

## Strategic issues in marketing handicrafts: case of a state handicrafts development corporation<sup>1</sup>

India has a rich tradition of handicrafts that has evolved over several centuries. This is not only closely intertwined with Indian culture but also generates significant employment to the poor. In a country that is dependent on agriculture, the crafts sector plays a very important role in the providing livelihoods to several lakhs of artisans in every major region of the country. According to an estimate the handicrafts sector employs 68.86 lakh artisans (Annual Report 2013-14). For the country's economy the sector also earns revenue. As per an estimate (Annual Report 2015-16), the handicrafts sector earns several crores (including handmade carpets) in exports alone.

### Indian handicrafts sector

In India traditionally there are around 32 major categories of crafts identified by the Development Commissioner (handicrafts), Ministry of Textiles.



Copyright © 2016 Shri Dharmasthala Manjunatheshwara Research Centre for Management Studies (SDMRCMS), SDMIMD, Mysore. This case is published as a part of 'Cases in Management Volume 5 (2016)' with ISBN 978-93-83302-22-2

The case writer(s) M R Suresh, Professor - Marketing, may be reached at suresh@sdmimd.ac.in Author(s) have prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of SDMRCMS, SDMIMD, Mysore. For Teaching Notes please contact sdmrcms@sdmimd.ac.in.

---

<sup>1</sup> The case is partly based on a real life study in which the marketing dimensions were studied by the author. The case has been written for academic purposes only and not to illustrate either effective or ineffective handling of managerial situations.

These categories in a nutshell are as below:

<ul style="list-style-type: none"> <li>• Zari</li> <li>• Leather</li> <li>• Footwear Leather (Other Articles)</li> <li>• Rugs &amp; Durries</li> <li>• Textile (Handloom)</li> <li>• Textile Hand Embroidery</li> <li>• Textile Hand Printing</li> <li>• Wood Carving</li> <li>• Wood Inlay</li> <li>• Wood (Turning)</li> <li>• Wood (Lacquer Ware)</li> <li>• Furniture</li> <li>• Stone Carving</li> <li>• Stone Inlay</li> <li>• Cane and Bamboo</li> <li>• Filigree and Silverware</li> </ul>	<ul style="list-style-type: none"> <li>• Metal Ware</li> <li>• Bidriware</li> <li>• Jewelry</li> <li>• Pottery and Clay Objects</li> <li>• Terracotta</li> <li>• Horn &amp; Bone</li> <li>• Musical Instruments</li> <li>• Folk Painting</li> <li>• Conch Shell</li> <li>• Coir Twisting</li> <li>• Theatre Costumes</li> <li>• Puppet</li> <li>• Dolls and Toys</li> <li>• Grass, Leaf, Reed &amp; Fiber</li> <li>• Metal Images (classical)</li> <li>• Metal images (folk)</li> </ul>
--	---

Source: [www.handicrafts.nic.in](http://www.handicrafts.nic.in), Development Commissioner (Handicrafts), Ministry of Textiles, Government of India

Each of these crafts has evolved in specific regional clusters across the country. These crafts involved traditional artisans, sometimes relate to specific castes/ religious groups. The processes, tools used are varied. The products made are of different value. After India became independent, the initial focus was largely on heavy industries. However, the government also took steps to support the handicrafts sector thanks to a few visionary leaders. Pioneering efforts by eminent people such as Kamaladevi Chattopadhyay and Dr L C Jain resulted in the preservation, regeneration and revival of crafts and handloom sectors in India. Steps were also taken by the government and professionals in the field to preserve the heritage, create institutions and initiatives were taken to meet the requirements of the artisan and weavers in a changing business environment.

It was in this background various state governments established Handicrafts and Handloom Development Corporations with a view to

capitalizing on the schemes launched by the Government of India and to help artisans combat the vagaries of market fluctuations. While in a few states handicrafts and handloom corporations were separate business entities, in others they constituted as a single organizational entity.

