stoddart 2008). In this instance, the most significant issues for “growing” the markets for arts and crafts producers relate to the wider issues of developing the routes as a whole and support for the marketing activities of the private sector associations which spearhead these route tourism initiatives (Lourens 2007, Stoddart 2008).

The findings from a national survey conducted in 2008 of 121 established craft enterprises which exhibit at the annual DTI supported One-of-a-Kind trade show re-state the key constraints that challenge contemporary craft enterprise development in South Africa (Rogerson & Rogerson 2010). The research revealed that the most significant problems facing these craft producers relate to access to finance (credit), inadequate marketing, lack of demand, premises and shortages of skilled labour. In addition, for craft producers located in remote rural areas questions of infrastructural shortcomings,

<sup>5</sup> Cf Rogerson C M & J M Rogerson 2010. ‘One of a kind’ South African craft: the developmental challenges. *Africanus* 40(2) [in press].

transport costs and access costs to information and markets are of paramount consideration.

As a whole, it is argued in recent policy-focused research on craft that strategic interventions must be customised and differentiated according to the needs of specific segments of craft enterprises (Hay 2008). The DTI sector development strategy for craft proposed a series of actions to address seven substantive problems: lack of co-ordination, information dissemination and a common vision for craft; lack of reliable national sector profile data; weak skills base in manufacturing enterprises which impacts upon product supply to markets; high and uncompetitive product price; lack of research and development; poor ability to capitalise on market opportunities, and lack of a common marketing strategy (DTI 2007).

This sector development strategy identifies a number of key initiatives to be implemented, including an enterprise development programme which is to be designed to assist established as well as emerging craft enterprises. The strategy includes interventions to establish a set of regional urban hubs with strong links to prioritised rural hubs in order to promote and facilitate the craft trade. Overall, the policy focus in this important document relates to the needs of craft producers seeking to supply products to external markets. Nevertheless, one neglected theme in the DTI's 2007 craft sector development strategy concerns analysis of what has been termed an "invisible" group of craft enterprises that predominantly produce for local rather than external markets (Shackleton *et al* 2007).

### 3.3 Local market-oriented craft

Examining scholarship in South African craft, Kepe (2003: 152) records "little work has been done to document the extent of craftwork production for local use within rural areas". Attention is drawn to a category of neglected craft SMMEs that other researchers have analysed under the heading of NTPFs (Shackleton & Shackleton 2003 & 2004). The types of craft products under consideration include the production of grass or twig hand brushes, traditional craft products such as collecting baskets, food mats or sleeping mats, and, utilitarian wood-carved products such as bowls, spoons, trays and walking sticks. In discussions on craft, it is evident that

as most attention concentrates on products procured for outside or export markets “local markets tend to be relatively poorly acknowledged, underappreciated and often neglected” (Shackleton *et al* 2007: 698). Likewise, local-level trade “remains undervalued by most governmental policy makers” and institutional support for these activities is lacking” (Pereira *et al* 2006: 478). The term “local” refers “to encompass immediate village markets, markets within neighbouring villages and local towns, roadside, harbour or junction selling points, and markets in the nearest large urban centres and cities” (Shackleton *et al* 2007: 700). An important aspect of such “local” markets is pension markets, which are a focal point for rural craft traders (Shackleton 2005).

Table 2: Balance of advantages and disadvantages of local markets

Advantages	Disadvantages
Local markets exist whereas external markets have to be developed	Limited growth of local markets relative to external markets
Local markets are stable and guaranteed whereas external markets can be uncertain and fickle	Local markets can be quickly saturated thus limiting opportunities for new entrants
Participants are often independent whereas in external markets, dependencies are created and can become exploitative	Local markets lack visibility and are neglected by policy makers
Require low-cost appropriate technologies whereas external markets may require different levels of processing and quality control	Producers often lack contacts or skills to develop further their businesses without external support
Local markets are relatively unregulated thus allowing entry of poor, unskilled and marginalized members of local communities	Limited opportunities for product diversification
Low barriers to entry and low investment requirements	Low purchasing power of consumers.
Cultural value of many locally traded goods provides market stability	Producers are often geographically dispersed over wide areas making it difficult to build collaboration

Source: Adapted from Shackleton *et al* 2007: 706

There are multiple economic and social benefits of enhancing the conditions of local market-oriented craft SMMEs. Local craft offers numerous advantages for participation by the poor and those with limited skills, education or other choices (Table 2). Often opportunities are provided for segments of society – including AIDS-affected households – who would otherwise struggle to compete in more high value markets. As Pereira *et al* (2006: 478) record: “Trade in traditional craft specifically often represents a critical source of income for very vulnerable members of society, especially rural women with few options for cash generation”. Among the most obvious benefits of promoting such crafts are the limited barriers to entry, minimal capital required to start in business and that commonly raw materials can be procured at little or no cost other than labour time (Makhado & Kepe 2006). In addition, for many products, local people already have the skills required and thus local crafts build upon a foundation of rich indigenous knowledge, technologies and skills (Shackleton *et al* 2007). Further, in terms of producing for local markets, producers have an understanding of market requirements (Shackleton 2005).