### **XXX State Handicrafts Development Corporation (SHDC)**

SHDC was formed by the state government of XXX State in the 1970s with the following vision and mission :

- To preserve and market handicrafts and handloom products of the state
- To provide sustainable livelihoods for the artisans and weavers
- To procure handicrafts and other such products, formulate marketing strategies and retail them in major cities of India in a professional manner
- To encourage artisans and weavers in the design and development of new products by identifying emerging opportunities for the region's crafts
- To take advantage of various welfare schemes meant for artisan community by the government and implement the same

### **Strategies pursued**

SHDC pursued a multipronged strategy to increase the sales of crafts of the state. These included:

- Marketing through professional retail showrooms in major cities of India
- Organizing special marketing vehicles such as exhibition and melas
- E-marketing initiative to market products online
- Setting up of training-cum- production/procurement centers in different parts of the state for value- added crafts

Towards this end SHDC operated retail showrooms in major cities of India such as New Delhi, Mumbai, Bangalore, Chennai, Kolkata and a few other state capitals. These were in addition to retail outlets in the state. An online initiative to market the product was also launched to take advantage of changing consumer behavior and the increasing trend to purchase products online. Exhibitions were also organized at different cities coinciding with major festivals. SHDC marketed 20 different product categories, each with many variations.

An analysis of the overall movement of product of SHDC showroom in a major Indian city revealed the category of products sold as given in Table 1:

**Table 1**  
Product categories sold by SHDC in two major cities

category	Approximate Sales value (%) of annual sales	
	In Major City -A	In Major City-B (trend in relation to City A)
Bedsheets	6	Similar
Yardage	22	Similar
Garments	18	Similar
White metal	3	Similar
Brass items	1.5	Very less
Wood carvings	0.25	Similar
Furniture	11	Similar
File folders	8	Similar
Cushion covers and hangings	12.5	Very less
Leather items	1	Very less
Bead items	0.25	Less
Stuffed hangings	2.40	Very less
Sarees	4	Less
Bags, pouches	2	Less
Clay/terracotta	0.25	Less
Dhurries	1.60	Very less
Copper items	1.25	Less
Shawls	5	Very less

Source: SHDC, figures indicative

### **Retail showroom performance of the corporation**

An examination of the retail performance of SHDC in two leading cities of India revealed the following aspects.

#### **City A**

The total sales in the showroom was less than a crore in an average year. The average billing per customer was less than Rs 1000/. Bead and leather items did not move fast. Sarees did not sell for want of variety, texture related problems and want of retail selling skills of frontline sales personnel. In the case of leather products quality was a major problem. Yardage sold fast. Interestingly many boutiques purchased this material regularly. Furniture categories (both wood and jute-based) had a good demand owing to their uniqueness. However, owing to supply constraints the market demands were not fully met. Certain items such brass jewel boxes which were moving fast a few years back displayed a declining trend. Shawls and quilts sold well owing to weather conditions and corporate culture in the city. But similar quilts were also being sold by private traders that were thicker and perceived to be of a better quality by customers. There was an institutional market for gift items. In addition during festival (such as dussera) and marriage season gift items such as white metal holders were purchased in bulk, roughly in lots of 100 pieces per lot. In a year a few such orders were executed. Outstation exhibitions was not profitable. The operational cost of such exhibitions were around 60 percent of the sales excluding discounts and salaries. Only theme based exhibitions in the emporium were being planned in a year in the light of such experience in conducting exhibitions. The sales of this outlet displayed a fluctuating trend. Interestingly SHDC's was third in terms annual sales in the city. Handicrafts corporations of two southern states took the first two slots (the approach of these corporations have been indicated later). Emporia of a few other states continued to operate despite being non-viable. While another state handicrafts corporation closed its retail operations on the grounds of being non-viable.

### **City B**

The retail emporium was in a posh locality. As in City A, many customers were women and a few foreigners (unlike City A that had some degree of foreigner inflow). The average billing was less than that of City A. Sarees did not sell much as the city had well known saree showrooms. While insufficient length and height were cited as problems by customers in City B, lack of variety (both color and type), being too transparent were mentioned by City A customers as reasons for not purchasing sarees from SHDC. Here again exhibitions were not profitable.

### **Customer analysis**

An exploratory survey of consumers purchasing handicrafts and handloom items at the point of purchase in a few major cities provided the following insights:

- Dress material was purchased most followed by wall hangings, furniture, cloth file folders
- Billing per customer was not high
- Many customers purchased handicrafts items atleast once a year
- Handicraft items were either purchased as gifts and by a majority for home decoration
- Handicraft items are purchased mostly in state-owned emporia.
- Good quality and finish were the most important factors considered while purchasing handicrafts, followed by price and genuine artisan-made items.
- In the case of handlooms, good quality and finish, followed by convenience and price were important factors. Interestingly, customers perceived functional utility as an important factor in purchase both in the case of handicrafts and handlooms.

- Aesthetic value was considered in the purchase in the case of handicrafts items more than in the case handloom items.
- NRIs purchased handicrafts from private dealers as well. In addition, customers visited state emporia for ethnic items
- Most customers had no idea of new product introductions
- If products sought were not available, customers substituted them by visiting other state emporia. Thus substitutability was high for low to moderate value products. (This has important implications for the product life cycle and hence marketing strategy)
- Customers were price conscious. Most customers were inclined to pay a premium of around 6-10% for genuine artisan or weaver made products.

### **Competitor analysis**

Competitor A (a leading government owned handicrafts corporation in state A):

The organization marketed its products under a well-known brand name. The corporation itself was identified with the brand name. This organization had tremendous retailing expertise developed over the years. It had its origins in the Government Handicrafts Depot that functioned during the Maharaja's rule prior to independence. The brand had a strong association for the quality of its products. This corporation did not provide discounts (except during festival seasons) as a general policy. The refrain of the marketing officers was that the customer purchased handicrafts products in its showrooms for its authenticity and hence no discounts need to be offered to customers. This corporation has been generally been profitable. NRIs formed an important segment of customers for this corporation. As a result billing per customer was high. Another contributory factor was the price of products marketed, the range of which was from a few hundred rupees to a few lakhs per piece.

With regard to product policy, this corporation had a clear edge in sandalwood items and rosewood inlays. No private trader was able to effectively compete against the corporation particularly in these categories. Sandalwood products constituted a significant percent of sales value followed by rosewood products. The organization had evolved an inventory policy for major products. Production was not undertaken if the inventory was not in consonance with the inventory policy. This also motivated artisans as well as staff to identify products that moved fast in the showrooms by meeting customer requirements.

Space was a constraint in the showrooms and hence low value items that occupied space were not displayed. Depending on the type and profile of customers visiting the showroom, products were displayed. A rational product mix was obvious. A few showrooms that had not been viable were closed. Artisans were encouraged to undertake modification of traditional crafts for contemporary needs. An E-commerce initiative has been started. However, the long lead time for supplying high value crafts was an issue. Exhibitions were profitable due to the variety and the range of products sold.

Competitor B (a leading government owned handicrafts corporation in state B):

The corporation had both production centers in select locations within the state and retail showrooms in major cities across the country. Each production center specialized in one craft and was often a high value craft. In general high value handicraft products were manufactured in these production centers. Artisans were affiliated to these centers. They benefitted from both cash incentives and long term benefits from these centers. This corporation had a strong brand equity in bronze, brass icons and lamps, art plates and wood carvings. In the category of brass products the corporation has acquired skills in delivering them for modern needs. Permanent designers were on the rolls of the corporation who came up with new ideas. For instance, art plates have been made contemporary with modern motifs, glass



covering and clocks to suit the needs of the institutional market. This organization believed that competition could not be avoided in this business and hence crafts of different type ought to be combined to produce innovative crafts. For instance, traditional brass work was combined with modern art work to produce brass queue railings. To a great extent, the corporation generated funds from operations and was less dependent on government sources for survival. The organization had a strong cost saving and quality orientation. Retail showroom managers directly got in touch with production centers for replenishment of stocks and were operationally less dependent on the head office for day-to-day guidance. The corporation also had a focused approach with regard to media promotion. Intelligent media promotion helped generate revenues from exhibitions. The corporation's major showrooms were redesigned with the objective of being more professional in retailing. Test marketing of new products were undertaken often.

Both these state corporations envisaged establishing 'other states products' wing to increase footfalls and to give the impression of a pan-indian handicrafts corporation in the light of emerging competition.