Local markets have a number of known limitations or disadvantages for rural craft producers (Table 2). Among the most important and well known are that such markets can become saturated as compared to larger external markets, the high potential for commercial substitutes for traditional products, and reduced opportunities for product diversification. Nevertheless, local markets also have many advantages relative to external markets for rural craft producer-traders. A key advantage is that they are familiar “while export markets tend to be both socially and geographically worlds apart from what producers and traders know” (Shackleton *et al* 2007: 705). Often rural craft producers have little understanding or knowledge on how to make contact with buyers and of the quantity or quality of material or products that may be required. As a result “external facilitation may be required to break into such markets” and such support “often, in turn, becomes a weak link, creating unhealthy dependencies on external agents or facilitators” (Shackleton *et al* 2007: 705).

These local market craft SMMEs afford livelihood benefits at two levels, namely a “daily net” or safety net and an “emergency net”

(Shackleton & Shackleton 2003). The safety net or daily net is the production of these crafts on a regular basis. Beyond this is “the role of these products in assisting households to cope in times of adversity manifested as sudden changes in economic, social or bio-physical environments in which households exist and function” (Shackleton & Shackleton 2004: 659). This “emergency net” function would include situations such as death of a household head or retrenchment, drought or floods, and would involve new producers. Although an emergency net may evolve into a permanent livelihood strategy it should not be assumed that all participants in such craft activities are involved in coping or survival activities because there is evidence that people elect to engage in the trade out of preference (Shackleton 2005).

Overall, it is important to acknowledge that income to producers is highly variable from one producer to another and depends upon effort expended (Shackleton & Shackleton 2004). Many producers are also engaging in these activities only on a part-time rather than full-time basis (Shackleton *et al.* 2007). It is acknowledged that while this form of craft SMME can generate income for rural households, for the majority it does no more than ease rural poverty or acts as an emergency net. But, in terms of pro-poor impacts, the importance of these activities for rural households should not be ignored or underestimated. Although such craft endeavours rarely lead to poverty alleviation, these activities may prevent intensification of poverty. For some full-time producers (a minority) these activities may offer a pathway out of poverty. As has been stressed

... the number might fall far short of the promise of large-scale poverty alleviation once promised, but it should not be overlooked nor neglected, especially as most of those being lifted out of poverty often do so by their own initiative and with no or limited government support (Shackleton *et al.* 2007).

Table 3: The non-monetary benefits from local market-oriented craft

<ul style="list-style-type: none"><li>• Low barriers to entry</li><li>• The ability to work from home</li><li>• Being one's own boss</li><li>• Opportunity to involve and work with all family members</li><li>• Income earned is proportional to the effort expended</li><li>• For women, the ability to earn and control cash independent of the household head</li><li>• For pensioners, to be able to make a contribution to the household, however small</li><li>• Keeping alive traditional products, processing techniques and knowledge</li><li>• Passing on such traditions and knowledge to younger household members</li><li>• Pride in having a skill and means to support the family in circumstances of high unemployment</li><li>• Satisfaction of simply being occupied irrespective of the returns</li><li>• Building of social networks and social capital</li><li>• Development of a set of business skills that can be applied to other livelihood strategies</li><li>• Recognition by community leaders and other members of the community</li></ul>
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Source: Shackleton *et al* (2007)

As shown in Table 3, there are a set of non-economic benefits linked to the production of these craft goods that must also be acknowledged (Shackleton 2005). The most important relate to issues of independence, self-esteem, psychological well-being, sense of purpose and extension of social networks.

#### 4. Conclusion

In policy terms this article suggests the imperative for national government to continue to address the constraints or challenges that face communities of crafters in South Africa in order to enhance the potential for craft to contribute towards a more inclusive economy. Maximising the local impact of tourism-led craft development is an emerging challenge for analysts of local economic development and for local governments across South Africa (Nel & Rogerson 2005, Rogerson & Rogerson 2010). Indeed, there is a strong case for linking interventions concerning the craft sector more closely to the expanding initiatives for pro-poor tourism in South Africa (Rogerson



2006). Overall, this analysis shows that government policy – both at national and local level – must deal with the problems of both those groups of craft enterprises which are oriented to external markets as well as those which are more narrowly focused on local markets. The fortunes of much of the former group of enterprises are inextricably tied to external markets and especially to the health of South Africa's international (long-haul) tourism economy. It is this particular group of crafters that are core potential beneficiaries of tourism growth associated with the 2010 FIFA World Cup (Tourism Enterprise Partnership 2008).

Despite the rise of new research initiatives, particularly post-2000, it must be concluded that South African research on craft enterprise development remains undeveloped particularly as compared to rich detailed investigations that exist for understanding rural handicraft enterprises in other parts of the developing world. Looking forward, key issues for consideration relate to monitoring and analysis of the unfolding interventions which are being undertaken by national government to support the sustainable expansion of craft enterprises. Another area for research relates to strengthening the linkage of craft enterprises into tourism value chains. Finally, the research agenda of South African craft must not, however, overlook another suite of issues relating to local market-oriented craft SMMEs which are considered vital for enhancing the livelihood security of the poorest and most vulnerable members of society. Arguably, national support programmes for craft enterprises so far have to a large extent eschewed the business needs of this latter segment of craft SMMEs.

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