### **Handloom corporations in state A and state B**

Interestingly, in both states A and B, handloom sector organizations had been established to help weavers. These were independent of the handicrafts corporations, had management structures and brands different from those of the handicrafts corporations in their respective states. Handloom Corporation in state A worked with several thousand weavers. Its printed silk saree was known for high quality and contributed to a large percent of its sales. Innovative patterns and designs were introduced frequently. It sold on credit to government employees, recognized public bodies and was payable in six equated monthly instalments. The strategy was quite popular with buyers. There were different categories of retail showrooms pointing out to a more professional retailing strategy.

In state B, the handloom organization had retail showrooms across the country. It procured handloom items through primary weavers' cooperatives. Exclusive silk showrooms had been set up to meet the requirement of high income group customer segment. The future focus would be on value added products with high quality finish. This organization also had credit sales approach similar to the one in state A.

Interestingly state A had an exclusive corporation to mark silk based products that were unique to the state.

### **Strategic issues faced**

Given the business environment that was emerging SHDC faced many strategic issues. Should the state government be involved in running a public sector enterprise to market handicrafts of the state or restrict its role as a facilitator in implementing artisan development programs?

Splitting the handicrafts and handloom wings as separate corporations, going the by the experiences of other states had pros and cons. While it might help from a marketing perspective it would perhaps increase expenditure. In addition, unlike certain other state run corporations, SHDC operated in a region where crafts had a significant textile component. Therefore from a production perspective this could lead to an absence of synergy between the handloom and the crafts sector. The customer for an ethnic furniture item was different from the customer seeking an ethnic saree or shawl. These called for different retailing skills. If both crafts and handlooms were retailed by the same entity developing such competence would be a challenge.

An average Indian customer had low awareness of crafts and genuineness of craft products. Should it therefore focus on social branding as a strategy or not? This had pricing implications as genuine products could have a premium price. Is there a need to collectively (with other state governments and the central government) develop

social branding logo to indicate genuine artisan made products? Alternatively, it could collaborate with independent bodies such as Crafts Council of India.

Designs of artisans could easily be copied. How to protect the same from the perspective of 'intellectual property' in a legal manner. Ownership of the SHDC's brand was an aspect. Was it owned by the government or the corporation or the artisans? Resolving this would help in developing new marketing strategies.

The customer profile was changing. Which was the target segment for SHDC to focus? Was it the burgeoning middle class customers that wanted handicrafts which met modern needs yet retaining traditional features and moderately priced or the NRIs who sought high quality traditional products in all its original ethnicity even it was highly priced? This had implications for product design and development. There were livelihood issues as well and called for reorienting the artisans to view their crafts differently and adapt them to modern needs. This was a major challenge.

The competition was changing with professional (often exclusive) retailers and designers getting into this sector. They were strong in product innovations and nimble footed in responding to emerging consumer needs. Was it possible for a state run corporation to develop such capabilities in product innovation? E-commerce initiatives were also part of the competition. New challenges were there such as green products that used only natural material and vegetable dyes/ coloring material.

What has been the core competence of SHDC? Was it a production center or procurement set up for purchase of artisan/ weaver products or a retailing organization that helped artisans/ weavers? The definition of what constituted a handicraft / handloom product has been changing over the years. What could be institutional design of SHDC in future? Should it become a completely producer-owned organization or setup a social enterprise as a not-for-profit company

in the joint sector with participation of producers, designers, NGOs and the state government? It could also collaborate with other social enterprises and design institutes. The competition was intense. New forms of marketing including online ones have emerged. While livelihood issues of artisans were there, the lifestyle of consumers was changing. SHDC had to orient itself for the future as linking the artisan to the domestic and the emerging global market was a challenge

### **References**

Annual Report, Ministry of Textiles, Government of India, 2014-15

Annual Report, Ministry of Textiles, Government of India, 2015-16

[http://handicrafts.nic.in/CmsUpload/2039201602393132 craft process.pdf](http://handicrafts.nic.in/CmsUpload/2039201602393132%20craft%20process.pdf)

Unpublished draft report (IRMA) 2002. The dimensions on marketing of handicrafts has been largely drawn from a larger study by IRMA in which the market study component was undertaken by the author.

Note: The organizations have been disguised and only qualitative information provided in academic interest. A few current issues faced by handicrafts organizations have been incorporated based on various readings to impart a contemporary flavor.